

**Part 2A of Form ADV: Firm Brochure**

**Item 1 Cover Page**



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March 28, 2014

This Part 2A of Form ADV, otherwise referred to as the “Brochure,” provides prospective clients with information about the qualifications and business practices of Horizon Asset Management LLC (hereinafter occasionally referred to as “Horizon,” the “Firm” or the “Adviser”) that should be considered before or at the time of obtaining advisory services from Horizon. This information has not been approved or verified by the U.S. Securities and Exchange Commission (“SEC”) or any state securities authority. Any reference to Horizon being registered with the SEC does not imply that the company or any of its management persons have achieved a certain level of skill or training. Please be advised that Horizon will not assign its duties to you to any other party without your consent, as that term is defined in Section 202(a)(1) of the Investment Advisers Act of 1940, as amended (the “Advisers Act”).

This document is not, and is not intended to be, a marketing brochure, nor is it designed to provide detailed information about all aspects of Horizon’s business.

If you have any questions about the contents of this Brochure, please contact the Legal and Compliance Department of the Firm at (646) 291-2300 or at [compliance@horizonkinetics.com](mailto:compliance@horizonkinetics.com). Additional information about Horizon is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Please print a copy of this Brochure and retain it for future reference.

**Item 2 Material Changes**

The Firm's last update occurred on March 28, 2013. There have been no material changes since the Firm's last update.

The Firm will update this Brochure at least annually, or sooner, as required to ensure the material accuracy of the information contained herein. The Firm will provide a copy of this Brochure upon request, and as required by applicable law. To the extent a summary of material changes to this Brochure is provided, the summary will include an offer to provide a full Brochure upon request.

Whenever you would like to receive a copy of our Firm Brochure, please contact us at (646) 291-2300 or by email at [compliance@horizonkinetics.com](mailto:compliance@horizonkinetics.com); or you may also download a copy of it from the SEC's website: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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#### **Item 4 Advisory Business**

Horizon is a Delaware limited liability company formed in 2011, and the successor entity of Horizon Asset Management, Inc., which was founded in 1994. On May 1, 2011, Horizon merged with Kinetics Asset Management LLC (“KAM”), and Kinetics Advisers, LLC (“KA”), each a U.S. registered investment adviser, and its affiliated companies, including KBD Securities, LLC (“KBD”) and Kinetics Funds Distributor LLC (“KFD”), and as a result came under the common ownership of Horizon Kinetics LLC (“Horizon Kinetics”), a holding company. The combined companies manage separately managed accounts, mutual funds and private funds. There are no principal owners that have beneficial ownership of over 25% or more of Horizon Kinetics, as indicated on Schedule A of Part 1A of Form ADV, which is available on the SEC’s website. The Firm does not have any publicly held intermediate subsidiaries.

Since Horizon’s founding, we have had consistency in our investment teams, supported by stability in our organization. Murray Stahl, Steven Bregman, and Peter Doyle comprise Horizon Kinetics’ Investment Oversight Committee which is responsible for the Firm’s investment philosophy and process. The Firm’s research team has worked closely together for over 20 years under the direction of the Investment Oversight Committee.

Prior to the formation of Horizon Kinetics in May 2011, Horizon, KAM, and KA operated as independent companies. Horizon was founded in 1994 by Murray Stahl, Steven Bregman, Peter Doyle, Tom Ewing, and John Meditz. KAM was founded in 1996 by Peter Doyle, Lawrence Doyle, and Leonid Polyakov, and in 2000, KA was founded by the same group.

Horizon Kinetics’ research team has been publishing research continuously since the early days of the Firm, and currently produces eight research reports. These research reports are purchased by a number of institutional clients and high net worth individuals. Certain reports are also available to the public on the Firm’s website, [www.horizonkinetics.com](http://www.horizonkinetics.com). These publications tend to focus on companies in transition, either in actuality or in investor perception. Our expertise is best demonstrated in the analysis of a company that has undergone or is undergoing a significant change in its capital structure and where the institutional analysts can no longer evaluate these companies through their traditional models. Horizon believes that writing research is a key component of our investment philosophy and process. Please see Item 8, “Methods of Analysis, Investment Strategies and Risk of Loss” for a more detailed description of each of these research reports.

Horizon offers equity, fixed income, and alternative investment products that are designed for institutional and high net worth clients. Horizon’s separate account strategies are available (depending on strategy) either directly from the Firm or through an intermediary such as a wrap fee or dual contract program sponsor. Horizon is not a wrap program sponsor. These wrap fee/dual contract programs are available and managed in the same manner, and by the same portfolio manager(s) as direct separate accounts (e.g., no intermediary). The wrap fee/dual contract sponsor is typically responsible for client communication and administrative services and pays Horizon a portion of the wrap fee, which is based on assets under management.

Horizon also acts as sub-adviser to investment companies registered under the Investment Company Act of 1940, as amended (the “Investment Company Act”). In addition, Horizon and/or its related entities serve as the General Partner and/or investment manager of several private investment funds. On a limited basis, Horizon also provides other investment advisory services such as asset allocation solutions, investment consulting, investment and investment policy monitoring, non-discretionary investment management, and advice relating to current and future investments. Clients retain discretion over all assets under consulting arrangements, and are responsible for implementing or declining to implement any consulting services or advice provided by Horizon. Horizon’s management of pooled products is consistent with the strategies and objectives outlined in each fund’s Prospectus and Statement of Additional Information (“SAI”) or other applicable offering documents or investment advisory agreement.

Customized investment management services are based on client-specific criteria, including, but not limited to client objectives, organizational structure, risk assessment, liquidity and cash flow, income needs, sources of funds to meet obligations, general economic conditions, regulatory requirements and/or restrictions, and social and other preferences relating to the account’s investment guidelines. Placing investment restrictions on a separately managed account or on investment advice in general may adversely affect the Firm’s ability to implement its investment

strategy and to generate the returns the Firm might otherwise have been able to produce if the investment restrictions were not imposed on the account.

The strategies utilized in wrap programs may differ from those of other accounts managed by the Firm in that they may be more or less concentrated, have more or less investment restrictions, hold more or less cash, employ special methods to address end of year tax issues and may use directed brokerage (as further described under Item 12). The Firm's management of client assets is made considering potential tax consequences, but the Firm does not manage assets with regard for each underlying investor's specific tax objectives. Investors are responsible for any tax liabilities resulting from transactions (including any arising from, the addition of assets to, or withdrawal of assets from the investor's capital account). Horizon makes no representation regarding the likelihood or probability that any proposed investment will in fact achieve a particular goal. Each client must carefully consider the appropriateness of the proposed investments in light of the client's own personal financial circumstances, including cash flow needs, unusual tax circumstances or other complex or subjective concerns. Clients are urged to seek the advice of tax professionals and to use all available resources to educate themselves about investments in general, as well as the investments made by Horizon.

### **Assets under Management**

As of February 28, 2014, client assets managed by Horizon totaled approximately \$5,492 million; discretionary assets totaled \$5,463 million and non-discretionary assets totaled \$23.8 million. KAM and KA, affiliates of the Firm and further described under Item 10 of this Brochure, had discretionary investment authority for approximately \$3,899 million and approximately \$269 million in assets under management as of February 28, 2014, respectively.

## **Item 5 Fees and Compensation**

Horizon's advisory fee schedules, which distinguish between private clients and institutional accounts and generally only apply to direct accounts, are set forth below. Institutional accounts are generally defined as those that invest a minimum of \$5 million into an individual strategy. Fees for client accounts are based on the market value of the assets under management in accordance with the following schedules. Fees are generally paid or deducted from a client's account quarterly in arrears although certain clients may elect to have management fees paid to the Firm in advance. Clients invested through a wrap program pay a fee directly to the wrap program sponsor and/or custodian, and the Firm is entitled to a portion of the wrap fee that a client pays to their custodian or plan sponsor.

Although fees may be negotiated with separate account clients, the Firm's basic fee schedule is as follows:

### **Private Client Accounts:**

#### **Equity and High Yield Strategies**

First \$5 million	= 1.00%
Next \$5 million	= 0.95%
Next \$15 million	= 0.85%
Over \$25 million	= 0.75%

#### **Fixed Income Strategies**

First \$1 million	= 0.60%
Next \$4 million	= 0.50%
Next \$5 million	= 0.375%
Over \$10 million	= 0.25%

#### **Fixed Income Opportunity Strategy**

First \$5 million	= 0.75%
Next \$5 million	= 0.60%
Over \$10 million	= 0.50%

#### **Global Index Premium Income and Global Index Premium Total Return Strategies**

First \$5 million	= 1.00%
Next \$20 million	= 0.75%
Next \$25 million	= 0.70%
Next \$50 million	= 0.65%
Over \$100 million	= 0.60%

#### **Synthetic Income I , Synthetic Income II, and Wealth Strategies**

0.50%

### **Institutional Accounts:**

#### **Asia Strategy**

First \$25 million	= 1.00%
Anything over \$25 million	= 0.75%

#### **Core Value, Large Cap and Global Large Cap Value Strategies**

First \$5 million	= 1.00%
Next \$5 million	= 0.75%
Next \$15 million	= 0.60%
Next \$25 million	= 0.50%
Over \$50 million	= 0.45%

#### **Research Select, Strategic Value and Spin Off Strategies**

First \$5 million	= 1.00%
Next \$5 million	= 0.85%
Next \$15 million	= 0.75%
Next \$25 million	= 0.65%
Over \$50 million	= 0.60%

#### **Small Cap Strategy**

First \$5 million	= 1.00%
Next \$5 million	= 0.90%
Next \$15 million	= 0.80%
Over \$25 million	= 0.70%

#### **Wealth Strategy**

0.50%

#### **Global Index Premium Income and Global Index Premium Total Return Strategies**

First \$25 million	= 0.75%
Next \$75 million	= 0.60%
Over \$100 million	= 0.50%

#### **High Yield Opportunity Strategy**

First \$25 million	= 0.75%
Over \$25 million	= 0.50%

#### **Private Fund Fees**

With respect to private investment funds (“Private Funds”), Horizon receives fees as set forth in each of the Funds’ respective confidential Private Placement Memoranda which consist of a management fee and, as applicable, an incentive fee or performance-based fee. Management fees are based on a per annum percentage of underlying assets. Incentive fees are based on a share of capital gains on or capital appreciation of, the assets of a client. These incentive fees are generally subject to a “high water mark.” Any such incentive fees will comply with the applicable requirements of the Advisers Act and specifically Section 205-3 thereof (otherwise referred to as the “Performance Fee Rule”). Some Fund investors, including employees of Horizon, may negotiate or be entitled to terms and conditions that differ from those of other Fund investors, with respect to fees and other provisions. Private investment funds are not appropriate for all investors. Eligible prospective investors and current investors may refer to each of the Private Fund’s confidential Private Placement Memoranda for a complete list of risks, expenses, and other important information.

#### **Mutual Fund Sub-Advisory Fees**

Mutual fund sub-advisory fees vary by fund and are described in each such Private Fund’s Prospectus and Statement of Additional Information.

#### **Research Reports**

Horizon’s research reports are available through a third-party, independent distributor. Fees and subscription terms for research reports are negotiated through the distributor. Horizon is paid a percentage of the fees received by the distributor.

#### **Account Minimums**

The Firm reserves the right to negotiate minimum account size, dependent upon various factors, including, but not limited to, the scope of the advisory services provided, economies of scale, the expectation of future assets, and any historic relationship with Horizon. The minimum account size for institutional accounts is generally \$5,000,000.

The standard minimum account size for private client separate accounts is as follows:

Minimum account size of \$100,000

Fixed Income Strategies

Minimum account size of \$500,000

Equity and High Yield Strategies

Minimum account size of \$1,000,000

Synthetic Income I

Synthetic Income II

Minimum account size of \$2,500,000

Global Index Premium Total Return

Global Index Premium Income

For certain kinds of DVP (delivery versus payment) arrangements, higher minimums may apply. Additionally, please refer to each of the Private Fund's confidential Private Placement Memoranda for information on their respective account minimums.

### **Negotiability of Fees**

Fees may be negotiated and a client may pay more or less than similar clients depending on various factors, including, but not limited to, account size, historic relationship with Horizon, the potential for future business prospects, the scope and complexity of the advisory services provided (e.g. service level and reporting requirements). The Firm reserves the right to negotiate different fees with clients, which may be higher or lower than those reflected herein. Certain investors, including employees or owners of the Firm, may negotiate lower fees or be entitled to different terms and conditions than those of other investors. Fee minimums may apply.

### **Payment of Fees**

Fees may be assessed either monthly or quarterly (the "accounting period"), using a 365-day calendar, and either in advance or in arrears, in accordance with the terms of the offering memorandum, client's investment management agreement and/or the practices of the sponsor program servicing the client account. Typically, clients authorize the deduction of fees from their accounts; however, certain clients may choose to be billed directly.

Fees are generally calculated based on the period-end market value of all assets in the client account, including securities, cash and cash equivalents, which are valued using third-party pricing services and from time to time fair market value, in accordance with Horizon's written pricing policies and procedures when prices are not available from third-party sources or where Horizon reasonably believes third-party prices are incorrect. For accounts that are not active for a full billing period, fees are prorated based on the number of days within an accounting period that the account was open. Clients with a portion of their account assets invested in Kinetics Mutual Funds, Inc. ("KMF"), a series of U.S. investment companies registered under the Investment Company Act that are managed by KAM, an affiliate of Horizon that is wholly owned by Horizon Kinetics, will not be charged an investment management fee by Horizon on the portion of their account invested in KMF. However, accounts that hold KMF will incur the costs related to being a shareholder in such funds, including management fees, administrative fees, and other similar fees as described in the KMF prospectus, a copy of which can be accessed here: [www.kineticsfunds.com](http://www.kineticsfunds.com). The annual total net expense ratio for a particular mutual fund may be higher or lower than the management fee Horizon charges for an investment account.

### **Prepayment of Fees**

Clients may pay investment management fees in advance; however, Horizon does not require prepayment of advisory fees. If a Client has paid fees in advance, upon termination, Horizon will remit to the Client the remaining prorated portion of any prepaid fees.

### **Additional Fees and Expenses**

In addition to Horizon's investment management fees, client accounts are subject to fees or expenses charged by, and paid directly to, third parties including broker-dealers and/or custodian banks, whether or not securities are being purchased, sold or held in client accounts. Horizon does not receive, directly or indirectly, any of these fees charged to client accounts. They are paid to broker-dealers, custodians, mutual funds or other financial institutions that are responsible for holding or transacting in securities held in client accounts. These fees include, but are not limited to: brokerage commissions, transaction fees, exchange fees, SEC fees, advisory fees and administrative fees charged by mutual fund companies and exchange-traded funds ("ETFs"), custodial fees, odd-lot differentials, transfer taxes, wire transfer and electronic fund processing fees, and commissions or mark-ups/mark-downs on security transactions. Custodial fees are negotiated between the client and the respective custodian. Horizon does not recommend custodians to its clients, nor is Horizon involved in the negotiation of custodian relationships.

Supervised persons of the Firm (defined as any officers, partners, directors or other persons occupying a similar status or performing similar functions, or employee, or other person who provides investment advice on the Firm's behalf and is subject to the Firm's supervision and control) are not compensated on the sale of securities or other investment products; however, as noted in Item 10 of this Brochure, "Other Financial Industry Activities and Affiliations", KBD Securities, LLC ("KBD"), an affiliated broker-dealer that is wholly owned by Horizon Kinetics, is registered with the SEC, is a member of the Financial Industry Regulatory Authority ("FINRA"), and has a contractual arrangement with Horizon for the payment of fees for the referral of investors to the Firm. Additionally, the Firm has contractual agreements with other third-party marketers as further described in Item 10 of this Brochure, "Other Financial Industry Activities and Affiliations". Any fees paid to KBD, other third-party marketers, or Horizon sales and marketing employees are paid directly by the Firm and are not paid by clients.

## **Item 6 *Performance-Based Fees and Side-By-Side Management***

The Firm charges its clients a management fee and certain clients may also pay the Firm an incentive fee, with the exception of owners and employees of the Firm, as described in Item 5 of this Brochure. Kinetics and KA, which are described in more detail under Item 10 of this Brochure, may also charge a management and incentive fee to their clients. Performance-based fee arrangements may create an incentive for Horizon to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. Such fee arrangements may also create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities.

The Firm, Kinetics, and KA all employ strict compliance policies designed to ensure that all accounts are treated fairly, that no account is favored over another, and to prevent this conflict from influencing the allocation of investment opportunities among clients. To mitigate such conflicts of interest or potential conflicts of interest, the Firm and its affiliates have established policies and procedures, including, among others, a Code of Ethics (the “Code”) and a Trade Aggregation and Allocation Policy, further described in this Brochure under Item 12, “Brokerage Practices.” The Firm’s Chief Compliance Officer (“CCO”) is responsible for implementing the Firm’s policies and procedures, including the Code and the Trade Aggregation and Allocation Policy, which are reasonably designed to monitor, detect and prevent such conflicts of interest. The CCO, or her designate, reviews trade allocations on a periodic basis to ensure adherence to the Firm’s Trade Aggregation and Allocation Policy (further described under Item 12 of this Brochure).

Only certain sophisticated clients that meet minimum net worth and financial standards are permitted to invest in products that charge incentive fees. Incentive fee-based products also employ more complex investment strategies that are not appropriate for all investors.

**Item 7    Types of *Clients***

Horizon provides investment advice to a wide variety of clients, including but not limited to pension and profit sharing plans, Taft-Hartley plans, public funds, endowments and foundations, supranational entities, government-sponsored entities, educational and healthcare facilities and other corporate entities, as well as to high net worth clients through model delivery, dual-contract, and wrap fee programs. In addition, Horizon provides investment advisory services to the following types of clients (collectively, the “Funds”):

1. Certain U.S. investment companies registered under the Investment Company Act for which Horizon serves as sub-adviser (“mutual funds”);
2. A U.S. investment company registered under the Investment Company Act for which Horizon serves as sub-adviser that seeks to track the performance of an index that is designed, monitored, and updated by Horizon Kinetics.
3. Private funds formed in the State of Delaware, the Cayman Islands and elsewhere (collectively, the “Private Funds”); and
5. A collective trust organized under Section 402(a) of the Employee Retirement Income Security Act of 1974 (“ERISA”).

Investors in the Funds are required to adhere to the criteria established in the applicable offering memorandum, prospectus, or similar offering document or investment management agreement for purposes of maintaining an account with the Firm. Private Fund minimum account sizes are generally \$500,000; however, the Firm may allow a lesser amount in its sole discretion. Notwithstanding the minimum account sizes referenced under Item 5 (Fees and Compensation), the requirements for opening and maintaining a mutual fund account or certain other separate accounts vary based on each portfolio’s or account’s applicable prospectus or investment management agreement. All such minimum investment size requirements listed herein vary and may be negotiated on a case-by-case basis.

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

### **Material, Significant, or Unusual Risks Relating to Investment Strategies**

Horizon authors research reports for numerous institutional clients and is involved in the creation and maintenance of rule-based indices. As a result, accounts managed by the Firm may not be able to trade in certain securities during a given period of time. These restrictions on trading may adversely affect certain accounts' ability to implement their investment strategy. For instance, certain accounts may be delayed in purchasing a security at a lower price during such black-out period and may not be able to sell a security as quickly as it might otherwise have wanted to if such restriction were not in effect. The Firm utilizes a Restricted List and has adopted policies and procedures thereunder to detect and mitigate or prevent potential conflicts of interest.

### **Investment Objectives**

The investment objectives of the Funds and client accounts managed by Horizon are set forth in the respective prospectus, offering memoranda, or investment advisory agreements applicable to the particular account or Fund.

### **Method of Analysis**

Horizon conducts its own proprietary in-house research consisting primarily of a qualitative and quantitative, bottom-up, value-oriented analysis of a wide universe of companies operating in the U.S. and abroad. Accounts are managed primarily by investing, trading and dealing in public securities of all kinds and descriptions, including, but not limited to, equity, debt, convertible securities, preferred stock, options, warrants, trade claims, and monetary instruments. Horizon, on behalf of its client, may also invest in arbitrage and special situations, both long and short securities positions, option arbitrage, international arbitrage and other financial instruments.

### **Risks**

Investing in securities involves risk of loss that clients should be prepared to bear. All investments risk the loss of invested capital and the performance of investments is not guaranteed. Certain investment techniques, such as short sales, synthetic short sales, investments in illiquid investments and limited diversification, in some circumstances, may create heightened risks. Short selling the securities of an issuer may subject clients to unlimited loss. Additionally, short selling is subject to certain restrictions imposed by various national and regional securities exchanges, which restrictions could have a negative impact on the Firm's clients. Synthetic short selling, the practice of purchasing a security normally a candidate for a short sale and simultaneously selling "call" options and purchasing "put" options on the same underlying security, may also present increased risks of loss.

At times the markets for some securities, including securities chosen by the Firm, may have or develop limited liquidity and depth. This lack of depth may have a material impact on the level and volatility of security prices and the liquidity of the investments made by the Firm on behalf of its clients. The Firm may invest an account in such a way that it is relatively concentrated in certain positions. A portfolio with fewer positions could be expected to have greater volatility from individual security price changes than would a portfolio holding a larger number of positions.

The Firm may also choose to invest in smaller or medium sized capitalization companies of a less seasoned nature than large capitalization companies. As smaller and medium sized companies may face significant factors preventing them from competing against larger, better known companies, investments in "small cap" or "mid cap" securities often involve significantly greater risks than investments in larger capitalization companies.

The Firm may invest in options, which present unique risks. Should interest rates or exchange rates or the prices of securities or financial indices move in an unexpected or unanticipated manner, the Firm's clients may not achieve the desired benefit of the options and derivatives and may realize a loss. Such strategies may subject clients to greater fluctuations in value than an investment in the underlying securities.

The Firm may manage certain accounts with borrowed money to purchase securities, otherwise known as using leverage or borrowing on margin. Although such practice may allow for greater capital appreciation, it also

increases the client's exposure to capital risk and higher current expenses. Moreover, if the assets under management are insufficient to pay the principal of, and interest on, the debt when due, the clients could sustain a total loss of their investment. Additionally, when the Firm purchases securities on margin, because the Firm has only paid for a portion of the instrument's face value and has borrowed the remainder, a relatively small price movement may result in substantial losses. Trading on margin will also result in interest charges.

The Firm is registered and regulated by a variety of federal, regional and state regulators, including the SEC. Registered investment advisers are subject to extensive regulation, including the requirements imposed by the Advisers Act. To the extent the Firm's registration is suspended, cancelled or otherwise revoked, its clients may be adversely affected. In addition, the Firm manages certain private funds that are not registered as investment companies under the Investment Company Act of 1940, as amended (the "Investment Company Act") or any other similar state laws. Registered investment companies are subject to extensive regulation. Investors, therefore, will not be accorded the protective measures provided by such regulation.

As always, past performance of any of the Firm's investment products does not represent or guarantee future results. The success of any investment activity is influenced by general economic conditions, which may affect the level and volatility of interest rates and the extent and timing of investor participation in the markets for both equity and interest rate sensitive securities. Unexpected volatility or illiquidity in the markets in which the Firm directly or indirectly holds positions could impair the Firm's ability to carry out its business and could cause losses to its clients.

#### **Common and Preferred Stock; Convertible Securities**

Common stocks are units of ownership of a corporation. Preferred stocks are stocks that often pay dividends at a specific rate and have a preference over common stocks in dividend payments and liquidation of assets. Some preferred stocks may be convertible into common stock. Convertible securities are securities that may be converted into or exchanged for a specified amount of common stock of the same or different issuer within a particular period of time at a specified price or formula.

#### **Debt Securities**

The Firm, on behalf of the accounts it manages, may invest in convertible and non-convertible debt obligations without regard to rating, and as a result, may purchase or hold securities in the lowest rating categories. Debt securities in the lowest investment grade categories are considered to be below investment grade securities that may not have adequate capacity to pay principal or that otherwise generally lack the characteristics of desirable investments. As compared to debt securities with higher ratings, these "high risk" securities are vulnerable to nonpayment and depend to a larger degree upon favorable business, financial and economic conditions for the obligor to meet its financial commitment on the obligation. The fixed-income securities in which the Firm may invest are generally subject to interest rate risk, credit risk, market risk and call risk.

**Interest Rate Risk.** The risk that when interest rates increase, fixed-income securities held by an account will decline in value. Long-term fixed-income securities will normally have more price volatility because of this risk than short-term fixed-income securities.

**Credit Risk.** This risk relates to the ability of the issuer to meet interest and principal payments, as they become due. The ratings given a security by rating services such as Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Rating Service ("S&P") generally provide a useful guide as to such credit risk. The lower the rating given a security by such rating service, the greater the credit risk such rating service perceives to exist with respect to such security. Increasing the amount of portfolio assets invested in unrated or lower-grade securities, while intended to increase the yield produced by those assets, will also increase the credit risk to which those assets are subject.

**Market Risk.** All accounts are affected by changes in the economy and swings in investment markets. These can occur within or outside the U.S. or worldwide, and may affect only particular companies or industries.

**Call Risk.** The risk that an issuer will exercise its right to pay principal on an obligation held by an account (such as an asset-backed security) earlier than expected. This may happen when there is a decline in interest rates. Under these circumstances, an account may be unable to recoup all of its initial investment and will also suffer from having to reinvest in lower yielding securities.

### **When-Issued and Delayed Delivery Transactions**

The Firm, on behalf of the accounts it manages, may purchase short-term obligations on a when-issued or delayed delivery basis. These transactions are arrangements in which the portfolios purchase securities with payment and delivery scheduled for a future time. The seller's failure to complete these transactions may cause the accounts to miss a price or yield considered advantageous. Settlement dates may be a month or more after entering into these transactions and the market values of the securities purchased may vary from the purchase prices.

The accounts may dispose of a commitment prior to settlement if the Firm deems it appropriate to do so. In addition, each account may enter into transactions to sell its purchase commitments to third parties at current market values and simultaneously acquire other commitments to purchase similar securities at later dates. An account may realize short-term profits or losses upon the sale of such commitments.

These transactions are made to secure what is considered to be an advantageous price or yield for an account. No fees or other expenses, other than normal transaction costs, are incurred. However, liquid assets of the account sufficient to make payment for the securities to be purchased are segregated on the account's records at the trade date. These assets are marked to market daily and are maintained until the transaction is settled.

### **Exchange-Traded Funds (ETFs)**

The Firm, on behalf of the accounts it manages, may invest in open-end investment companies whose shares are listed for trading on a national securities exchange or the Nasdaq Market System. ETF shares typically trade like shares of common stock and provide investment results that generally correspond to the price and yield performance of the component stocks of a widely recognized index such as the S&P 500® Index. There can be no assurance, however, that this can be accomplished as it may not be possible for an ETF to replicate the composition and relative weightings of the securities of its corresponding index. ETFs are subject to risks of an investment in a broadly based portfolio of common stocks, including the risk that the general level of stock prices may decline, thereby adversely affecting the value of such investment. Individual shares of an ETF are generally not redeemable at their net asset value, but trade on an exchange during the day at prices that are normally close to, but not the same as, their net asset value. There is no assurance that an active trading market will be maintained for the shares of an ETF or that market prices of the shares of an ETF will be close to their net asset values. The purchase of shares of ETFs may result in duplication of expenses, including advisory fees, in addition to a mutual fund's own expenses. An account may acquire an investment company's shares, received or acquired, as dividends, through offers of exchange or as a result of reorganization, consolidation or merger. The purchase of shares of other investment companies may result in duplication of expenses such that investors indirectly bear a proportionate share of the expenses of such mutual funds including operating costs and investment advisory and administrative fees.

### **Investment Company Securities**

The Firm, on behalf of the accounts it manages, may invest in securities issued by other investment companies to the extent permitted by the client's or Fund's Prospectus, SAI, investment advisory agreement or other applicable offering documents. As a shareholder in an investment company, an account would bear the pro rata portion of the investment company's expenses, including advisory fees, in addition to the fees such shareholder pays to the Firm.

### **Restricted and Illiquid Securities**

An illiquid asset is any asset which may not be sold or disposed of in the ordinary course of business within seven days at approximately the value at which an account, as applicable, has valued the investment. Each account may invest in securities that are illiquid at the time of purchase, including restricted securities and other securities for which market quotations are not readily available. Restricted securities are any securities that are not registered under the Securities Act of 1933, as amended ("1933 Act") and are illiquid. The purchase of such securities could increase the level of illiquidity during any period that qualified institutional buyers become uninterested in purchasing these securities.

### **Depository Receipts**

The Firm, on behalf of the accounts it manages, may invest in American Depository Receipts ("ADRs") and in other forms of depositary receipts, such as International Depository Receipts ("IDRs") and Global Depository Receipts ("GDRs"). Depositary receipts are typically issued in connection with a U.S. or foreign bank or trust company and evidence ownership of underlying securities issued by a foreign corporation. In particular, ADRs represent the right

to receive securities of foreign issuers deposited in a bank or other depository. ADRs are traded in the United States and the prices of ADRs are quoted in U.S. dollars. Investments in depositary receipts involve certain inherent risks generally associated with investments in foreign securities, including the following:

**Political and Economic Factors.** Individual foreign economies of certain countries may differ favorably or unfavorably from the United States economy in such respects as growth of gross national product, rate of inflation, capital reinvestment, resource self-sufficiency, diversification and balance of payments position. The internal politics of certain foreign countries may not be as stable as those of the United States. Governments in certain foreign countries also continue to participate to a significant degree, through ownership interest or regulation, in their respective economies. Action by these governments could include restrictions on foreign investment, nationalization, expropriation of goods or imposition of taxes, and could have a significant effect on market prices of securities and payment of interest. The economies of many foreign countries are heavily dependent upon international trade and are accordingly affected by the trade policies and economic conditions of their trading partners. Enactment by these trading partners of protectionist trade legislation could have a significant adverse effect upon the securities markets of such countries.

**Currency Fluctuations.** A change in the value of any foreign currency against the U.S. dollar will result in a corresponding change in the U.S. dollar value of an ADR's underlying portfolio securities denominated in that currency. Such changes will affect a portfolio to the extent that the portfolio is invested in ADRs comprised of foreign securities.

**Taxes.** The interest and dividends payable on certain foreign securities comprising an ADR may be subject to foreign withholding taxes, thus reducing the net amount of income to be paid to the portfolios and that may ultimately be available for distribution to the account's shareholders.

## **Derivatives**

**Buying Call and Put Options.** The Firm, on behalf of the accounts it manages, may purchase call options. Such transactions may be entered into in order to limit the risk of a substantial increase in the market price of the security that each account intends to purchase. Prior to its expiration, a call option may be sold in a closing sale transaction. Any profit or loss from the sale will depend on whether the amount received is more or less than the premium paid for the call option plus the related transaction cost.

The Firm, on behalf of the accounts it manages, may purchase put options. By buying a put, each account has the right to sell the security at the exercise price, thus limiting its risk of loss through a decline in the market value of the security until the put expires. The amount of any appreciation in the value of the underlying security will be partially offset by the amount of the premium paid for the put option and any related transaction cost. Prior to its expiration, a put option may be sold in a closing sale transaction and any profit or loss from the sale will depend on whether the amount received is more or less than the premium paid for the put option plus the related transaction costs.

**Writing (Selling) Call and Put Options.** The Firm, on behalf of the accounts it manages, may write covered options on equity and debt securities and indices. In the case of call options, so long as an account is obligated as the writer of a call option, it will own the underlying security subject to the option and, in the case of put options, it will, through its custodian, deposit and maintain either cash or securities with a market value equal to or greater than the exercise price of the option.

Covered call options written by an account give the holder the right to buy the underlying securities from the account at a stated exercise price. A call option written by an account is "covered" if the account owns the underlying security that is subject to the call or has an absolute and immediate right to acquire that security without additional cash consideration (or for additional cash consideration held in a segregated account by its custodian bank) upon conversion or exchange of other securities held in its portfolio. A call option is also covered if an account holds a call on the same security and in the same principal amount as the call written where the exercise price of the call held (a) is equal to or less than the exercise price of the call written or (b) is greater than the exercise price of the call written if the difference is maintained by the account in cash and high grade debt securities in a segregated account with its custodian bank. The Firm, on behalf of the accounts it manages, may purchase securities, which may be covered with call options solely on the basis of considerations consistent with the investment objectives, Prospectus, SAI, investment advisory agreement and applicable offering memorandum of the accounts.

An account's turnover may increase through the exercise of a call option; this will generally occur if the market value of a "covered" security increases and the account has not entered into a closing purchase transaction.

As a writer of an option, each account receives a premium less a commission, and in exchange foregoes the opportunity to profit from any increase in the market value of the security exceeding the call option price. The premium serves to mitigate the effect of any depreciation in the market value of the security. The premium paid by the buyer of an option will reflect, among other things, the relationship of the exercise price to the market price, the volatility of the underlying security, the remaining term of the option, the existing supply and demand, and the interest rates.

The writer of a call option may have no control over when the underlying securities must be sold because the writer may be assigned an exercise notice at any time prior to the termination of the obligation. Exercise of a call option by the purchaser will cause an account to forego future appreciation of the securities covered by the option. Whether or not an option expires unexercised, the writer retains the amount of the premium. This amount may, in the case of a covered call option, be offset by a decline in the market value of the underlying security during the option period. If a call option is exercised, the writer experiences a profit or loss from the sale of the underlying security. Thus during the option period, the writer of a call option gives up the opportunity for appreciation in the market value of the underlying security or currency above the exercise price. It retains the risk of the loss should the price of the underlying security or foreign currency decline. Writing call options also involves risks relating to a portfolio's ability to close out the option it has written.

The Firm, on behalf of the accounts it manages, may write exchange-traded call options on its securities. Call options may be written on portfolio securities indices, or foreign currencies. With respect to securities and foreign currencies, the account may write call and put options on an exchange or over-the-counter. Call options on account securities will be covered since the account will own the underlying securities. Call options on securities indices will be written only to hedge in an economically appropriate way account securities that are not otherwise hedged with options or financial futures contracts and will be "covered" by identifying the specific account securities being hedged. Options on foreign currencies will be covered by securities denominated in that currency. Options on securities indices will be covered by securities that substantially replicate the movement of the index.

A put option on a security, security index, or foreign currency gives the purchaser of the option, in return for the premium paid to the writer (seller), the right to sell the underlying security, index, or foreign currency at the exercise price at any time during the option period. When an account writes a secured put option, it will gain a profit in the amount of the premium, less a commission, so long as the price of the underlying security remains above the exercise price. However, an account remains obligated to purchase the underlying security from the buyer of the put option (usually in the event the price of the security falls below the exercise price) at any time during the option period. If the price of the underlying security falls below the exercise price, the account may realize a loss in the amount of the difference between the exercise price and the sale price of the security, less the premium received. Upon exercise by the purchaser, the writer of a put option has the obligation to purchase the underlying security or foreign currency at the exercise price. A put option on a securities index is similar to a put option on an individual security, except that the value of the option depends on the weighted value of the group of securities comprising the index and all settlements are made in cash. During the option period, the writer of a put option has assumed the risk that the price of the underlying security or foreign currency will decline below the exercise price. However, the writer of the put option has retained the opportunity for appreciation above the exercise price should the market price of the underlying security or foreign currency increase. Writing put options also involves risks relating to an account's ability to close out the option that it has written.

The writer of an option who wishes to terminate its obligation may effect a "closing purchase transaction" by buying an option of the same series as the option previously written. The effect of the purchase is that the clearing corporation will cancel the writer's position. However, a writer may not effect a closing purchase transaction after being notified of the exercise of an option. There is also no guarantee that an account will be able to effect a closing purchase transaction for the options it has written.

Effecting a closing purchase transaction in the case of a written call option will permit an account to write another call option on the underlying security with a different exercise price, expiration date, or both. Effecting a closing purchase transaction will also permit an account to use cash or proceeds from the investments. If an account desires

to sell a particular security from its account on which it has written a call option, it will effect a closing purchase transaction before or at the same time as the sale of the security.

An account will realize a profit from a closing purchase transaction if the price of the transaction is less than the premium received from writing the option. Likewise, an account will realize a loss from a closing purchase transaction if the price of the transaction is more than the premium received from writing the option. Because increases in the market price of a call option will generally reflect increases in the market price of the underlying security, any loss resulting from the repurchase of a call option is likely to be offset in whole or in part by appreciation of the underlying security owned by the account.

**Writing Over-The-Counter (“OTC”) Options.** The Firm, on behalf of the accounts it manages, may engage in options transactions that trade on the OTC market to the same extent that it intends to engage in exchange-traded options. Just as with exchange-traded options, OTC options give the holder the right to buy an underlying security from, or sell an underlying security to, an option writer at a stated exercise price. However, OTC options differ from exchange-traded options in certain material respects. OTC options are arranged directly with dealers and not, as is the case with exchange-traded options, through a clearing corporation. Thus, there is a risk of non-performance by the dealer. Because there is no exchange, pricing is typically done by reference to information obtained from market makers. Since OTC options are available for a greater variety of securities and in a wider range of expiration dates and exercise prices, the writer of an OTC option is paid the premium in advance by the dealer.

A writer or purchaser of a put or call option can terminate it voluntarily only by entering into a closing transaction. There can be no assurance that a continuously liquid secondary market will exist for any particular option at any specific time. Consequently, an account may be able to realize the value of an OTC option it has purchased only by exercising it or entering into a closing sale transaction with the dealer that issued it. Similarly, when an account writes an OTC option, it generally can close out that option prior to its expiration only by entering into a closing purchase transaction with the dealer to which it originally wrote the option. If a covered call option writer cannot effect a closing transaction, it cannot sell the underlying security or foreign currency until the option expires or the option is exercised. Therefore, the writer of a covered OTC call option may not be able to sell an underlying security even though it might otherwise be advantageous to do so. Likewise, the writer of a secured OTC put option may be unable to sell the securities pledged to secure the put for other investment purposes while it is obligated as a put writer. Similarly, a purchaser of an OTC put or call option might also find it difficult to terminate its position on a timely basis in the absence of a secondary market. The accounts have procedures for engaging in OTC options transactions for the purpose of reducing any potential adverse effect of such transactions on the liquidity of the accounts.

**Futures Contracts.** The Firm, on behalf of the accounts it manages, may buy and sell stock index futures contracts traded on domestic stock exchanges to hedge the value of the account against changes in market conditions. A stock index futures contract is an agreement between two parties to take or make delivery of an amount of cash equal to a specified dollar amount, times the difference between the stock index value at the close of the last trading day of the contract and the price at which the futures contract is originally struck. A stock index futures contract does not involve the physical delivery of the underlying stocks in the index. Although stock index futures contracts call for the actual taking or delivery of cash, in most cases each account expects to liquidate its stock index futures positions through offsetting transactions, which may result in a gain or a loss, before cash settlement is required.

Each account will incur brokerage fees when it purchases and sells stock index futures contracts, and at the time an account purchases or sells a stock index futures contract, it must make a good faith deposit known as the “initial margin”. Thereafter, an account may need to make subsequent deposits, known as “variation margin”, to reflect changes in the level of the stock index.

**Risks Associated With Options and Futures.** The Firm, on behalf of the accounts it manages, may write covered call options and purchase and sell stock index futures contracts to hedge against declines in market value of the account securities. The use of these instruments involves certain risks. As the writer of covered call options, an account receives a premium but loses any opportunity to profit from an increase in the market price of the underlying securities, though the premium received may partially offset such loss.

Although stock index futures contracts may be useful in hedging against adverse changes in the value of an

account's investment securities, they are derivative instruments that are subject to a number of risks. During certain market conditions, purchases and sales of stock index futures contracts may not completely offset a decline or rise in the value of an account's investments. In the futures markets, it may not always be possible to execute a buy or sell order at the desired price, or to close out an open position due to market conditions, limits on open positions and/or daily price fluctuations. Changes in the market value of each account's investment securities may differ substantially from the changes anticipated by the portfolio when it established its hedged positions, and unanticipated price movements in a futures contract may result in a loss substantially greater than the account's initial investment in such a contract.

Successful use of futures contracts depends upon the Firm's ability to correctly predict movements in the securities markets generally or of a particular segment of a securities market. No assurance can be given that the Firm's judgment in this respect will be correct.

The Commodity Futures Trading Commission ("CFTC") and the various exchanges have established limits referred to as "speculative position limits" on the maximum net long or net short position that any person may hold or control in a particular futures contract. Trading limits are imposed on the number of contracts that any person may trade on a particular trading day. An exchange may order the liquidation of positions found to be in violation of these limits and it may impose sanctions or restrictions. These trading and positions limits will not have an adverse impact on a portfolio's strategies for hedging its securities.

**Participatory Notes.** The Firm, on behalf of the accounts it manages, may invest in participatory notes issued by banks or broker-dealers that are designed to replicate the performance of certain issuers and markets. Participatory notes are a type of equity-linked derivative which generally are traded over-the-counter. The performance results of participatory notes will not replicate exactly the performance of the issuers or markets that the notes seek to replicate due to transaction costs and other expenses. Investments in participatory notes involve the same risks associated with a direct investment in the shares of the companies the notes seek to replicate. In addition, participatory notes are subject to counterparty risk, which is the risk that the broker-dealer or bank that issues the notes will not fulfill its contractual obligation to complete the transaction with the account. Participatory notes constitute general unsecured contractual obligations of the banks or broker-dealers that issue them, and the account is relying on the creditworthiness of such banks or broker-dealers and has no rights under a participatory note against the issuers of the securities underlying such participatory notes. Participatory notes involve transaction costs. Participatory notes may be considered illiquid and, therefore, participatory notes considered illiquid will be subject to the portfolio's percentage limitation for investments in illiquid securities.

### **Interest Rate Swaps, Total Rate of Return Swaps, Credit Swaps, Interest Rate Floors, Caps and Collars and Currency Swaps**

The Firm, on behalf of the accounts it manages, may enter into swap transactions and transactions involving interest rate floors, caps and collars for hedging purposes or to seek to increase total return. These instruments are privately negotiated over-the-counter derivative products. A great deal of flexibility is possible in the way these instruments are structured. Interest rate swaps involve the exchange by the account with another party of their respective commitments to pay or receive interest, such as an exchange of fixed rate payments for floating rate payments. The purchase of an interest rate floor or cap entitles the purchaser to receive payments of interest on a notional principal amount from the seller, to the extent the specified index falls below (floor) or exceeds (cap) a predetermined interest rate. An interest rate collar is a combination of a cap and a floor that preserves a certain return within a predetermined range of interest rates. Total rate of return swaps are contracts that obligate a party to pay or receive interest in exchange for the payment by the other party of the total return generated by a security, a basket of securities, an index or an index component. Credit swaps are contracts involving the receipt of floating or fixed rate payments in exchange for assuming potential credit losses of an underlying security. Credit swaps give one party to a transaction the right to dispose of or acquire an asset (or group of assets), or, in the case of credit default swaps, the right to receive or make a payment from the other party, upon the occurrence of specific credit events. The portfolio also may enter into currency swaps, which involve the exchange of the rights of the portfolio and another party to make or receive payments in specific currencies.

Some transactions, such as interest rate swaps and total rate of return swaps are entered into on a net basis, *i.e.*; the two payment streams are netted out, with the account receiving or paying, as the case may be, only the net amount of the two payments. If the other party to such a transaction defaults, the account's risk of loss consists of the net

amount of payments that the account is contractually entitled to receive, if any. In contrast, other transactions involve the payment of the gross amount owed. For example, currency swaps usually involve the delivery of the entire principal amount of one designated currency in exchange for the other designated currency. Therefore, the entire principal value of a currency swap is subject to the risk that the other party to the swap will default on its contractual delivery obligations. To the extent that the amount payable by the account under a swap or an interest rate floor, cap or collar is covered by segregated cash or liquid assets, the account and the Firm believe that transactions do not constitute senior securities under the 1940 Act and, accordingly, will not treat them as being subject to the account's borrowing restrictions.

Credit default swaps are contracts whereby one party makes periodic payments to a counterparty in exchange for the right to receive from the counterparty a payment equal to the par (or other agreed-upon) value of a referenced debt obligation in the event of a default by the issuer of the debt obligation.

When an account is the seller of a credit default swap contract, it receives the stream of payments but is obligated to pay upon default of the referenced debt obligation. As the seller, the account would effectively add leverage to its portfolio because, in addition to its total assets, the account would be subject to investment exposure on the notional amount of the swap. In addition to the risks applicable to derivatives generally, credit default swaps involve special risks because they are difficult to value, are highly susceptible to liquidity and credit risk, and generally pay a return to the party that has paid the premium only in the event of an actual default by the issuer of the underlying obligation (as opposed to a credit downgrade or other indication of financial difficulty).

The use of interest rate, total rate of return, credit and currency swaps, as well as interest rate caps, floors and collars, is a highly specialized activity that involves investment techniques and risks different from those associated with ordinary portfolio securities transactions. If the Firm is incorrect in its forecast of market values, interest rates and currency exchange rates, the investment performance of the account would be less favorable than it would have been if this investment technique were not used.

### **Distressed Investments**

The Firm, on behalf of the accounts it manages, may invest in securities of companies that are in financial distress (*i.e.*, involved in bankruptcy or reorganization proceedings). There can be no assurance that the Firm will correctly evaluate all the factors that could affect the outcome of an investment in these types of securities. Financially distressed securities involve considerable risk that can result in substantial or even total loss on an account's investment. It is often difficult to obtain information as to the true condition of financially distressed securities. These securities are often subject to litigation among the participants in the bankruptcy or reorganization proceedings. Such investments may also be adversely affected by federal and state laws relating to, among other things, fraudulent transfers and other voidable transfers or payments, lender liability and a bankruptcy court's power to disallow, reduce, subordinate or disenfranchise particular claims. These and other factors contribute to above-average price volatility and abrupt and erratic movements of the market prices of these securities. In addition, the spread between the bid and asked prices of such securities may be greater than normally expected and it may take a number of years for the market price of such securities to reflect their intrinsic value.

Securities of financially troubled companies require active monitoring and may, at times, require participation in bankruptcy or reorganization proceedings by the Firm. To the extent that the Firm becomes involved in such proceedings, the Firm may have a more active participation in the affairs of the issuer than that assumed generally by a shareholder, and such participation may generate higher legal fees and other transaction costs relating to the investment than would normally be the case. In bankruptcy and other forms of corporate reorganization, there exists the risk that the reorganization will: (1) be unsuccessful (due to, for example, failure to obtain the necessary approvals); (2) be delayed (for example, until various liabilities, actual or contingent, have been satisfied); or (3) result in a distribution of cash or a new security the value of which will be less than the purchase price of the security in respect to which such distribution was made.

### **Investment Philosophy and Process**

Horizon's investment philosophy has been refined and reinforced since the Firm was founded in 1994. Its fundamental investment approach attempts to capitalize on the overwhelming desire investors have to achieve short-term results. Horizon believes long-term price inefficiencies can be created by the collective, short-term focus of the

markets. Events that may occur 3-5 years in the future have little utility to the average portfolio manager. Horizon seeks to identify the resulting long-term pricing anomalies and exploit them to generate returns through our independent, time-tested research process. The Firm's absolute return mindset typically generates concentrated portfolios that do not attempt to track or mimic any index or benchmark.

Horizon believes that successful investing requires integrating the qualitative aspects of the social sciences with the logical reasoning and abstraction of mathematics and the physical sciences. Horizon seeks companies trading at a discount to our estimate of intrinsic value. Horizon's investment research is a key component of its philosophy and process, which is consistent, systemic, and repeatable.

Specifically, the process entails:

- Idea generation – bad/good news, low valuation, corporate restructurings, contrarian view, business model analysis and global and capital structure agnostic;
- Active research – qualitative focus, quantitative value check and written reports;
- Portfolio construction – flexible execution, thematic concentration, co-dependency check, managed self-ordered criticality and cash as a by-product;
- Sell discipline – fundamentals deteriorate, business model changes, investment expectation met, more attractive opportunity identified and margin of safety erodes and
- Risk management and monitoring – functional diversification, reference initial thesis, qualitative progress review and quantitative value check.

Horizon is generally focused on low turnover, low transaction, and low friction (avoiding unnecessary trading activity). As such, Horizon generally does not actively re-balance accounts back to a model. Variance of holdings among client accounts managed under a certain investment strategy often results from the timing of security purchases or sales, cash holdings, client restrictions and as a function of inception date. Accordingly, performance dispersion among individual accounts within the same or similar strategies is expected and can be material, particularly over shorter periods of time.

## **Equity Strategies**

### Asia

The Asia strategy seeks positive above market long-term returns by investing primarily in a focused portfolio of common stocks of Asian issuers. The strategy does not seek to track or compare itself to any particular equity benchmark. The strategy seeks exposure to faster growing businesses within the developing economies of Asia, and the majority of its exposure has historically been in common or preferred equity or convertible bonds in companies domiciled in Australia, China, Hong Kong, India, Indonesia, Japan, Malaysia, New Zealand, Singapore, South Korea, Taiwan, Thailand and Vietnam.

### Core Value

The Core Value strategy seeks positive above market long-term returns by investing primarily in a focused portfolio of common stocks of global issuers. The strategy does not seek to track or compare itself to any particular equity benchmark. The strategy seeks to invest in companies that have long product life cycles and insulated business models that are trading below our estimate of intrinsic fair value. Particular focus is on companies that have the ability to generate high and sustainable returns on invested capital, leading to the long-term compounding of book value. The strategy may invest across all market capitalizations, but tends to concentrate on mid-to-large capitalization companies and seeks to avoid short-term investing and significant portfolio turnover.

### Global Large Cap Value

The Global Large Cap Value strategy seeks positive above market long-term returns by investing primarily in a focused portfolio of common stocks with a focus on global issuers. The strategy does not seek to track or compare itself to any particular equity benchmark and seeks undervalued or misunderstood investment opportunities and generally invests in companies for which investors fail to distinguish between permanent and transitory problems. The strategy emphasizes large capitalization companies but may invest across all market capitalizations and seeks to avoid short-term investing and significant portfolio turnover.

#### Large Cap

The Large Cap strategy seeks positive above market long-term returns by investing primarily in a focused portfolio of common stocks of global issuers. The strategy does not seek to track or compare itself to any particular equity benchmark. The strategy seeks to invest in companies that have long product life cycles and insulated business models, trading below intrinsic fair value. Particular focus is on larger capitalization companies that have the ability to generate high and sustainable returns on invested capital, leading to a long-term compounding of book value. The strategy seeks to avoid short-term investing and significant portfolio turnover.

#### Research Select

The Research Select strategy seeks positive above market long-term returns by investing primarily in a focused portfolio of common stocks of global issuers not limited by market capitalization or industry. The strategy does not seek to track or compare itself to any particular equity benchmark. The strategy seeks to capitalize on Horizon's extensive research capabilities, by utilizing a wide variety of investments often structurally overlooked by conventional analysis. Particular focus is on catalyst-driven and event-driven opportunities, distressed securities, hidden assets and companies undergoing restructurings. The strategy seeks to avoid short-term investing and significant portfolio turnover.

#### Small Cap

The Small Cap strategy seeks positive above market long-term returns by investing primarily in a focused portfolio of common stocks of global issuers. The strategy does not seek to track or compare itself to any particular equity benchmark. The strategy invests in small companies that possess the ability to generate high, sustainable returns on invested capital. Generally, Horizon invests in such companies when they are trading as a discount to Horizon's estimates of their intrinsic fair value. Particular focus is on smaller capitalization companies that have the ability to generate high and sustainable returns on invested capital, leading to a long-term compounding of book value. The strategy seeks to avoid short-term investing and significant portfolio turnover.

#### Spin-Off

The Spin-Off strategy seeks positive above market long-term returns by investing primarily in a focused portfolio of common stocks of global issuers not limited by market capitalization or industry. The strategy does not seek to track or compare itself to any particular equity benchmark. The strategy seeks to capitalize on Horizon's extensive research to identify inefficiencies in pricing of companies that are at a transitory point in their business cycle. Particular focus is on spin-offs, carve-outs and other forms of corporate restructurings. The strategy seeks to avoid short-term investing and significant portfolio turnover.

#### Strategic Value

The Strategic Value strategy seeks positive above market long-term returns by investing primarily in a focused portfolio of common stocks of global issuers not limited by market capitalization or industry. The strategy does not seek to track or compare itself to any particular equity benchmark. Successful long-term value investing is achieved through the identification of companies that have the ability to generate high and sustainable returns on invested capital. In such a scenario, patience is required and rewarded when the phenomenon of a compounding book value translates into stock price appreciation over time. The strategy seeks to avoid short-term investing and significant portfolio turnover.

#### Wealth Strategy

The Wealth Strategy seeks to track the performance of the Horizon Kinetics ISE Wealth Index ("Wealth Index") by buying and selling all or a representative sample of the securities in the Wealth Index. The Wealth Index measures the investment return for predominantly U.S.-based publicly-held companies that are controlled by a wealthy individual who has substantial decision making authority. A wealthy individual is defined as a person whose level of personal assets generally exceeds \$1 billion. The Wealth Index is calculated and maintained by Standard & Poor's based on a methodology developed by Horizon Kinetics and the International Securities Exchange, and is calculated on a price and total return basis.

#### Global Index Premium Total Return

The Global Index Premium Total Return strategy seeks to monetize market volatility and generate an attractive long-term total return derived from the collection of option premiums and bond income. Cash flows accumulated from the persistent collection of equity option premiums and bond income reduce losses during market declines,

resulting in a lower expected return volatility and a potential for higher risk-adjusted returns over time. The portfolio's principal investment strategy is collateralized equity put writing (puts are written at levels close to in-the-money) which is implemented across a diversified set of market indexes and exchange-traded funds ("ETFs"). The strategy's option portfolio exposures are generally consistent with a global equity allocation including developed and emerging markets. Subject to limits, the strategy may opportunistically sell options on narrowly focused indexes and ETFs or single stocks. The selection of option exposures, strike prices and expiration dates is based on a variety of factors including fundamentals, implied volatility and option skew. The strategy's fixed income collateral portfolio emphasizes liquidity and adheres to a tiered risk framework aimed at limiting duration and credit risks. The collateral portfolio typically holds a combination of cash and equivalents, fixed income ETFs, closed end funds and single issue bonds.

#### Global Index Premium Income

The Global Index Premium Income strategy seeks to monetize market volatility and generate an attractive long-term total return derived from the collection of option premiums and bond income. Cash flows accumulated from the persistent collection of equity option premiums and bond income reduce losses during market declines, resulting in a lower expected return volatility and a potential for higher risk-adjusted returns over time. The portfolio's principal investment strategy is collateralized equity put writing (puts are written at levels out-of-the-money) which is implemented across a diversified set of market indexes and exchange-traded funds ("ETFs"). The strategy's option portfolio exposures are generally consistent with a global equity allocation including developed and emerging markets. Subject to limits, the strategy may opportunistically sell options on narrowly focused indexes and ETFs or single stocks. The selection of option exposures, strike prices and expiration dates is based on a variety of factors including fundamentals, implied volatility and option skew. The strategy's fixed income collateral portfolio emphasizes liquidity and adheres to a tiered risk framework aimed at limiting duration and credit risks. The collateral portfolio typically holds a combination of cash and equivalents, fixed income ETFs, closed end funds and single issue bonds.

#### Synthetic Income I

The Synthetic Income I strategy seeks to achieve a targeted moderate yield of 6% generated from a combination of put option premiums and collateral interests, while at the same time aiming to limit market value variability. The principal investment strategy is collateralized equity put writing which is implemented by consistently selling listed equity put options on a diversified basket of securities. We primarily write out-of-the-money, longer-dated exchange-traded put options on a basket of liquid, large-cap companies, as well as on indexes and exchange-traded funds (ETFs). The fixed income collateral portfolio emphasizes liquidity and diversification across a basket of closed-end and open-end bond funds.

#### Synthetic Income II

The Synthetic Income II strategy seeks to achieve a targeted moderate yield of 8% generated from a combination of put option premiums and collateral interests, while at the same time aiming to limit market value variability. The principal investment strategy is collateralized equity put writing which is implemented by consistently selling listed equity put options on a diversified basket of securities. We primarily write out-of-the-money, longer-dated exchange-traded put options on a basket of liquid, large-cap companies, as well as on indexes and exchange-traded funds (ETFs). The fixed income collateral portfolio emphasizes liquidity and diversification across a basket of closed-end and open-end bond funds.

### **Fixed Income Strategies**

#### Fixed Income Opportunity

The Fixed Income Opportunity strategy seeks positive above market long-term returns by investing primarily in a diversified portfolio of fixed income investments. The strategy does not seek to track or compare itself to any particular fixed income benchmark. The strategy seeks diversified exposure to fixed income investments through the use of closed-end funds and ETFs. Such structured investments allow portfolios to be diversified across credit, issuer and geographic sectors, as well as time, while avoiding the liquidity constraints of traditional fixed income investments. In addition, the increased volatility of fixed income markets can result in pricing inefficiencies that the strategy may seek to exploit.

### High Yield Opportunity

The High Yield Opportunity strategy seeks positive above market long-term returns by investing primarily in a focused portfolio of high yielding investments. The strategy does not seek to track or compare itself to any particular fixed income benchmark. The strategy seeks to capitalize on Horizon's extensive research capabilities by investing in all aspects of a company's capital structure to seek equity-like returns. The strategy focuses on investments in distressed corporate debt, preferred stock and convertible bonds.

### **Research Reports**

Horizon believes that writing research is a key component of our investment philosophy and process. Accordingly, Horizon authors a number of research reports:

#### The Contrarian Research Report (established April 1995)

Describes out-of-favor, turnaround, restructuring or distressed situations with sufficiently discounted valuations as to provide an asymmetrically favorable risk/return profile.

#### The Fixed Income Contrarian Report (established October 2000)

Seeks to identify convertible or debt securities with an asymmetric return profile - those that provide an equity level return in the positive case, but with limited expected risk of loss in the negative case, as well as selected arbitrage opportunities.

#### The Devil's Advocate Report (established August 2000)

Provides short-sale recommendations on highly-visible, large-capitalization, widely-held stocks.

#### The Spin-Off Report (established February 1996)

Provides in-depth, fundamental analysis of all domestic tax-free spin-offs. These securities generally result from large companies divesting small subsidiaries in a way that bypasses traditional Wall Street coverage, often resulting in discounted valuations.

#### The Global Contrarian Research Report (established April 2008)

Seeks to identify companies primarily in Asia and Western Europe with earnings dependent upon their local economies, rather than the U.S. market, as these types of companies offer genuine international diversification.

#### The Global Spin-Off Report (established March 2010)

Provides in-depth fundamental analysis of international, tax-free spin-offs. These securities generally result from large companies divesting small subsidiaries in a way that bypasses traditional Wall Street coverage, often resulting in systematically discounted valuations.

#### The Stahl Report (established March 2004)

Recommends undervalued or misunderstood opportunities in large-capitalization equities for which it is likely that asymmetrically attractive risk/reward outcomes can be realized.

#### The Special Situations Report (established May 2012)

Covers select event-driven opportunities globally and may include investments in equity, fixed income and derivative securities associated with those companies involved in transactions such as carve-outs, partial share distributions, share exchanges, recapitalizations, rights offerings, mergers and acquisitions and other transformative corporate actions.

**Item 9      Disciplinary Information**

There are no legal or disciplinary events to report.

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

### **Broker-Dealer Registration Status**

Certain persons of the Firm, KA and KAM are registered with FINRA under the Firm's affiliated broker-dealers, KBD and KFD. KBD and KFD are broker-dealers registered with the SEC and are members of FINRA, and are wholly owned subsidiaries of Horizon Kinetics. The broker-dealers do not accept client money, maintain custody of client assets, execute trades, provide clearing services or engage in proprietary trading.

KBD serves to support the promotion and sales by wholesalers of the investment products managed by KAM, KA and Horizon. KFD serves as the principal underwriter and distributor to Kinetics Mutual Funds, Inc. ("KMF"), a series of U.S. investment companies registered under the Investment Company Act that are managed by KAM. KMF is not affiliated with Horizon Kinetics or any of its subsidiaries.

### **Futures Commission Merchant, Commodity Pool Operator, or Commodity Trading Adviser Registration Status**

Neither Horizon nor any of its management persons are registered as a futures commission merchant commodity pool operator, or commodity trading adviser.

### **Material Advisory Relationships**

In addition to the relationships with KBD and KFD described above, one or more of Horizon's management persons (defined as anyone with the power to execute, directly or indirectly, a controlling influence over the Firm's management or policies, or to determine the general investment advice given to the clients of the Firm) have relationships or arrangements that may be material to the Firm's advisory business or to the Firm's clients. This includes relationships with broker-dealers, investment advisers, pooled investment vehicles, and investment companies. Specifically, the Firm or its management persons have relationships with the following entities:

- Kinetics Asset Management LLC ("KAM"), an affiliated SEC-registered investment adviser that has discretionary investment authority over Kinetics Mutual Funds, Inc., certain U.S. and Cayman Island-based private funds and separately managed accounts. KAM is also the sub-adviser to UCITS funds registered in the European Union.
- Kinetics Advisers, LLC ("KA"), an affiliated SEC-registered investment adviser that has discretionary investment authority over certain U.S. and Cayman Island-based private funds and separately managed accounts.
- Kinetics Funds Distributor LLC ("KFD"), an affiliated SEC-registered broker-dealer and member of FINRA that serves as the principal underwriter and distributor for KMF.
- Kinetics Mutual Funds, Inc. ("KMF"), a series of U.S. investment companies registered with the SEC that are managed by KAM.
- KBD Securities, LLC ("KBD"), an affiliated SEC-registered broker-dealer and member of FINRA that serves to support the promotion and sales by wholesalers of the investment products managed by KA, KAM, and the Firm, which include KMFs, separately managed accounts, and Private Funds.
- The UOB Funds (including the UOB Paradigm Fund and UOB US Equity Fund, and UOB Global Opportunities Fund), unaffiliated UCITS funds registered in the European Union which are managed by UOB Global Capital (Dublin) Ltd., and are sub-advised by KAM.

- FRMO Corp., an unaffiliated, publicly-traded corporation that is partially owned by certain management persons of Horizon, KAM, and KA and which generates revenue from a percentage of earnings from Horizon, KAM and the Firm.

- MSRH, LLC, an unaffiliated exempt reporting adviser that is owned, in part, by Murray Stahl, the Chairman and CIO of Horizon Kinetics LLC, and which serves as investment manager and general partner to one U.S. private fund.
- The Minneapolis Grain Exchange (“MGEX”) offers futures and options trading on five agricultural index products. Murray Stahl, the Chairman and CIO of Horizon Kinetics LLC, was elected to MGEX’s Board of Directors during 2013.
- The Firm also retains a passive minority interest through an investment in Emerging Global Advisors, LLC (“EGA”), an unaffiliated, SEC-registered investment adviser.

Additionally, from time to time, Horizon enters into arrangements with affiliated and unaffiliated third parties, including KBD, for their assistance in referring business to the Firm. Horizon may pay cash compensation to these third parties, where such compensation is based on a specified percentage of the investment management fees received by Horizon from accounts obtained through the third party. Such third parties generally include marketers, broker-dealers and consultants. Persons who become clients of Horizon through these arrangements do not pay an additional fee because of Horizon’s agreement with the third party. Any such arrangements will comply with Rule 206(4)-3 of the Advisers Act.

#### **Material Conflicts of Interest Relating to Other Investment Advisers**

The Firm seeks to mitigate material conflicts of interest that are created as a result of the Firm’s relationship with its affiliated and non-affiliated business partners. One such potential conflict of interest arises out of the Firm’s management of certain products that do not charge incentive fees as well as the management of certain products that do charge incentive fees. Accordingly, there may be an incentive to favor accounts for which the Firm or its affiliate charges incentive fees; however, Horizon, KAM, and KA all employ strict compliance policies that ensure all accounts are treated fairly, and that no account is favored over another. The Firm’s CCO reviews trade allocations on a periodic basis to ensure the Firm’s Trade Aggregation and Allocation Policies are followed. Only certain sophisticated clients that meet minimum net worth and financial standards are permitted to invest in products that charge incentive fees. Incentive fee-based products also employ more complex investment strategies that may not be appropriate for all investors.

Additionally, Horizon provides companies, including its affiliates, with research through a written agreement.

Horizon and/or its related entities serve as the General Partner and/or Investment Manager of the Private Funds. The Private Funds are available to clients of Horizon, KAM, or KA, or other such prospective clients with whom Horizon has a substantial pre-existing relationship and who are accredited investors as well as qualified purchasers or qualified clients.

In limited circumstances, Horizon provides model portfolios to Model Delivery Sponsors (each a “Model Sponsor”) who in turn utilize such information in their own investment programs. Horizon does not act as investment adviser to clients of a Model Sponsor, but provides a Model Sponsor with certain model portfolios from time to time that a Model Sponsor may consider when managing client accounts. The recommendations implicit in the model portfolios provided to a Model Sponsor may reflect recommendations being made by Horizon contemporaneously to, or investment advisory decisions made contemporaneously for, similarly situated discretionary clients of Horizon. As a result, Horizon may have already commenced trading before a Model Sponsor has received or has had the opportunity to evaluate or act on Horizon’s model portfolio information. In this circumstance, trades ultimately placed by a Model Sponsor for its clients may be subject to price movements, particularly with large orders or where securities are thinly traded, that may result in Model Sponsor’s clients receiving prices that are less favorable than prices obtained by Horizon for its client accounts.

Conversely, a Model Sponsor may initiate trading based on Horizon’s model portfolio information before or at the same time Horizon is also trading for its own client accounts. Particularly with large orders or where securities are thinly traded, this could result in Horizon’s clients receiving prices that are less favorable than prices that might otherwise have been obtained absent the Model Sponsor’s trading activity. Horizon takes reasonable steps to minimize the market impact of the model portfolios provided to a Model Sponsor on accounts for which Horizon

exercises investment discretion. However, because Horizon does not control a Model Sponsor's execution of transactions for its client accounts, Horizon cannot control the market impact of such transactions to the same extent that it would for its own discretionary client accounts.

Conflicts may exist to the extent that Horizon recommends securities to its affiliates for purchase or sale which are also securities being purchased or sold by Horizon for its clients. Additionally, there may be a conflict of interest in the allocation of trade opportunities between the separately managed accounts and Private Funds managed by Horizon, Kinetics, and KA that charge incentive fees, and the separately managed accounts, and mutual funds managed or sub-advised by Horizon, Kinetics, and KA which do not charge incentive fees. To mitigate such conflicts of interest or potential conflicts of interest, Horizon has established policies and procedures, such as the Code and Trade Aggregation and Allocation Policy, which are reasonably designed to monitor, detect and prevent such conflicts of interest. Certain affiliates or employees of Horizon, Kinetics, and KA may have a position in securities that have been or are being purchased by Horizon. The CCO monitors the trading of Horizon and its affiliated entities, to ensure that the Allocation and Aggregation Policies of each firm are adhered to.

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

### **Code of Ethics**

The Firm has adopted a written Code of Ethics (the “Code”), which adheres to the requirements under Rule 204A-1 of the Investment Company Act and which applies to each supervised person (defined in the Code as an “Access Person”) of the Firm. The Code requires that Access Persons of the Firm behave with the highest standards of business conduct and that they abide by the provisions of the Advisers Act and other applicable laws and regulations as well as their fiduciary duty to the Firm’s clients. The Code includes provisions relating to the confidentiality of client information, a prohibition on insider trading, disclosure of conflicts or potential conflicts of interest, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All employees at Horizon must acknowledge the terms of the Code annually and as amended. Sanctions may apply to any employee who breaches the provisions of the Code, including: verbal admonishment, written warning, written memorandum to the employee’s personnel file, fines and/or reversals of the transaction in question with profits donated to charity, partial or full restriction on personal trading for a set period of time, and/or suspension or termination of employment. Employees of the Firm are required to acknowledge the terms of the Code at least annually. You may obtain a copy of the Firm’s Code upon request using the contact information on the cover of this Brochure.

Access Persons of the Firm are allowed to trade securities, some of which may be purchased in client accounts creating a potential conflict of interest. An Access Person of the Firm that seeks to purchase or sell a security for their personal account, or for an account over which they have investment discretion must obtain pre-clearance from the Firm’s CCO prior to executing the trade. Authorizations by the CCO remain effective only for the day on which approval was granted. Under the Code, certain classes of securities transactions have been designated as exempt from pre-clearance.

Employee trading is continually monitored in order to ensure compliance with the Firm’s Code and applicable federal securities laws, as well as to reasonably prevent conflicts of interest between the Firm and its clients. For an account in which an employee has investment discretion or for a corporate account in which the employee is a 10% or greater shareholder, employees must attest to their personal trade activity quarterly, and on an annual basis, employees must certify compliance with the Code, disclose any conflicts or potential conflicts, and attest to a list of their personal brokerage accounts and holdings. The Firm also has a written statement of policy and procedures relating to the prevention of misuse of material, non-public information as required by Section 204A of the Adviser’s Act.

### **Participation or Interest in Client Transactions**

If an Access Person (as defined in the Code) acquires material non-public information as a result of a special or confidential relationship with a client or others, the Code requires that he or she shall not communicate the information (other than within the relationship) or otherwise take investment action on the basis of such information. If an Access Person is not in a special or confidential relationship with a client or others, he or she shall not communicate or act on material, non-public information if he or she knows, or should have known, that such information that was disclosed to him or her would result in a breach of duty or misappropriation of information. If such a breach exists, the Access Person shall make reasonable efforts to achieve public dissemination of such information. Any Access Person who receives information that is known or reasonably known to be material, non-public information should communicate that information to the Firm’s CCO without otherwise discussing the information with his or her co-workers. The Access Person is then required to refrain from trading on the information or from discussing the information inside or outside the Firm until the CCO decides the information either is not material or has been made public.

Horizon anticipates that, in appropriate circumstances, consistent with clients’ investment objectives, it may cause accounts managed by Horizon, and/or may recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which Horizon, its affiliates and/or clients, directly or indirectly, have a position of interest. Additionally, officers, directors and employees of Horizon may trade for their own accounts in securities which are recommended to and/or purchased for Horizon’s Clients. Horizon’s Code is designed to assure that the personal securities transactions, activities and interests of the employees of Horizon (including those to be executed for Horizon and its affiliates) will not interfere with (i) making decisions in the best interest of advisory clients and

(ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

The Firm's CCO has the general duty of administration and implementation of the Firm's Code. The CCO is responsible for the maintenance of records relating to the Firm's Code and shall maintain records of employee transactions to facilitate comparison between such records and records of the Firm's client transactions as are necessary to determine whether there may have been conflicting transactions. Horizon's clients or prospective clients may request a copy of the Firm's Code of Ethics by contacting Horizon's CCO using the contact information located on the cover page of this Brochure.

## **Item 12 Brokerage Practices**

### **Brokerage Discretion**

The brokerage for separate account clients can be either “directed” or “free to trade” depending on the manner in which the account is established and the parameters, if any, of the intermediary for accounts established through an intermediary (e.g., a sponsoring firm of the account). “Directed” brokerage refers to the practice whereby clients instruct Horizon to execute through specific broker-dealers. An account is “free to trade” when Horizon has discretion as to the broker-dealer through which to execute transactions.

Brokerage transactions for separate accounts established through an intermediary with bundled (or wrap) fee arrangements generally are “directed” to the program sponsor. This is due to the all-inclusive fee structure of the product. Accordingly, Horizon’s brokerage discretion is limited; trades executed with the program sponsor include such commissions in the Client’s bundled fee arrangement with that sponsor. Horizon may trade away from the program sponsor when the sponsor does not have the capability to effect transactions in a particular security or when otherwise consistent with best execution. Commissions and other expenses incurred in connection with any transactions executed away from the program sponsor are paid by the client. However, these costs are always considered in the determination to trade away from the program sponsor, and Horizon will negotiate commissions to effect these transactions taking into account its duty to achieve best execution for its clients.

### **Factors Considered in Selecting or Recommending Broker-Dealers for Client Transactions**

For separate accounts established directly with the Firm, Horizon generally retains brokerage discretion. It is both the policy and fiduciary duty of the Firm to seek best execution with respect to each transaction, other than directed brokerage arrangements, defined as those in which a client directs the Firm to utilize a specific broker. In purchasing and selling portfolio securities for discretionary client accounts, the Firm will seek to obtain execution at the most favorable net prices (on an overall basis) through its list of approved brokers and dealers. The Firm may aggregate purchase or sale orders for clients, as the Firm may be able to obtain lower commission costs on a per-share and per-dollar basis, because large orders tend to have lower execution costs. In general, the Firm will allocate securities under aggregate orders on a pro-rata basis at the average execution price, unless the Firm determines that a different method of allocation, whether by reason of average price considerations, similar securities in the same amounts, available capital, or other factors, suggest a more equitable method of allocation. Cost is only one factor in assessing best execution. The Firm also looks at the size and difficulty of the order, the reliability, integrity, financial condition and general execution and operational capabilities of the broker/dealer, the broker-dealers’ expertise in particular markets, as well as other matters relevant to the selection of a broker or dealer for a client account. Accordingly, transactions may not always be executed at the lowest available price or commission. On a quarterly basis, Horizon’s Brokerage Selection, Placement and Monitoring Committee (the “Brokerage Committee”) evaluates the performance of the executing brokerage firms, with the assistance of third party execution evaluation firms for best execution.

### **Directed Brokerage**

Although the Firm does not recommend, request, or require clients to engage in directed brokerage transactions, some clients may request or require that Horizon direct brokerage to particular broker-dealers. Clients that request or require directed brokerage arrangements are encouraged to make such designations subject to the principles of best execution. Commissions and other expenses incurred in connection with any transactions executed away from the program sponsor are paid by the client. These arrangements differ from those in which trades are “directed” to the program sponsor,

Specifying or restricting broker-dealers may be inconsistent with obtaining best overall execution for a client transaction. Clients are further advised that such directed brokerage transactions may not necessarily result in the best execution possible and may incur higher brokerage costs. Where a client directs or restricts the use of a particular broker-dealer, or broker-dealers, Horizon may not be in a position where it can negotiate commissions or obtain volume discounts, and, therefore, the best price may not be achieved, and/or such transactions may result in higher commission costs to the client, which may negatively affect that client’s account performance. In addition, clients who direct Horizon to use a particular broker-dealer or restrict Horizon from using a particular broker-dealer

may be prevented from participating in allocations of certain limited-availability securities. Moreover, if a request for a directed brokerage transaction is made with respect to an account subject to ERISA, ERISA requirements must be met in order for the Firm to accept such direction, including a representation that such directed brokerage transaction is in the sole interest and benefit of the ERISA plan itself.

The Firm's Brokerage Selection, Placement and Monitoring Committee (the "Brokerage Committee") periodically evaluates the execution quality and commission rates, among other factors, for each broker and dealer utilized by the Firm. The Brokerage Committee also utilizes reports by independent vendors, which compares the Firm's trading to that of its peers.

### **Research and Other Soft Dollar Benefits**

Horizon does not engage in soft-dollar arrangements.

### **Brokerage for Client Referrals**

Horizon does not consider client referrals when selecting broker-dealers.

### **Agency Cross Transactions**

On occasion, and in compliance with applicable regulations, Horizon may engage in a cross trade in which a security is sold from one account advised by Horizon or a related entity (including KAM and KA) and bought for another such account managed by the Firm or other related entity. This may be done, for example, to prevent potential harm that may result in selling a potentially illiquid security into a disorderly market. Horizon will effect such transactions only when it deems such transaction to be in the best interests of both client accounts, in accordance with applicable laws (including Section 206 of the Advisers Act and Rule 17a-7 under the Investment Company Act), and consistent with policies and procedures adopted by Horizon or its clients, including mutual funds and Private Funds, advised or sub-advised by Horizon.

### **Principal Transactions**

To the extent the Firm engages in principal transactions, it will do so in accordance with Section 206(3) of the Advisers Act.

### **Order Aggregation; Trade Allocation**

Horizon's Trade Aggregation and Allocation Policy outlines, among other things, when and if an order is aggregated across custodian relationships and how partially filled orders are allocated. Horizon will generally allocate partially filled orders on a pro-rata basis at the average execution price, unless Horizon determines that a different method of allocation is required, whether by reason of average pricing considerations, similar securities in the same accounts, available capital or other factors, (such as illiquidity). Horizon utilizes a trade rotation methodology for sequencing the execution of trades within an investment strategy that will occur across multiple custodians/brokers. An automated randomizer function is applied to ensure the objectivity of any such trades and to ensure that all accounts are treated fairly with respect to the allocation of investment opportunities. Horizon, in limited instances, may utilize other methodologies for allocating investment opportunities, provided they ensure fair and equitable treatment over time. Horizon's trade rotation may have the effect of producing a variance in the execution prices of the same security on the same day. Additionally, certain portfolio managers manage performance fee accounts alongside accounts that do not pay a performance fee. Since there are different fee structures, the potential exists to favor a performance fee account over non-performance fee accounts. However, favoring one Client over another would be inconsistent with Horizon's fiduciary duty to its clients. Accordingly, Horizon's Trade Aggregation and Allocation Policy is designed to ensure that no client is favored over another.

### **Conflicts of Interest Created by Contemporaneous Trading**

At times, Horizon and/or a related person recommends securities to clients, or buys or sells securities for client accounts, at or about the same time that Horizon and/or a related person buys or sells the same securities for Horizon

and/or the related person's account. Horizon recognizes this potential conflict or appearance thereof, and has instituted policies and procedures to mitigate such conflicts. There is an inherent conflict of interest between our fiduciary duty of best execution for our clients and the apparent self-interest of trading in the same securities in employee accounts and/or Horizon's proprietary trading accounts. Horizon's Code and Trade Aggregation and Allocation Policy attempt to prevent such conflicts.

**Item 13      Review of Accounts**

The Firm provides investment services that it believes are considered prudent and appropriate based on the nature of the accounts and the Firm's understanding of the client's written investment strategy and criteria. Client accounts are reviewed periodically, taking into account relevant fundamental data pertaining to each of the holdings, as well as the appropriateness of the current asset allocation. Company events, such as earnings reports, management changes, or other important corporate announcements, may trigger a review of a particular holding. Exogenous events, such as fund liquidations or subscriptions and a change in market conditions may also prompt an account review. Such reviews will be conducted, either jointly or individually, by the portfolio manager(s) and may be performed daily, weekly, or monthly as portfolio managers deem appropriate or as otherwise required. All reviews will be governed by normal professional standards with regard to security selection and asset allocation, with particular emphasis upon the stated goals and objectives in each of the accounts' Prospectus, SAI, offering memorandum or investment advisory agreement, as applicable.

**Client Reporting**

The Firm does not send statements to investors, as such function is performed by a third party administrator or custodian, as applicable, for the KMF, SMAs, other registered investment companies and UCITS managed by the Firm. Additionally, direct investors in the KMF (as opposed to those who invest through a broker) may log into a secure website controlled by the third party administrator, wherein investors can view investment specific information about their accounts. Model delivery and wrap account clients receive statements directly from the sponsor of the program on a monthly basis.

The Firm sends clients, prospective clients, and KMF investors who have consented to receive electronic communications, and monthly and/or quarterly newsletters containing commentaries from the Firm's investment team as well as important information about the Firm and its strategies and/or products. Recipients may request to discontinue receiving such information at any time. The Firm may also send investors proprietary reports or presentations upon request from time to time.

**Item 14     *Client Referrals and Other Compensation***

From time to time, Horizon enters into written arrangements with unaffiliated third parties and affiliated entities (“Solicitors”) for their assistance in referring business to the Firm. Horizon may pay cash compensation to such Solicitors in accordance with Rule 206(4)-3 of the Advisers Act. Such compensation varies, but may be equal to a specified percentage of the investment management fees received by Horizon from clients obtained through the Solicitor or may be a fixed fee. Such Solicitors generally include marketers, broker-dealers and consultants. Persons who become clients of Horizon through these arrangements do not pay an additional fee because of Horizon’s agreement with the Solicitor; all fees are paid directly by Horizon and the arrangements comply with Rule 206(4)-3 of the Advisers Act.

Horizon participates in the Fidelity Wealth Advisor Solutions program (the “WAS Program”), through which Horizon receives referrals from Strategic Advisers, Inc. (“SAI”), a registered investment adviser and subsidiary of FMR LLC, the parent company of Fidelity Investments. Horizon is independent and not affiliated with SAI or FMR LLC. SAI does not supervise or control Horizon, and SAI has no responsibility or oversight for Horizon’s provision of investment management or other advisory services. Under the WAS Program, SAI acts as solicitor for Horizon, and Horizon pays referral fees to SAI for each referral received based on Horizon’s assets under management attributable to each client referred by SAI or members of each client’s household. The WAS Program is designed to help investors find an independent investment adviser, and any referral from SAI to Horizon does not constitute a recommendation or endorsements by SAI of Horizon’s particular investment management services or strategies. Specifically, Horizon pays SAI an annual percentage of 0.20% of any and all assets in client accounts that are referred by SAI, subject to a minimum annual fee of \$10,000.

To receive referrals from the WAS Program, Horizon must meet certain minimum participation criteria. As a result, Horizon may have a potential conflict of interest with respect to its decision to use certain affiliates of SAI, including FBS, for execution, custody and clearing for client accounts, and Horizon may have a potential incentive to suggest the use of FBS and its affiliates to its advisory clients, whether or not those clients were referred to Horizon as part of the WAS Program. Under an agreement with SAI, Horizon has agreed that it will not charge clients more than the standard range of advisory fees disclosed in this Form ADV Part 2A Brochure to pay fees to SAI as part of the WAS Program. Pursuant to these arrangements, Horizon has agreed not to solicit clients to transfer their brokerage accounts from affiliates of SAI or establish brokerage accounts at other custodians for referred clients other than when Horizon’s fiduciary duties would so require; therefore, Horizon may have an incentive to suggest that referred clients and their household members maintain custody of their accounts with affiliates of SAI. However, participation in the WAS Program does not limit Horizon’s duty to select brokers on the basis of best execution.

**Item 15     *Custody***

Horizon does not maintain physical or actual custody of client assets. Horizon does not engage in any banking or related accounting activities. Horizon's clients are solely responsible for determining and maintaining custody arrangements for their accounts.

**Item 16     Investment Discretion**

Horizon manages accounts on a discretionary basis, e.g. without client consultation regarding the securities that are bought/sold for the account and the quantity of securities to be bought and sold. In certain instances, clients may seek to limit Horizon's discretionary authority in making these determinations by imposing investment guidelines, investment restrictions, or account objectives that may otherwise preclude the account from owning certain securities. Horizon reserves the right to not accept or to cease managing any account whose client-imposed limitations materially impact the ability of the Firm to manage the account. Additionally, Horizon manages a small number of accounts on a non-discretionary basis, whereby the client instructs Horizon as to the securities and quantity of securities to be bought and sold within their account.

Prior to accepting authority for the management of client accounts, the Firm requires a written investment advisory agreement between the client and the Firm. A written investment advisory agreement between the client and the Firm is also required for the management of non-discretionary accounts.

**Item 17 Voting Client Securities**

Horizon generally is granted the authority to vote proxies. Horizon has adopted and implemented policies and procedures that it believes are reasonably designed to ensure that proxies are voted in the best interest of clients. Horizon's policy is to vote proxy proposals, amendments, consents or resolutions relating to advisory client securities, including interests in private investment funds, if any (collectively, "proxies"), in a manner that serves the best interests of the funds and accounts managed by Horizon, as determined by it in its discretion, taking into account that one of the key factors Horizon considers when determining the desirability of investing in a particular company is the quality and depth of its management. With that in mind, Horizon recognizes that a company's management is entrusted with the day-to-day operations of the company, as well as its long-term direction and strategic planning, subject to the oversight of the company's board of directors.

Horizon has engaged Institutional Shareholder Services ("ISS"), to facilitate the voting of client proxies. Additionally, ISS provides research on proxy proposals and vote recommendations based on written guidelines. Horizon, as a general matter, accepts vote recommendations from ISS, though Horizon retains the right to determine the vote on a particular proxy issue. Accordingly, there may be instances, including those in which ISS recommends a vote in line with management, in which Horizon may decide to vote contrary to ISS' recommendation if it is determined to be in the best interests of the clients. The rationale for any such departure will be memorialized in writing by the CCO.

A copy of Horizon's Proxy Voting Policy is available upon request. Clients may also contact Horizon to receive more information about how the Firm voted proxies on their behalf. To the extent the Firm does not have authority to vote proxies pertaining to its clients' accounts. The client will receive proxy proposals directly from their respective custodians.

**Item 18     Financial Information****BALANCE SHEET**

The Firm has not attached a balance sheet for its most recent fiscal year because it does not require or solicit prepayment of more than \$1,200.00 in fees per client, six months or more in advance.

**FINANCIAL CONDITIONS LIKELY TO IMPAIR FIRM'S OPERATIONS**

The Firm is not aware of any financial conditions that are likely to impair its ability to meet its contractual commitments to its clients.

**BANKRUPTCY FILINGS**

The Firm has not been the subject of any bankruptcy petitions at any time in the past ten years, or prior to that period.



## APPENDIX A16

### **PRIVACY POLICY**

This Privacy Notice sets forth the policy of Horizon Asset Management LLC, Kinetics Asset Management LLC and Kinetics Advisers, LLC (collectively referred to as, "Horizon Kinetics"), affiliated companies that are wholly owned by Horizon Kinetics LLC with respect to non-public personal information of current, prospective and former clients ("Clients"). This policy may be changed with or without notice.

From time to time, Horizon Kinetics collects non-public information from you including:

- i. information we receive from you on applications or other forms, correspondence or conversations, including, but not limited to, your name, address, phone number, social security number, assets, income and date of birth; and
- ii. information about your transactions with us, our affiliates, or others, including, but not limited to, your account number and balance, payments history, parties to transactions, cost basis information, and other financial information.

Horizon Kinetics does not disclose any of non-public personal information about our Clients to non-affiliated third parties, except as permitted by law or as required to service your account. For example, Horizon Kinetics is permitted by law to disclose all of the information we collect, as described above, to our attorneys, auditors, brokers/banks (custodians) and regulators and certain service providers, in such case, only as necessary to facilitate the acceptance and management of Client investments. Thus, it may be necessary, under anti-money laundering and similar laws, to disclose information about Clients in order to accept assets from them. Horizon Kinetics will also release Client information if directed to do so by a Client, if compelled to do so by law or in connection with any government or self-regulatory organization request or investigation.

Horizon Kinetics seeks to carefully safeguard Client information and, to that end, restricts access to non-public personal information about our Clients to those employees and other persons who need to know the information to enable Horizon Kinetics to provide services to its Clients. Horizon Kinetics and our service agents maintain physical, electronic, and procedural safeguards that comply with federal standards to guard your non-public personal information. In the event that you maintain an account through a financial intermediary, including, but not limited to, a broker-dealer, bank, or trust company, the privacy policy of your financial intermediary would govern how your non-public personal information would be shared with nonaffiliated third parties.

If you have any questions about this Privacy Policy, you may contact Horizon Kinetics at (914) 703-6900.



## APPENDIX A8

### **PROXY VOTING POLICIES AND PROCEDURES**

#### **I. INTRODUCTION AND OVERVIEW**

Horizon Kinetics LLC (“HK”), on behalf of Horizon Asset Management LLC (“Horizon”), Kinetics Asset Management LLC (“Kinetics”) and Kinetics Advisers, LLC (“KA”) (collectively, Horizon, Kinetics and KA referred to as the “Advisers”) has adopted these Proxy Voting Policies and Procedures (“Proxy Policies and Procedures”) for the purpose of establishing formal policies and procedures for performing and documenting its fiduciary duty with respect to the voting of client proxies. Kinetics is the investment adviser to retail and institutional separate accounts, a private fund, and a registered investment company, Kinetics Mutual Funds, Inc., which invests all of its investable assets in a corresponding portfolio series of the Kinetics Portfolio Trust. Kinetics is also sub-adviser to certain UCITs products. Horizon manages retail and institutional separate accounts, several private funds, and acts as sub-adviser to registered investment companies. KA is the investment adviser to various other private funds (collectively the investment products managed by the Advisers, referred to herein as the “Clients”).

Pursuant to these Policies and Procedures, the Advisers shall vote proxies (a) on behalf of Kinetics Portfolios Trust and (b) on behalf of their other Clients, for whom the Advisers have been given and agreed to accept voting authority. The fundamental guideline followed by the Advisers in voting proxies is to ensure that the manner in which shares are voted is in the best interests of their Clients and the values of the investments.

#### **II. ADMINISTRATION**

**Proxy Voting Administration Through the Institutional Shareholder Services System:** The Advisers have delegated responsibility for the administration of proxy voting to Institutional Shareholder Services Inc. (“ISS”), a Delaware corporation.

**Responsibilities of ISS:**

- a. process all proxies received in connection with underlying portfolio securities held by the Adviser’s Clients;
- b. apply ISS’ proxy voting procedures (hereinafter, the “ISS Proxy Voting Guidelines”), which the Advisers have reviewed, analyzed, and determined to be consistent with the views of the Advisers on the various types of proxy proposals<sup>1</sup>; and
- c. maintain appropriate records of proxy voting that are easily-accessible by appropriate authorized persons of ISS.

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<sup>1</sup>In cases where ISS cannot provide a recommendation, they will notify the Advisers, or otherwise will vote “No.”



### **Responsibilities of the Advisers:**

The Advisers' Policies and Procedures incorporate the ISS Proxy Voting Guidelines, to the extent appropriate. A copy of the current ISS Proxy Voting Guidelines *Summary* is attached hereto at Appendix A and is incorporated herein by reference.

The Advisers, as appropriate, authorize and instruct each Client's custodian to forward all proxy statements and ballots directly to ISS, who votes the proxies. The Advisers review and update ISS' Client list on a periodic basis.

When the ISS Proxy Voting Guidelines do *not* cover a specific proxy issue, and ISS does *not* provide a recommendation, ISS notifies the Advisers' Proxy Administrator and the Legal and Compliance Department. The Proxy Administrator will review the proxy with the Chief Compliance Officer ("CCO"), General Counsel ("GC") or Chief Investment Strategist ("CIS"), or their delegate(s), to determine whether the Advisers should vote the proxy. In determining whether to vote a particular proxy, the Advisers will consider a variety of factors, including, but not limited to, the costs associated with voting, whether the proxy is in a foreign market and the feasibility of registering in that market, and the potential benefit derived from the vote. If the Advisers determine to vote the proxy, the Proxy Administrator will instruct ISS accordingly.

In evaluating how to vote a proxy, the CCO, GC, CIS, or their delegate(s) may consider a variety of factors, including, but not limited to, information from various sources, including management of a company presenting a proposal, shareholder groups, and independent proxy research services. The CCO, GC, CIS, or their delegate(s) will use his or her best judgment in voting proxies on behalf of Clients.

**Proxy Administrator.** The Advisers designate the General Counsel, or his designee(s) as its Proxy Administrator ("Proxy Administrator"). In addition to the duties described above, the Proxy Administrator also reviews questions and responds to inquiries from Clients and mutual fund shareholders pertaining to proxy issues and corporate responsibility.

**Monitoring the ISS Proxy Voting Guidelines.** Periodically, on request, the Advisers will require ISS to provide a report and/or representation that all proxies voted by ISS on behalf of the Advisers' Clients during the applicable period were voted in accordance with the ISS Proxy Voting Guidelines.

The CCO, GC or CIS of the Advisers and the Proxy Administrator shall review the ISS Proxy Voting Guidelines on a *yearly* basis to determine whether these guidelines continue to be consistent with the Advisers' views on the various types of proposals covered by the ISS Proxy Voting Guidelines. The CCO, GC or CIS will also review any material changes made by ISS to the ISS Proxy Voting Guidelines.



When reviewing the ISS Proxy Voting Guidelines, the Advisers will consider, among other things, whether the Guidelines are designed to vote proxies in a manner consistent with the goal of voting in the best interest of its Clients. The Advisers also shall review the Advisers' Proxy Policies and Procedures and the ISS Proxy Voting Guidelines to make certain that both comply with any new rules promulgated by, or interpretations issued by, the SEC or other relevant regulatory policies.

### **Conflicts of Interest**

ISS issues voting recommendations and casts proxy votes strictly in accordance with pre-determined proxy voting guidelines, which the Advisers believe are in the best interests of their clients. The adherence to pre-determined proxy voting guidelines by the Advisers and ISS helps reduce conflicts of interests and helps ensure that proxy votes are cast in accordance with the best interests of the Advisers' Clients.

Nevertheless, if a proxy proposal were to create a conflict of interest between the interests of a Client and those of the Advisers, the proxy *will* be voted strictly in conformity with the recommendation of ISS.

To the extent ISS has a conflict of interest as it relates to the recommendation of a proxy proposal, the Advisers have established measures reasonably designed to identify and address ISS' conflicts of interest. The Advisers have contractually agreed with ISS such that ISS is required to immediately notify the Advisers if ISS believes there exists a conflict with its obligation to issue proxy proposal recommendations. Such notice shall contain a disclosure which shall enable the Advisers to (a) understand the relationship or interest and the steps taken by ISS to mitigate the conflict, and (b) make an assessment of the reliability or objectivity of the recommendation. The Advisers shall also periodically review the ISS report detailing the reasoning behind particular proposal recommendations and in instances where the Advisers determine the reasoning is biased or otherwise inconsistent with ISS' obligations, the Advisers shall review and vote such proxy proposals without regard to ISS' recommendation. Moreover, the Advisers shall conduct periodic due diligence on ISS, with a goal of identifying any material relationships with publicly traded companies that may create potential conflicts of interest in the future. The Advisers will memorialize instances where they were conflicted and instances where the Advisers or ISS determine that ISS is conflicted.

To monitor compliance with these procedures, any proposed or actual deviation from a recommendation of ISS must be reported to the CCO, GC or CIS of the Advisers. The CCO, GC or CIS of the Advisers would then provide guidance concerning the proposed deviation and whether this deviation presents any potential conflict of interest.

*In the case of Kinetics Portfolios Trust*, the Advisers shall report each deviation from an ISS recommendation regarding a proxy received in connection with underlying portfolio securities held by a Portfolio to the Board of Trustees of Kinetics Portfolios Trust at the next formal meeting of the Portfolio's Board of Trustees.



*In the case of accounts and funds other than Kinetics Portfolios Trust, the Advisers:* (i) shall maintain an appropriate record of each deviation from an ISS recommendation regarding a proxy received in connection with underlying portfolio securities held by an Other Client.

As a matter of policy, the employees of the Advisers who manage proxy voting through ISS shall not be influenced by outside sources.

### **III. REPORTING AND RECORD RETENTION**

The Advisers or ISS will maintain the following records relating to proxy votes cast under these Proxy Policies and Procedures.

- I. A copy of these Proxy Policies and Procedures.
- II. A copy of the ISS Proxy Voting Guidelines.
- III. A copy of proxy statements received regarding underlying portfolio securities held by Clients (received through ISS, with either hard copies held by ISS or electronic filings from the SEC's EDGAR system).
- IV. Records of each vote cast on behalf of Clients including: (i) the name of the issuer of the portfolio security; (ii) the exchange ticker symbol of the portfolio security; (iii) the Council on Uniform Security Identification Procedures ("CUSIP") number for the portfolio security; (iv) the shareholder meeting date; (v) a brief identification of the matter voted on; (vi) whether the matter was proposed by the issuer or by a security holder; (vii) whether the Advisers cast its vote on the matter; (viii) how the Advisers cast their votes (e.g., for or against proposal, or abstain; for or withhold regarding election of directors); and (ix) whether the Advisers cast their votes for or against management.
- IV. A copy of any document created by the CCO or Proxy Administrator that was material to making a decision on how to vote proxies on behalf of a Client or that memorialized the basis for the decision.
- V. A copy of each written Client request for proxy voting information and a copy of any written response by the Advisers.

The foregoing records will be retained for such period of time as is required to comply with applicable laws and regulations. The Proxy Administrator will cause copies of the foregoing records, as they relate to particular clients, to be provided to those clients upon request.

The most recent copy of the Proxy Policies and Procedures are available on HK's website at [www.horizonkinetics.com](http://www.horizonkinetics.com), as well as [www.kineticsfunds.com](http://www.kineticsfunds.com). Questions related to the



Advisers' Proxy Policies and Procedures should be directed in writing addressed to the Proxy Administrator at the address below:

Horizon Kinetics LLC  
Attn: Proxy Administrator  
470 Park Avenue South  
New York, NY 10016

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