



## Item 1 – Cover Page

Fund Evaluation Group, LLC  
Form ADV Part 2A-March 30, 2016

201 East Fifth Street, Suite 1600  
Cincinnati, Ohio 45202  
513-977-4400  
[www.feg.com](http://www.feg.com)

This Brochure provides information about the qualifications and business practices of Fund Evaluation Group, LLC. If you have any questions about the contents of this Brochure, please contact us by phone at 513-977-4400 or by email at our website address [www.feg.com](http://www.feg.com), under the “contact us” section. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”), or by any state securities authority.

Fund Evaluation Group, LLC, is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about Fund Evaluation Group, LLC is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).



**Fund Evaluation Group**<sup>®</sup>  
investment advisors

## Item 2 – Material Changes

This Brochure dated March 30, 2016 is prepared according to the SEC's requirements and rules. Material and non-material changes to this ADV Part 2A since the last annual update on March 26, 2015 are listed below. Any material changes in the future will also be reported in this section.

- Effective November 18, 2015, Julie T. Thomas, CPA, IACCP became Chief Compliance Officer of the firm. Julie replaced John F. Labmeier, the firm's General Counsel, who was acting CCO during the period from August 24, 2015 to November 18, 2015. John was named acting CCO with the departure of Maureen Kiefer Goldenberg who left the firm to join another investment advisory firm.
- Effective May 31 2015, Chris Meyer, a managing partner, left the firm to join another investment advisory firm.
- Item 5 - Provided new fee schedules.
- Item 6 – Enhanced our disclosures regarding Side-By-Side Management.
- Item 8 – Enhanced our risk disclosures.
- Item 11 – Enhanced our Code of Ethics disclosure, and enhanced our Interest in Client Transactions.
- Item 17 – Enhanced our disclosure regarding Voting Client Securities.

Pursuant to SEC rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting Julie T. Thomas, Chief Compliance Officer at 513-977-4400 or [jthomas@feg.com](mailto:jthomas@feg.com). Our Brochure is also available on our web site [www.feg.com](http://www.feg.com), free of charge.

Additional information about the Fund Evaluation Group, LLC is also available via the SEC's website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about any persons affiliated with the Fund Evaluation Group, LLC who are registered, or are required to be registered.

**Item 3 -Table of Contents**

Item 4 – FEG Advisory Business..... 3  
Item 5 – Fees and Compensation ..... 6  
Item 6 – Performance-Based Fees and Side-By-Side Management ..... 8  
Item 7 – Types of Clients..... 9  
Item 8 – Method of Analysis, Investment Strategies and Risk of Loss ..... 10  
Item 9 – Disciplinary Information ..... 13  
Item 10 – Other Financial Industry Activities and Affiliations ..... 13  
Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading 14  
Item 12 – Brokerage Practices ..... 15  
Item 13 – Review of Accounts..... 18  
Item 14 – Client Referrals and Other Compensation..... 19  
Item 15 – Custody..... 20  
Item 16 – Investment Discretion..... 20  
Item 17 – Voting Client Securities..... 21  
Item 18 – Financial Information ..... 21

Brochure Supplement (s) will be delivered to all clients with this document.

#### Item 4 – FEG Advisory Business

Fund Evaluation Group, LLC (hereinafter referred to as “FEG”) was founded in 1988 in response to institutions seeking better solutions for their investment portfolios. During the 1980s, the investments of organizations, especially portfolios of small to mid-sized institutions, were characterized by a lack of diversification among asset classes and investment managers. FEG’s founders saw an opportunity to develop a new, more sophisticated approach to achieving quality investment performance.

The vision was simple; to provide clients with forward-thinking unbiased, research based investment advice and to serve as an advocate and fiduciary. FEG was therefore established by five original team members to deliver the vision to an inaugural 30 clients, primarily defined benefit plans in Cincinnati, Ohio.

Today, FEG has grown to become a leading national provider of investment advisory services with more than 100 employees, and approximately \$50 billion in assets under advisement as of December 31, 2015. Assets under advisement includes both discretionary assets of \$3,600,793,542 over which FEG has full trading authority, and non-discretionary assets of \$46,206,185,394 which we advise and make recommendations on, but may not have authority to execute or facilitate trades on behalf of the client. FEG’s client base has expanded to include a wider set of institutions, including nonprofits, retirement plans, insurance companies and financial advisers. FEG’s broad equity ownership structure comprised of 15 managing partners helps to ensure the continuity and future of FEG. All managing partners individually own less than twenty-five percent of the company, and are listed in Schedule A of Form ADV Part 1. Their full biographies can be found on Form ADV Part 2B Disclosure Brochure.

In forming the basis for its recommendations, FEG will carefully review each client’s individual investment needs and objectives to determine which services or products are most suitable for that client. In some cases a combination of FEG’s services and products may be the most appropriate recommendation. Non-discretionary investment services are based upon the recommendations of each individual consultant. Recommendations can vary depending on each consultant and their specific area of expertise and individual subjective judgment. Although the goal of all recommendations or investment management by FEG is to increase investment performance and reduce risk, no guarantees can be made. All investors should be aware that past performance is no guarantee of future results. Consultant’s pay is based upon the fee charged by FEG for services provided. FEG provides ongoing investment supervisory services to its clients through two primary services:

#### **FEG Consulting**

FEG’s investment consulting service provides oversight of investment portfolios on a non-discretionary basis and includes all of the following:

**Investment Policy Statement:** FEG will modify or draft a policy that specifies the client’s goals and objectives, as well as the asset allocation targets and ranges, the performance and risk benchmarks, manager guidelines and restrictions, how the managers will be evaluated, and concludes with an

acknowledgement section where all fiduciaries attest to these policies. FEG will review the Investment Policy Statement annually, and recommend updates as needed.

**Asset Allocation Study:** Based on the client's return objectives and risk tolerance, FEG will assist the client in developing the appropriate asset mix. The study includes FEG's 10-year capital market expectations, volatility of the asset categories, as well as correlations. FEG will utilize mean variance optimization to assist our clients in establishing an appropriate target asset mix. FEG will review the asset allocation annually.

**Performance Reports:** FEG will provide quarterly performance reports that track the progress of the client's account and the individual managers versus the objectives and benchmarks outlined in the Investment Policy Statement.

**Manager Searches:** FEG will assist the client in selecting new managers, when needed, and provide on-going monitoring and evaluation of existing managers. Formal manager reviews are completed each quarter by FEG's research staff. When a manager is terminated, or the client decides to add a new mandate, FEG will conduct a manager search. This includes reviewing several managers and their organizational structure, track record, personnel, and fees (among other things) and summarizing the results to assist the client in selecting the appropriate manager.

**Alternative Investments:** As stated in the "Manager Searches" section above, FEG will recommend alternative investment managers that meet the client's needs, including direct partnerships and fund of funds. FEG will also provide on-going review (e.g. quarterly conference calls) of the managers and recommendations of new managers.

**Educational Material:** Each quarter FEG will provide a research narrative on a specific topic that will assist the client in making well-informed decisions. FEG will also conduct research on topics at the client's request. These research studies are designed to open discussion on relevant investment topics, and to position the portfolio for future success.

### **Other Consulting Services**

**Consulting Structured Services:** FEG will provide operational support for back office administrative tasks of clients while maintaining a non-discretionary relationship on the majority of the portfolio. Under this service, clients are able to allocate less than 50% of their portfolio to FEG's discretionary vehicles to gain better access to investments with less liquidity. With authorization from the client, FEG will implement client approved investment decisions with custodians and managers. This service may also include Subscription Agreement services as outlined below. All arrangements under this service will require written approval from the client.

**Consulting Implementation Services:** FEG will provide operational support for the back office administrative tasks of clients while maintaining a non-discretionary relationship. Upon authorization from the client, FEG will implement client approved investment decisions with custodians and managers. FEG will not purchase or sell securities for the client's account unless

instructed in writing by the client. FEG will prepare pertinent information and execute the transaction(s) following approval.

**Subscription Agreements:** FEG currently provides subscription agreement services. FEG will collect and complete subscription agreements for funding new investments and liquidating existing investments, and forward documents to the client for their review and signature before processing. FEG also tracks the document flow and monitor the custodian's receipt and disbursement of payments.

FEG is able to customize the consulting services described above in order to meet the unique needs of our clients. Customized services are mutually agreed upon by FEG and the client in the advisory agreement.

### **FEG Managed Portfolios**

Managed Portfolios is a discretionary investment program offered by FEG and is managed by a four person Portfolio Management team. FEG Managed Portfolios are available to taxable and tax-exempt institutions and individuals on a separate account basis. This service integrates similar components to those offered through FEG Consulting, but because of its discretionary nature, implements and manages client portfolios on an ongoing basis within the asset allocation guidelines adopted by the client. Portfolio construction is generally comprised of a diversified portfolio of index funds, mutual funds, exchange traded funds and/or commingled fund products. Clients selecting FEG Managed Portfolios receive a quarterly investment report incorporating performance measurement of the investments in accordance with the client's investment objectives.

### **Other Services**

FEG currently provides research and model portfolios, for a fee, to third parties who serve as financial intermediaries, and/or platform providers to clients. FEG has the ability to utilize the technology platforms of some of these third parties to support performance reporting, fee calculation and billing. A portion of FEG's own discretionary clients may pay a fee for this service.

FEG serves as a sub-adviser to other advisers and third party accounts. As a sub-adviser, we are responsible for managing portfolios in compliance with mandates established by the client's investment policy statement or advisory contract.

FEG participates in separately managed account programs sponsored by third parties. The portion of the fee payable to FEG is determined by a percentage of the assets under management.

FEG has established an Endowment Alliance Program to help financial advisers build their endowment and foundation business. Advisers can access FEG Managed Portfolios solutions and leverage FEG's institutional client experience. FEG endowment portfolios include allocations to alternative investments through hedge funds or liquid alternatives based upon client objectives and policies.

In establishing client accounts, FEG will discuss with clients how to tailor services to their particular investment objectives, financial needs and risk tolerance. Clients may impose restrictions on investing in certain securities, types of securities and industry sectors. These restrictions are set forth in the client's investment policy statement or advisory contract.

**Item 5 – Fees and Compensation**

Our general policy is to charge fees in accordance with the fee schedule(s) in effect at that time; however, all FEG fees and minimums are subject to negotiation. Existing advisory clients are subject to FEG's minimum account requirements and advisory fees in effect at the time the client entered into the advisory relationship. The way in which the Adviser receives compensation for advisory services may be negotiated by the client at the time of entering into an advisory agreement. For discretionary accounts, the client's advisory account is generally debited directly. For non-discretionary accounts, generally clients are billed directly, or choose an alternative billing method.

The manner in which we charge fees is set forth in the client's advisory agreement, but fees are generally assessed in accordance with the following schedules:

**Consulting**

An asset based fee is charged for Consulting

Assets	Annual Fee
First \$50 million	0.12%
Next \$50 million	0.10%
Next \$150 million	0.05%
Next \$250 million	0.04%
Over \$500 million	0.03%

**The minimum annual consulting fee is \$60,000**

**Fees are charged quarterly, in arrears**

**Fees include travel and out of pocket expenses**

**Consulting Implementation Services**

An asset based fee is charged for Consulting Implementation Services

Assets	Annual Fee
First \$50 million	0.150%
Next \$50 million	0.130%
Next \$150 million	0.080%
Next \$250 million	0.045%
Over \$500 million	0.035%

**The minimum annual consulting fee is \$70,000**

**Fees are charged quarterly, in arrears**

**Consulting Structured Services**

An asset based fee is charged for Consulting Structured Services

<b>Assets</b>	<b>Annual Fee</b>
First \$50 million	0.24%
Next \$50 million	0.20%
Next \$150 million	0.10%
Next \$250 million	0.05%
Next \$500 million	0.03%
Over \$1 billion	0.03%

**The minimum annual consulting fee is \$70,000**  
**Fees are charged quarterly, in arrears**  
**Negotiated ala carte services may be included in fee**

**FEG Managed Portfolios**

Also known as Outsourced Chief Investment Officer (OCIO)

An asset based fee is charged for FEG OCIO  
(Schedule for accounts over \$5 million)

<b>Assets</b>	<b>Annual Fee</b>
First \$25 million	0.50%
Next \$25 million	0.30%
Next \$50 million	0.20%
Next \$150 million	0.10%
Over \$250 million	0.05%

**The minimum annual managed portfolios fee is \$50,000**  
**Fees are charged quarterly, in arrears**  
**Fees include travel and out of pocket expenses**

**Additional Fees and Expenses**

FEG Managed Portfolios is available to clients who utilize an independent financial intermediary adviser. FEG's fee for this service is 0.30% (does not include platform fees). For clients that utilize FEG as their adviser, the management fee is 1.15% on the first \$100,000; 0.90% on the next \$400,000; 0.73% on the next \$500,000; 0.56% on the next \$1,000,000 and 0.55% over \$2,000,000 (includes platform fees). These management fees do not include custodial fees. Actual investment fees incurred by clients may vary.

FEG also offers a variety of services and products with differing fee schedules, including the above services under "Consulting" on an a la carte or limited consulting basis, fees for which will be individually quoted based on the amount of time and expenses associated with those services.

For FEG client assets invested in proprietary FEG funds, the adviser's compensation under this agreement will be reduced (but not below \$0) by any advisory fees received by FEG (or affiliate of FEG) attributable to the client's investment in the FEG Funds.

FEG is a fiduciary to certain advisory clients that are employee benefit plans or individual retirement accounts (IRAs) pursuant to the Employee Retirement Income and Securities Act (ERISA). As such, our



firm is subject to specific duties and obligations under ERISA and the Internal Revenue Code that include, among other things, restrictions concerning certain forms of compensation.

Occasionally, FEG, either directly or indirectly, through its affiliates, enters into side letter arrangements with regards to FEG proprietary funds. These arrangements are in writing and agreed upon by all parties.

Upon termination of FEG's services, FEG will assess a pro-rated fee for services rendered in accordance with the fee payment and termination provisions contained in the client contract.

In addition to our advisory fees, clients are responsible for the fees and expenses charged by custodians and imposed by broker-dealers or platforms, including transaction charges, custodial fees, and commission costs.

For further compensation arrangements please refer to Item 14 of this document.

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

Currently, FEG does not have any clients with performance based fee arrangements. However, FEG may negotiate a performance based fee with qualified clients. FEG will structure any performance or incentive fee arrangement in accordance with applicable law and regulation.

### Side By Side Management Conflicts of Interest

Side-by-side management of multiple accounts can create incentives for FEG to favor one account over another. Examples are detailed below, followed by a discussion of how FEG addresses these conflicts.

- Multiple strategies: FEG may buy or sell, or may direct or recommend that one client buy or sell, securities of the same kind or class that are purchased or sold for another client, at prices that may be different due to timing or client direction. FEG may also, at any time, execute trades of securities of the same kind or class in one direction for an account and in the opposite direction for another account, due to differences in investment strategy or client direction. Different strategies affecting trading in the same securities or types of securities may appear as inconsistencies in the management of multiple accounts side-by-side.
- Non-discretionary accounts: FEG provides non-discretionary services to some clients and manages other accounts on a discretionary basis. As a result of a client retaining FEG to manage an account on a non-discretionary basis, the client may be disadvantaged because FEG must obtain the non-discretionary client's approval prior to effecting investment transactions on their behalf. Non-discretionary clients may not receive notification of the proposed trades from FEG and/or may not provide consent to such trades until after FEG's discretionary accounts have finished trading. Therefore, non-discretionary clients may not benefit from aggregated orders, and may have execution of orders delayed, which may result in their accounts receiving a price that is more or less favorable than that obtained for discretionary accounts. As a result of these and other factors, the performance of non-discretionary accounts may differ from the performance of discretionary accounts following the same investment strategy.

- Higher fee paying accounts or products: FEG receives more revenues from (1) larger accounts than smaller accounts and from (2) managing discretionary accounts than advising non-discretionary accounts and from (3) charging higher fees for some services than others. The differences in revenue that FEG receives could create an incentive for FEG to favor the higher fee paying or higher revenue generating account over another.

#### How FEG Addresses These Conflicts of Interest

The conflicts of interest described above could create incentives for FEG to favor one or more accounts or types of accounts over others in the allocation of investment opportunities, time, aggregation and timing of investments. Accounts in a particular strategy with similar objectives are managed similarly to the extent possible. Accordingly, account holdings and sector exposure tend to be similar across a group of accounts in a strategy that has similar objectives, which tends to minimize the potential for conflicts of interest among accounts within a specific strategy. While these accounts have many similarities, the investment performance of each account may be different primarily due to differences in guidelines, individual portfolio manager's decisions, timing of investments, fees, expenses and cash flows.

Additionally, FEG has developed policies and procedures that seek to address, mitigate and assess these conflicts of interest. FEG cannot guarantee, however, that our policies and procedures will detect and prevent, or lead to disclosure of, each and every situation in which a conflict may arise.

- FEG has adopted trade aggregation and allocation procedures that seek to treat all clients fairly and equitably. These policies and procedures address the allocation of limited investment opportunities, such as initial public offerings (IPOs) and new issues.
- FEG has adopted procedures to review allocations and/or performance dispersion between accounts.
- FEG has adopted a code of ethics and policies relating to personal trading. (Please see Item 11 for additional information about our code of ethics and personal trading policies.)
- FEG provides disclosure of these conflicts as described in this brochure.

### **Item 7 – Types of Clients**

FEG generally provides investment advisory services to various types of clients, including the following:

- Charitable not-for-profit
- Community Foundation
- Corporate
- Individuals and Family Offices
- Healthcare (for profit and not-for-profit)
- Higher Education (private and public)
- Independent Schools
- Insurance
- Private/Family Foundation
- Religious

- Public Funds (State or Municipal Entities)
- Taft Hartley
- Financial Intermediaries
- Other Investment Advisers

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

FEG's investment philosophy serves as the basis for the investment solutions we provide our clients and is predicated upon the following four philosophical tenets:

- Investment decisions should be made with a long-term perspective
- Valuation considerations should drive investment decisions
- Portfolios should be constructed to achieve diversification by global risks
- Skillful active management has the potential to add value

#### Portfolio Design

We take a broad-based view of asset allocation, with investments generally falling into one of four asset categories: global equity, global fixed income, real assets and diversifying strategies. Each category serves a specific role within a portfolio. An allocation to all four categories provides diversification to major market risk factors and provides a high-level framework to view the exposures within the portfolio. In order to achieve an even greater level of diversification, the four broad categories are further broken down into sub-categories with more specific risk/reward characteristics and market behavior. By strategically allocating portfolios among these categories, FEG seeks to generate consistent returns and manage risk irrespective of the market environment.

FEG develops specific investment objectives for each client portfolio. The investment objectives define strategic allocation profiles targeting the risk and return characteristics, as well as performance benchmarks.

#### Manager Selection

FEG believes investment firms that meet our quality threshold on organizational structure, personnel, investment philosophy, and performance must also demonstrate key attributes to be included on the recommended list. FEG's research process uses the following six tenants:

- Conviction: Strong belief in the investment philosophy; willing to put investment decisions ahead of business decisions; invests alongside of clients, aligning interests
- Consistency: Stability of organizational structure, composition of the investment professionals, and the investment philosophy and process
- Pragmatism: Understand core strengths and have the ability to capitalize and sustain their competitive edge
- Investment Culture: Strong ethical foundation; passionate about investing; proper organizational and compensation structure; culture pervades across organization

- Risk Control: Not blind risk takers, but risk conscious; acknowledge mistakes; robust and effective risk mitigation
- Active Return.: Ability to identify and profit from investment opportunities; successful track record

### Review and Monitoring

Before an investment manager's strategy is rated as recommended by FEG, we assess the manager and strategy on rigorous quantitative and qualitative factors. Our research team evaluates managers based on the quality of the firm, strategy, philosophy, investment process, professionals, and performance. Once managers and strategies meet our initial requirements, further due diligence is performed, which includes in depth contact with investment professionals. Depending on the strategy, FEG's initial and on-going due diligence process may vary. More complex strategies require more extensive due diligence, while simplistic strategies in highly regulated structures, such as index funds, may require less rigor. FEG's Investment Policy Committee determines the extent of required due diligence for each type of manager and strategy.

FEG's investment professionals, including the Research and Managed Portfolios teams, meet on a regular basis to discuss the changing market conditions and manager performance. They conduct a formal quarterly review and an annual oversight of the market conditions, performance, and client portfolios, while monitoring both qualitative and quantitative attributes.

### Risk of Loss

Investing in securities and other financial instruments involves risk of loss that clients should be prepared to bear. Summarized below are certain important risks for clients and prospective clients to consider.

- Securities of ETFs and other Investment Companies: FEG recommends exchange traded funds (ETFs) or securities of other investment companies, such as shares of closed-end investment companies, unit investment trusts, and open-end investment companies. These types of investments represent interests in professionally managed portfolios that can invest in any type of instruments. Investing in ETFs and other investment companies involves substantially the same risks as investing directly in the underlying securities, but it involves additional expenses at the investment company level, such as a proportionate share of portfolio management fees and operating expenses. Certain types of investment companies, such as closed-end investment companies and ETFs, are exposed to other risks: (1) ETFs or closed-end fund shares may trade above or below their net asset value; (2) an active trading market for ETFs or closed-end fund shares may not develop or be maintained; or (3) trading of ETFs or closed-end fund shares may be halted if the listing exchange's officials deem such action appropriate, the shares are delisted from the exchange, or the activation of market-wide "circuit breakers: (which are tied to large decreases in stock prices) halts stock trading generally.
- Illiquid Securities and Restricted Securities Risk: Some of FEG's strategies involve investing in instruments that trade in lower volumes and may make investments that may be less liquid than other investments. Additionally, some strategies involve investing in securities that are subject to legal restrictions on their sale. Restricted securities may be sold in privately negotiated transactions under exemptions from registration for sale to the public under applicable securities laws or in a public

offering under applicable securities laws. Restricted securities are subject to the following risks: FEG may not be able to find a willing private buyer when we want to sell; FEG may have to hold the restricted security for a considerable period of time before it becomes registered; the restricted securities may never become registered; or when the security becomes registered, we are subject to lock ups that require us to hold the security for a period of time. Should adverse market conditions develop for that security, FEG may have to accept a less favorable price than anticipated. When there is no willing buyer and investments cannot be readily sold at the desired time or price, FEG may have to accept a lower price or may not be able to sell the instrument at all. An inability to sell a portfolio position can adversely affect an account's overall value or prevent an account from being able to take advantage of other investment opportunities and could have an adverse effect on investment performance. Additionally, illiquidity and legal restrictions on sale can make a security difficult to value.

- Security Selection Risk: The value of an individual security and, similarly, the value of an investment in that security, may rise or fall. FEG's investment processes for a particular strategy may favor specific securities, industries or sectors that underperform investments in other securities, industries, sectors, or the market generally.
- Management Risk: Actively managed strategies are subject to management risk. FEG's portfolio managers apply investment techniques and risk analyses in making investment decisions, but there can be no guarantee that these techniques will produce the desired results. Additionally, the securities selected by FEG's portfolio managers may underperform the markets in general, the account's benchmark and other accounts with similar investment objectives.
- Data Sources Risks: FEG uses external software applications to analyze performance attribution and to assist in investment decision making or investment research. As a result, if information that FEG receives from a third party data source is incorrect, FEG may not achieve the desired results. Although FEG has found the third party data sources to be generally reliable, FEG typically receives these services "as is" and cannot guarantee that the data received from these sources is accurate.
- Technology and Cyber Security Risks: FEG and our clients for whom we provide services depend heavily on telecommunication, information technology and other operational systems, whether FEG's or those of others (e.g., custodians, financial intermediaries, transfer agents and other parties to which FEG or they outsource the provision of services or business operations). These systems may fail to operate properly or become disabled as a result of events or circumstances wholly or partly beyond FEG's or their control. Further, despite implementation of a variety of risk management and security measures, FEG's information technology and other systems, and those of others, could be subject to physical or electronic break-ins, unauthorized tampering or other security breaches, resulting in a failure to maintain the security, availability, integrity and confidentiality of data assets. Technology failures or cyber security breaches, whether deliberate or unintentional, including those arising from use of third-party service providers or client usage of systems to access accounts, as well as failures or breaches suffered by the issuers of securities in which FEG's strategies invest, could delay or disrupt our ability to do business and service our clients, harm our reputation, result in a violation of applicable privacy and other laws, require additional compliance costs, subject us to regulatory inquiries or proceedings and other claims, lead to a loss of clients and revenues or financial loss to

our clients or otherwise adversely affect our business or the portfolios of clients and funds FEG manages.

- *Risks Related to Regulation:* Laws and regulations affecting our business change from time to time, and we are currently operating in an environment of significant regulatory reform. We cannot predict the effects, if any, of future legal and regulatory changes on our business or the services we provide.
- *Risks Related to Conflicts of Interest:* Various conflicts of interest are discussed throughout this document. Please review this information carefully and contact us if you have any questions.

### **Item 9 – Disciplinary Information**

FEG is required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of FEG or the integrity of FEG's management. FEG reviews advisory personnel records on a periodic basis to ensure that no disciplinary events have been reported. FEG has no information applicable to this item.

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

FEG has relationships or affiliations that are material to its advisory business and its clients with related persons as described below:

- FEG Investors, LLC-a federally registered investment adviser
- FEG Private Investors, LLC-a federally registered investment adviser
- FEG POF LLC-the general partner of the FEG Private Opportunities Fund, L.P. and the FEG Private Opportunities Fund III, L.P.
- FEG POF II LLC-the general partner of the FEG Private Opportunities Fund II, L.P.
- FEG Absolute Access Fund LLC- a federally registered investment company
- FEG Absolute TEI Fund LLC-a federally registered investment company
- FEG Directional Access Fund LLC-a federally registered investment company
- FEG Equity Access Fund Ltd-an unregistered private hedge fund of funds
- FEG Private Opportunities Fund, L.P.-an unregistered private fund of funds
- FEG Private Opportunities Fund II, L.P.-an unregistered private fund of funds
- FEG Private Opportunities Fund III, L.P. - an unregistered private fund of funds.
- FEG Private Opportunities AIV, LLC, a Delaware limited liability company
- FEG Private Opportunities II AIV, LLC, a Delaware limited liability company

### **Conflict of Interest Disclosure**

In some instances, FEG provides investment advisory services to advisory affiliates and their clients. Some of our investment professionals, officers and employees provide other services to those

affiliates and their clients. In addition, our personnel are involved in cross marketing opportunities with our affiliates.

A potential conflict of interest exists in that FEG and its affiliated companies offer varying investment services and products, some of which provide greater compensation to FEG than others. FEG has procedures in place to ensure that appropriate disclosure is made to all clients regarding the fees to be charged and the services to be provided.

FEG receives no compensation from investment managers of funds for inclusion on our recommended list or in our proprietary funds. Occasionally, an investment management firm whose funds are made available to our clients may also be a contractual client of FEG and/or its subsidiaries (i.e., FEG Investors, LLC, FEG Private Investors, LLC). However, employees receive no compensation from these managers for selecting them as investment options for our clients to consider.

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

### *General*

FEG maintains a Code of Ethics as required by applicable SEC rules. FEG's Code of Ethics describes the firm's fiduciary duties and responsibilities to clients, requiring employees to put client interests ahead of our own and disclose actual and potential meaningful conflicts of interest. The Code of Ethics incorporates our insider trading policies and personal trading policies that are described in greater detail below. All officers, partners and employees of FEG are deemed to be "Access Persons" and are subject to the Code of Ethics. FEG's employees are required to report any violation of the Code of Ethics promptly to our Chief Compliance Officer.

FEG will provide a complete copy of its Code of Ethics to any client upon request to the Chief Compliance Officer at FEG's principal address.

### *Policy on Insider Trading*

FEG's Code of Ethics includes the firm's policy prohibiting the use of material non-public information (MNPI). Our policies require our employees to immediately report the receipt of potential MNPI to the compliance and legal department. FEG does not typically receive MNPI, however, if it receives such information, appropriate procedures are followed to establish a restricted or watch list. Any transaction in an issuer on the restricted list must be reviewed and approved by our compliance department.

### *Personal Trading Policy*

Access Persons of FEG may buy or sell securities for their personal accounts identical to or different than those recommended to clients. It is the express policy of FEG that no person employed by FEG shall prefer his or her own interest to that of an advisory client or make personal investment decisions based on the investment decisions of advisory clients.

FEG requires all Access Persons to provide annual securities holdings reports and quarterly transaction reports to FEG's Chief Compliance Officer. Additionally, FEG requires such Access Persons to obtain approval from the Chief Compliance Officer prior to investing in any IPO's, private placements (limited offerings), or ETFs in excess of \$10,000.

FEG requires that all employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices. FEG's Chief Compliance Officer shall determine whether or not the Code of Ethics has been violated and recommend disciplinary action where appropriate.

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

It is FEG's policy that the firm will not effect any principal or agency cross securities transactions for client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer.

FEG has two affiliated registered investment advisers – FEG Investors, LLC and FEG Private Investors, LLC (“Affiliates”). FEG Investors, LLC provides investment advisory services to FEG's proprietary hedge funds and FEG Private Investors, LLC provides investment advisory services to FEG's proprietary private capital funds. As such, FEG and its Affiliates may be subject to competing interests that have the potential to influence their decision making with regard to FEG's advisory client accounts. FEG may recommend a client account include FEG's proprietary funds which its Affiliates advise. Including one of the proprietary funds provides an investment advisory fee to FEG Investors and/or FEG Private Investors. This may provide FEG with incentive to recommend a proprietary fund to a client. To mitigate this risk, for new clients who invest in FEG's proprietary funds, FEG reduces its advisory compensation by the advisory fees received by its Affiliates.

There may be times when the interests of FEG and/or its representatives and affiliates correspond with the interests of its clients, and may invest in the same securities that are recommended to clients.

## **Item 12 – Brokerage Practices**

In FEG Managed Portfolios, FEG places trades for its clients' accounts subject to its duty of best execution and other fiduciary duties. Generally, FEG places trades with clients' Preferred Custodians/Brokers. FEG may use other broker-dealers to execute trades for client accounts, based on the clients' preference, but this practice may result in additional costs to clients. The execution quality may be different from other broker-dealers. For clients that wish to maintain certain



brokerage relationships (i.e., directed brokerage), FEG does not negotiate commission rates and clients may pay higher commissions than they would have had if FEG had brokerage discretion over the account.

### **FEG's Preferred Custodians/Brokers**

FEG seeks to recommend a custodian/broker who will hold client assets and execute transactions on terms that are, overall, most advantageous when compared to other available providers and their services. FEG considers a wide range of factors, but not limited to:

- The combination of transaction execution services and asset custody services (generally without a separate fee for custody).
- The capability to execute, clear, and settle trades (buy and sell securities for client accounts).
- The capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.).
- Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded funds [ETFs], etc.).
- Quality of services.
- Competitiveness of the price of those services (commission rates, margin interest rates, other fees).
- Reputation and financial strength.
- Prior service to FEG and our other clients.
- Availability of other products and services that benefit FEG, as discussed in "Products and Services."

### **Products and Services Available to us from Preferred Custodians/Brokers**

FEG's Preferred Custodians/Brokers provide FEG and our clients with access to institutional brokerage trading, custody, reporting, and related services, many of which are not typically available to retail customers. Our Preferred Custodians/Brokers also make available various support services. Some of those services help FEG manage or administer clients' accounts; while others help manage and grow our business. Support services generally are available on an unsolicited basis) and at no charge to FEG as long as our clients collectively maintain a minimum amount of their assets in accounts at these Preferred Custodians/Brokers. If our clients, collectively, have less than that minimum amount, the Preferred Custodian/Broker may charge FEG a quarterly service fee. The following is a more detailed description of the support services.

### **Services That Benefit Clients**

Preferred Custodians/Brokers' institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through FEG's Preferred Custodians/Brokers include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. The services described in this paragraph generally benefit our clients and the clients' accounts.

### **Services That May Benefit our Client**

The Preferred Custodians/Brokers also make available other products and services that benefit FEG, but may not directly benefit our clients or our clients' accounts. These products and services assist FEG in managing

and administering our clients' accounts. The Preferred Custodians/Brokers make available software and other technology that:

- Provide access to client account data (such as duplicate trade confirmations and account statements)
- Facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- Provide pricing and other market data
- Facilitate payment of our fees from our clients' accounts
- Assist with back-office functions, recordkeeping, and client reporting

### **Services That Generally Benefit Only FEG**

The Preferred Custodians/Brokers also offer other services intended to help FEG manage and further develop our business enterprise. These services include:

- Educational conferences and events
- Consulting on technology, compliance, legal, and business needs
- Publications and conferences on practice management and business succession

The Preferred Custodian/Broker may provide some of these services directly. In other cases, it will arrange for third-party vendors to provide the services to FEG. The Preferred Custodian/Broker may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. The Preferred Custodian/Broker may also provide FEG with other benefits, such as occasional business entertainment of our personnel.

### **Our Interest in Support Services**

The availability of the services described above benefits FEG because we do not have to produce or purchase them. FEG does not have to pay for these services so long as our clients collectively keep a minimum amount of their assets in accounts at the Preferred Custodian/Broker. (Beyond that, these services are not contingent upon us committing any specific amount of business to the Preferred Custodian/Broker in trading commissions or assets in custody.) The required minimum amount may give us an incentive to recommend that clients maintain accounts with these Preferred Custodians/Brokers, based on our interest in receiving services that benefit our business rather than based on our clients' interest in receiving the best value in custody services and the most favorable execution of client transactions. This could be considered a potential conflict of interest. FEG believes, however, that our selection of our preferred custodians and brokers is in the best interests of our clients.

### **Execution of Trades**

FEG may be able to obtain a better execution and negotiate more favorable brokerage commissions for its clients by aggregating orders in the same security with the objective of executing a block of stock for various clients. Whenever FEG determines that it is in the client's best interest to aggregate/block client orders, it will attempt to execute the transactions in this manner. Shares executed in block transactions are generally allocated pro-rata relative to account assets among the client for whom the security is being traded. Shares allocated in accordance with these procedures are priced based on the weighted average price of the executions. FEG periodically reviews its trading practices to ensure it is providing best execution to its clients at competitive commission rates.

FEG's recommendation that a client place assets with any of our Preferred Custodian/Brokers may be based in part on benefits to FEG, and not solely on the nature, cost or quality of custody and execution services provided. See the section above for additional detail regarding Preferred Custodian/Brokers benefits)

For client accounts maintained at the Preferred Custodians/Brokers, they may or may not be subjected to a separate custodial fee. FEG reserves the right to charge an additional fee when client utilizes a custodian other than FEG's Preferred Custodians/Brokers. The fee may be up to .05%/year assessed on assets held with a non-preferred custodian, subject to a \$2,500/year minimum. FEG Managed Portfolios' service clients are subject to brokerage fees in addition to the investment advisory fee. FEG does not participate in fee sharing arrangements with any broker dealer in connection with preferred brokerage arrangements.

In providing its non-discretionary services, FEG may assist clients in executing trades with the client's selected broker-dealer. FEG may also assist non-discretionary consulting clients to execute trades by preparing and communicating to brokers any rebalancing recommendations.

FEG is independently owned and operated and not affiliated with any of its Preferred Custodians/Brokers. Additional details about these custodian relationships are available upon request.

As a matter of policy, FEG does not participate in soft dollar arrangements.

### Item 13 – Review of Accounts

Two departments within FEG are involved in the review, performance, and measurement process.

Within the **Client Service/Reporting Group**, a lead consultant heads up each FEG client relationship, with primary responsibility for all aspects of client service. The Reporting Group supports FEG Consultants. **FEG's Research Department** is comprised of approximately 23 full-time research analysts, who are responsible for the ongoing monitoring of managers included on FEG's recommended list. The Research Team also supports FEG Consultants.

#### Review Process

FEG's performance reporting system measures the progress of the total account, as well as each investment manager in the portfolio. Performance is measured in compliance with an Investment Policy Statement, specifically developed for each client's investment objectives. The components of the FEG performance report include:

- Performance versus established benchmarks
- Measurement of risk and risk adjusted returns
- Relative ranking in peer group universes
- Schedule of asset allocation and investment style composition
- Evaluation of each mutual fund/manager versus investment policy criteria
- Executive summary

FEG's Reporting Group has developed a quarterly compliance questionnaire, sent to each manager to verify performance and compliance with investment objectives and guidelines. Utilizing each client's investment custody statements, FEG prepares an independent performance calculation, closely scrutinizing the portfolio transactions and security positions to ensure compliance. To confirm returns are accurate, FEG reconciles their performance measurement against that reported by the investment manager.

An investment policy scorecard is prepared, comparing the individual progress of each manager versus the Investment Policy Statement objectives, including annualized rates of return by manager and universe quartile ranking.

FEG Research conducts quarterly conference calls with recommended managers, designed to provide quality control measure by comparing performance-driving factors, such as security and sector selection, with present market conditions. The consistency of qualitative information, combined with FEG's independent return calculations, serve as a continuous due diligence effort regarding the investment managers retained by FEG's clients.

To ensure a disciplined investment program, performance calculations are complemented with other techniques designed to monitor adherence to the Investment Policy Statement. Peer group comparisons are used to measure a manager's ability to outperform other managers investing in similar strategies. Risk is measured by standard deviation and beta; risk-adjusted returns are measured by alpha.

Events warranting or triggering more frequent reviews may include such factors as: market conditions; changes in a client's investment objectives or financial condition; a manager deviating from their stated objectives or investment style; significant changes in a manager's personnel; and the regulatory environment.

Required disclosure information pertaining to investment managers, recommended by, but not affiliated with FEG are described in detail in each respective manager's Form ADV Part 2A or equivalent disclosure documents, and should be obtained from those respective advisers selected by the client.

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

Pursuant to Rule 206(4)-3 under the Investment Advisers Act of 1940, the "cash referral fee rule," FEG compensates third parties (solicitors) for referrals when the referral results in a client relationship. FEG pays solicitors a portion of the advisory fee.

Each client introduced to FEG through a solicitor agreement will receive a disclosure statement, which provides disclosure regarding the affiliation, if any, between FEG and the solicitor; the terms of the solicitation agreement between FEG and the solicitor, including the amount of compensation paid to the solicitor; and the additional cost to the client, if any, as a result of the solicitation agreement.

### Item 15 – Custody

As described in Item 5, Fees and Compensation section, FEG both debits advisory fees from client accounts and directly bills clients. As part of the billing process, the client's custodian is advised of the amount of the fee to be deducted from the client's account. Clients will receive an account statement from their custodian on at least a quarterly basis, reflecting all transactions made within the account during the reporting period. **All clients are urged to carefully review their custodial statements to verify accuracy. Clients should contact their custodians if they have any questions regarding their custodial statements.**

FEG generally does not hold itself out as having custody over client funds and securities except for the following exceptions:

- Direct debiting of fees from client accounts (discretionary accounts only)
- Affiliated general partner of a pooled investment vehicle (subject to an annual audit by an independent auditor)
- One client, over which FEG has discretionary authority and a Limited Power of Attorney to invest in Limited Partnerships on behalf of the client (subject to a surprise audit)

### Item 16 – Investment Discretion

FEG's Managed Portfolio services does provide discretionary investment services to some clients. This authority is granted pursuant to a written investment advisory agreement or similar agreement between the client and FEG.

Subject to each client's established guidelines, limitations or restrictions set forth in the investment advisory agreement, separate agreement or other written instruction by an authorized party, FEG generally has the authority in its Managed Portfolios' service to determine for each client account:

- Which securities/investments are to be bought or sold, and
- The total amount of securities/investments to be bought or sold

### **Item 17 – Voting Client Securities**

FEG will accept authority to vote proxies on securities held in our discretionary client accounts when our clients wish to provide us with this authority. FEG's investment advisory agreements with our clients will generally specify whether or not we have the authority to vote proxies on their behalf. Mutual funds and ETF's are the only securities subject to this policy. Typically, where FEG has the authority to vote proxies, we vote in accordance with our proxy voting policy and procedures as further described below.

#### *FEG's Proxy Voting Policy and Procedures*

FEG's proxy voting policy is to vote proxies in the best long-term economic interests of our clients without regard to our interests or the interests of our affiliates. FEG will vote all proxies from a specific issuer the same way for each client absent qualifying restrictions from a client. Clients are permitted to place reasonable restrictions on FEG's voting authority. Such requests are to be made in writing. A voting officer has been delegated the authority for monitoring proxy actions, making voting decisions in accordance with these policies and ensuring that proxies are submitted in a timely manner. Copies of the FEG proxy voting policy and its voting record for the past five years are available upon request to FEG's Chief Compliance Officer at 513-977-4400.

### **Item 18 – Financial Information**

FEG has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding. Under no circumstances does FEG require or solicit payment of fees in excess of \$1,200 per client more than six months in advance of services rendered, and as such, FEG is not required to include a financial statement with this Brochure.