



2015. YOUR INDUSTRY. YOUR ISSUES.
year in review





DEAR CLIENTS AND FRIENDS

Chris Bellamy PRESIDENT

2015. YOUR INDUSTRY.
YOUR ISSUES. *year in review*

As we head deeper into 2016, we want to take this opportunity to extend our gratitude for our great relationships. Whether you're a client or a friend of the Firm, we appreciate the trust that you have placed in us and the opportunity you have provided to work with such an illustrious group.

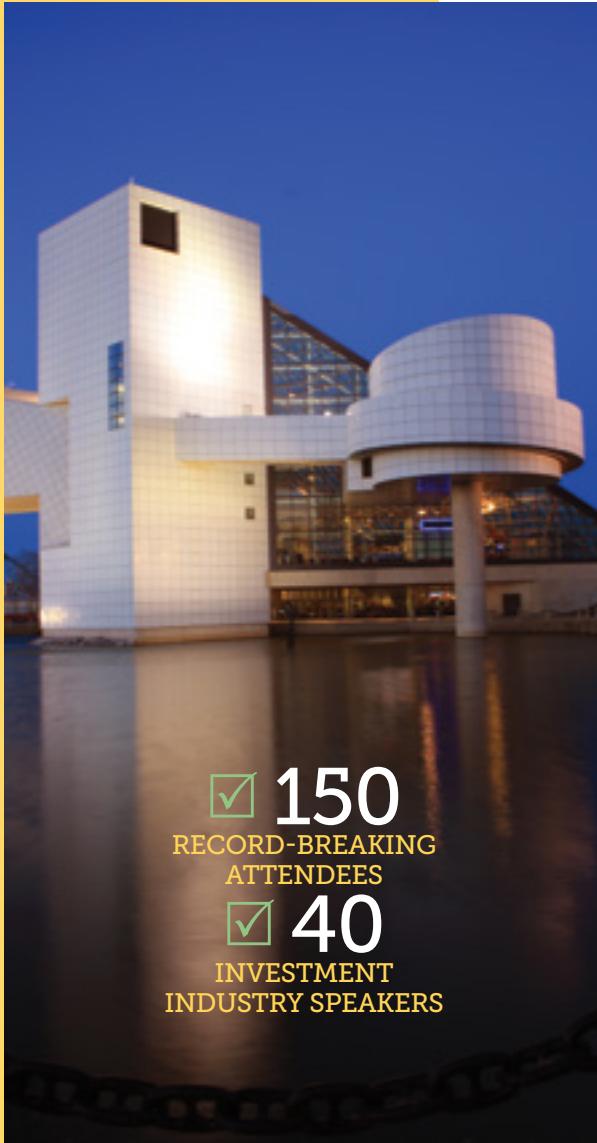
The past year saw many exciting changes for our Firm. Our thirst for talent and hiring ahead of the curve has allowed us to add technical depth and expand our breadth of expertise. We are thrilled to have added a new tax partner, Ravi Singh, and opened a new office in the heart of Manhattan. In addition, our office relocation and expansion in Milwaukee has positioned us to continue our growth in that market. In 2016, we anticipate our investment industry practice to exceed 80 employees, which includes over 30 tax professionals solely focused on your industry.

Over the years, the investment industry practice has been blessed to have the support of our fellow partners and CEO, Randy Myeroff. Having the infrastructure and resources of a 400-person organization has played a significant role in establishing what we consider to be our competitive advantages such as leveraged leadership, technology, infrastructure and depth of personnel. During 2015 we made significant investments in areas including, independence monitoring, quality control, cybersecurity, international tax and recruiting which would not have been possible without the support of our larger organization.

We are excited for what the future brings and wish you much success in the New Year. As always, we welcome any opportunity to be a resource to your organization.



PRESIDENT, COHEN FUND AUDIT SERVICES



✓ 150

RECORD-BREAKING
ATTENDEES

✓ 40

INVESTMENT
INDUSTRY SPEAKERS

STRONG FOUNDATION. CONTINUED GROWTH.

Cohen held its fourth annual Client Conference September 9 – 11, 2015.

A record-breaking 150 attendees with more than 40 investment industry speakers made the conference our biggest and most successful event yet. The impressive Cleveland skyline, extraordinary views of Lake Erie, and the youthful energy of this city on the rise created a unique opportunity to host the “forward thinking” themed conference at the Cleveland Marriott Downtown at Key Center. The event included high-profile keynote speakers, a variety of sessions on industry hot topics, and niche driven workshops that culminated in a private dinner and networking event at the Rock and Roll Hall of Fame and Museum.

Key topics highlighted throughout the event included accounting and tax, current trends in sales and marketing, compliance and enforcement updates, developing and delivering compelling messages to strengthen distribution, and intimate roundtables that allowed for collaborative thinking among attendees.

We also addressed the different issues that were presented to our industry this past year. Our fast forums allowed us to dive deeper into niche specific topics such as the U.S. Securities and Exchange Commission (SEC) Custody Rule, Tax Policy and the 2016 Election, and Robo-Advisors.



Up Close



WEDDING BELLS

Wedding bells are ringing for **Sean Hegarty** and his new wife Emma.



NEW ADDITIONS

Oh baby, oh boy! Congratulations to **Rob and Michelle Velotta** on the arrival of Anthony James; **Megan and Derick Howell** for the arrival of Andrew Patrick; **Aly and Chris Cottam** on the arrival of Lucas James; **Marcy and Nate Kempf** for the arrival of Everett Nathan, and **Mallory and Paul Gillespie** on the arrival of Parker Walter!



CONGRATULATIONS

Way to go **Bryan Friedmann, Jeff Haneline, Kevin Malloy, Brian Bourke, Deborah Ladd** and **Patrick Grodach** for passing the CPA exam!

Attendees were invited to learn from the conference's keynote speakers: U.S. Attorney for the Northern District of Ohio, Steven Dettelbach; and Vice President of Research for Morningstar, John Rekenhaller. Mr. Dettelbach spoke about the importance of cybersecurity, while Mr. Rekenhaller focused on active vs. passive investment management.

So many great ideas, opportunities and memories were created at the 2015 Cohen Client Conference. Thank you to all of our speakers, attendees and the great city of Cleveland for making our event a success!

We look forward to seeing you next year in Chicago for our conference! Look for your Save the Date invitation soon!

AWARDS

- BEST EMPLOYER IN OHIO
- BEST ACCOUNTING FIRM TO WORK FOR
- TOP PLACES TO WORK
- INSIDE PUBLIC ACCOUNTING'S TOP 100 FIRMS
- NORTHCOAST 99

I ♥ COHEN

Our commitment, passion and growing base of top-tier clients has brought us to the Big Apple

In our pursuit of the extraordinary client experience, Cohen has opened an investment management-focused office in New York City.

Located in the ♥ of Manhattan, our New York office provides audit and tax services to the investment industry in and around the Northeast corridor.

Leading our New York initiative is Tax Partner Ravi Singh. Ravi brings extensive knowledge of comprehensive tax services and specializes in new fund launches, including Master Limited Partnership (MLP) funds, commodity funds, Exchange Traded Funds (ETFs), funds-of-funds, hedge funds and funds with innovative strategies.



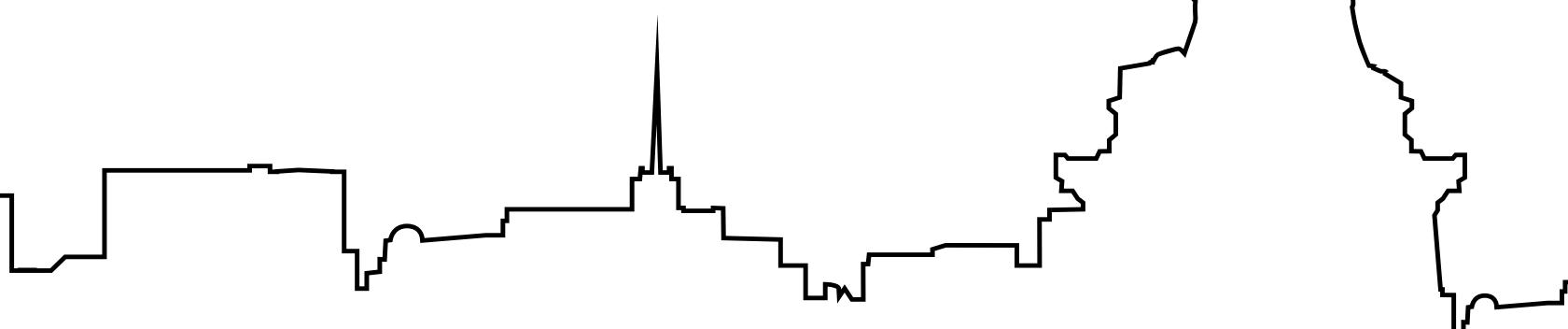
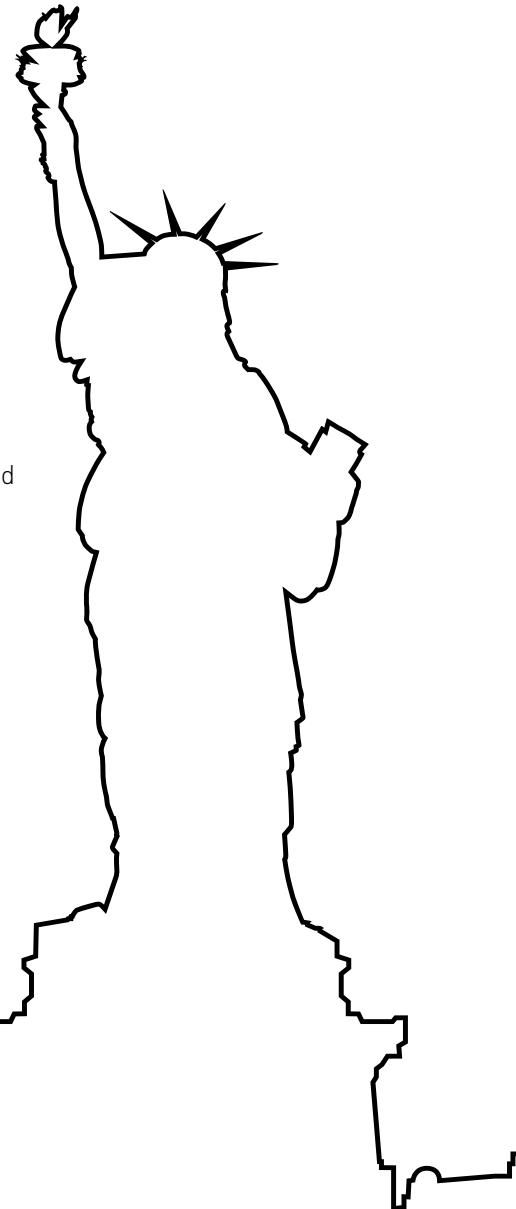
Ravi Singh PARTNER

**“Tax laws are complicated
and my goal is to simplify them
for our clients.”**

Ravi has worked with several fund complexes to establish tax policies and procedures involving areas such as derivatives, tax accounting for straddles and asset-backed securities, investments in partnerships and foreign capital gains taxes.

With over 30 years experience and a former leader of a Big 4 Firm’s registered funds tax practice, Ravi’s specialization provides our clients with a deeper understanding of taxes in the investment management industry.

To help build out our New York office, we have brought on some great local talent and will continue to aggressively hire in this office. We are excited by the growth we have witnessed to date and the connection we have with local clients in the New York area.





LEADING THE WAY

Community Involvement

Cohen recognizes the importance of our communities in which we live and work. We believe that our staff should actively participate in civic, charitable, business and professional organizations and contribute generously of their time in support of these activities.

And they certainly do. More than 75% of our employees participate in some form of volunteerism. Some of our annual causes include United Way, Make a Difference Wisconsin, Ice Age Trail Alliance, "Movember" for men's cancer and the Junior Achievement Bowl-a-Thon.

To keep our team motivated, we have introduced our Cohen Connects program. This program uses friendly team competitions to encourage all staff to network and connect with the community in as many ways as possible, including volunteering at



>75%
EMPLOYEE
VOLUNTEERISM



United Way



Make a Difference
Wisconsin



Ice Age Trail Alliance



"Movember"
Men's Cancer Support



Junior Achievement
Bowl-a-Thon

community outreach programs, engaging in professional social clubs, and becoming members of boards and associations.

Another part of our responsibility as a leading CPA is to build leaders. To that end, we encourage our professionals each year to get involved with leadership activities as a way to immerse themselves into the issues and opportunities associated with our communities.

Here is a snapshot of where we donate our time:

- ✦ Lake County Chamber of Commerce
- ✦ FUEL (Future Emerging Leaders of Lake County)
- ✦ Learning About Business Program
- ✦ Cleveland Professional 20/30 Club
- ✦ Cystic Fibrosis Foundation
- ✦ Back to School Drive
- ✦ Hunger Task Force
- ✦ American Lung Association Fight for Air Climb



NEW

WEBINAR SERIES

Thought Leadership

We know that every day is a new day to grow and evolve in our offerings to our clients. Along these lines, we created a new webinar series that highlights the cutting edge topics relevant to today's investment industry.

Our inaugural webinar, hosted by Ravi Singh and Brett Eichenberger, targeted the opportunities and challenges of ETFs. This webinar series occurs bi-monthly, and focuses on timely topics devoted to the investment industry.

In addition to webinars, our staff is constantly staying ahead of the curve by speaking at industry conferences and publishing articles on topics relevant to our clients and communities.



ARTICLES

- ✦ Are Collective Investment Trusts Worth Your Attention?
- ✦ Exchange Traded Managed Funds: What are they and how will they work?
- ✦ Safeguarding Clients' Assets: Are You in Compliance?
- ✦ Making the Decision to Become GIPS® Compliant
- ✦ Changes to Required Disclosures for Investments Measured at Net Asset Value

CONFERENCES

- ✦ ICI Mutual Funds and Investment Management Conference
- ✦ ICI General Membership Meeting
- ✦ ICI Tax and Accounting Conference
- ✦ Financial Research Associates
 - o Liquid Alts 2015
 - o Private Investment Funds Master Class
 - o Private Investment Funds Accounting & Operations
 - o Effective Hedge Fund Tax Practices
- ✦ ETF Bootcamp
- ✦ MLP Investor Conference
- ✦ Capital Link MLP Investing Forum
- ✦ JP Morgan – Pricing Direct
- ✦ PCAOB: Small Business Forum
- ✦ AICPA Conferences:
 - o Current SEC & PCAOB Developments
 - o Fair Value Measurements

SIMPLIFYING TAXES

At Cohen, one of our goals is to provide the highest technical tax expertise to the investment industry while creating the perfect client experience.

Our mission for client service rests on the following four pillars:

TECHNICAL COMPETENCE • RELIABILITY • RESPONSIVENESS • EMPATHY

Cohen Fund Audit Services

Cohen & Company

STRONG PEOPLE. STRONG COMPANY.

PERFECT CLIENT EXPERIENCE



Rob Velotta PARTNER

“These pillars combined with the incredible Cohen culture of teamwork have uniquely positioned us to be extraordinary advisors to our clients.”

Rob Velotta has built a strong tax team that delivers comprehensive tax services to both audit and non-audit clients. These seasoned team members along with recently hired professionals in the New York office form a tax team capable of delivering turnkey tax services. Our process, methodology and capabilities in the area of tax are the most efficient and cost-effective in the public accounting profession. Nonetheless, our philosophy is that everything can be done better and we are always focused on continuous improvement. Therefore, we provide year-round, intensive and specialized technical training.

Client Service Pillars

Technical Competence

Reliability

Responsiveness

Empathy

Alissa Perteet, a tax senior manager, has taken the lead for professional training and has designed courses for all levels of tax professionals throughout our Firm.

Monitoring the evolving needs of the investment industry, we also have created specialty practices to serve the needs of our clients. Adam Magaña, tax senior manager, has led the charge for our MLP practice and has built a strong team to serve the tax needs of this growing segment. We have built an ETF-focused team across all functional lines to serve the unique needs of this fast-growing sector. Finally, we initiated a series of year-round webinars that address the hottest topics confronting the investment industry.

Leaders & Promotions



Mark Schikowski PARTNER

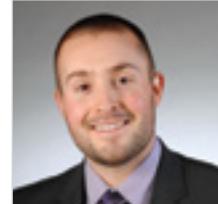
"2015 has been a year of growth, challenges, opportunities and excitement. Our exponential growth has cultivated a culture of collaboration, teamwork and drive. As we focus on the future we are developing our people and hiring at an aggressive rate to be sure our clients maintain the level of service expected from us."



Anthony Fabris
Audit Senior,
Milwaukee, WI



Ken Fu
Tax Manager,
New York, NY



Ryan McKenna
Tax Senior,
Cleveland, OH



Jim Fleming
Audit Senior,
Cleveland, OH



Jeff Haneline
Audit Manager,
Milwaukee, WI



Keren Nass
Audit Senior,
Milwaukee, WI



Bryan Friedmann
Audit Senior,
Cleveland, OH



Teresa Harrat
Tax Senior,
New York, NY



Jake Vogel
Audit Manager,
Cleveland, OH

MORE DEPTH. EXPERIENCED LEADERS.

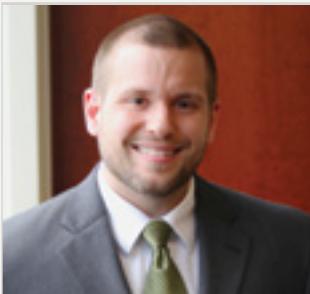
"We continue to be amazed by the caliber of our leadership team. Each year our employees showcase their talents in extraordinary ways – technical achievements, client service and industry participation. We are honored to promote these people to leadership roles within our Firm."



Aly Cottam
Audit Director,
Cleveland, OH



Chris MacLaren
Audit Director,
Cleveland, OH



Mike Maimone
Senior Audit Manager,
Cleveland, OH



Peggy McCaffrey PARTNER

New Hires – Class of 2015



Jessica Balogh – Milwaukee
Ruchi Borude – New York
Brian Bourke – Cleveland
Kate Duborg – Milwaukee
Kenneth Fu – New York
Alan Goldberg – New York
Morshedul Haque – New York
Yulie He – New York
Sean Hegarty – Milwaukee
Carly Hutchins – Milwaukee
Peter Kampf – Cleveland
Kathryn Lappin – Cleveland
Jake Nogalo – Cleveland
Mary Robertson – Cleveland
Mingma Sherpa – New York
Ravi Singh – New York
Bo Slemons – Cleveland
Thuy Tran – New York
Jay Wild – Cleveland

Greater Service. Greater Resources.

The Tax Landscape of 2015 and Beyond

Looking back at the tax landscape, we have had several significant developments that will impact our industry for years to come. First, we had the much-awaited technical corrections to the Regulated Investment Company (RIC) Modernization Act. While overall, it removed some uncertainties and relaxed certain loss deferral rules, some of these rules are still not as favorable as those that existed prior to the RIC Modernization Act (for example, being able to push net foreign currency loss and losses from Passive Foreign Investment Companies separately).

No RIC tax discussion would be complete without mention of “EU reclaims.” Something that was mere speculation only a few years ago has now become a looming reality with several funds receiving refunds from various EU countries. This raises a host of questions that the industry and the ICI will have to address going forward. If these taxes were passed through as credits to the fund’s shareholders, how does the fund settle with the IRS when it receives a refund of these taxes? If a refund is imminent, does the fund book a receivable on its books? Is a disclosure necessary?

Recently issued regulations on the definition of “controlled issuers” for purposes of the asset diversification test could cause angst for some existing RIC structures.

Technical Correction to the RIC Modernization Act of 2010

EU reclaims – issues raised by imminent refunds

Increased partnership audit rates by the IRS

IRS Audits of Partnerships

Another significant development impacting the investment industry relates to partnerships. The recently enacted reform governing IRS audits of partnerships generally applies to all partnerships (except for certain small partnerships) for taxable years beginning after December 31, 2017. Under the new rules, any IRS audit adjustment to a partnership item can be made at the partnership level or the partnership can elect to shift liability to partners. The bottom line is that the new rules could increase partnership audit rates by the IRS because they simplify the process by allowing the audit assessment at the partnership level (as opposed to an assessment at the level of several partners).

Future Landscape

Despite promises from both sides of the aisle, looking at the future tax landscape, tax complexity will continue unabated. Further, as more and more funds invest globally, they will have to deal not just with complexities in the host countries but also with very aggressive foreign government and tax authorities that are looking to satiate their ever-increasing need for revenues. This trend will only accelerate and will be evidenced by broad interpretation and application of existing tax laws (especially those related to foreign investors), new legislative initiatives to broaden the tax base, and increasingly cumbersome compliance and reporting requirements.



Changes on the Horizon

In 2015, there were several modifications and proposed changes in the investment industry that required attention, including the SEC Liquidity Risk Management Proposal for Open-End Funds and Fair Value Measurement (Topic 820).

The last time the SEC issued guidance regarding fund liquidity other than for money market funds was over 20 years ago; however, in September that stretch was broken when the SEC unanimously approved proposals geared towards providing stronger liquidity risk management for mutual funds and ETFs. The SEC's goal is to reduce the risk that funds will be unable to meet redemption obligations and to mitigate potential dilution of the interest of fund shareholders.

The liquidity risk management program would require funds to classify, manage, and continually review the liquidity of the fund's assets. The program also would require funds to assess and review that the funds maintain a minimum portion of assets that the funds believe are convertible to cash within three business days at a price that does not materially affect the value of that asset immediately prior to sale.

SEC PROPOSAL COMPONENTS

Establishing a liquidity risk management program tailored to the fund's own liquidity risk.

1

Enhancing disclosure and reporting requirements.

2

Permitting the use of swing pricing (excluding ETFs).

3

This requirement may force certain portfolio managers to fundamentally reassess or alter their strategy to comply with this requirement, since the SEC suggests the fund's minimum to reflect the uncertainty associated with their accuracy in projecting net redemptions during changing market conditions.

One method the SEC is proposing as an optional adoption to help manage liquidity risk for mutual funds (excluding ETFs) is swing pricing. Swing pricing is the process of adjusting the NAV to effectively pass on the cost from shareholder activity to the shareholders associated with the activity.

Lastly, the additional disclosure requirement will definitely provide investors with additional information, but, in turn, may reduce the comparability between funds since the majority of the proposals are fund specific.

Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement

The proposed standard update is to improve the relevance and effectiveness of disclosures in the notes to the financial statements by communicating only the information that is most important to users of the financial statements. Specifically, this would modify Topic 820 disclosure requirements related to fair value measurements.

The proposed standard would add, modify, or remove certain Topic 820 disclosure requirements. In addition, the proposal promotes the use of discretion as to whether disclosures are material.



WE MOVED!

To the center of all that's happening. Right where we belong.

We are excited to announce the opening of our new Milwaukee office, located in the historic Third Ward. Our new office demonstrates the energy and youthful culture at Cohen.

We opened our initial Milwaukee office in 2011 as the next step in our overall growth plan. The dedication of our team, commitment to our local client base, and the great city of Milwaukee have allowed us to take this important next step to expand our presence in this marketplace.

We are thrilled to be an active member of this thriving community and will continue to be involved in civic, charitable and business organizations to contribute to the growth of downtown Milwaukee.

We will be hosting an open house in 2016 and invite our clients, colleagues and friends to join us as we celebrate our commitment to the Milwaukee area and the investment industry.





Randy Myeroff CEO, COHEN & COMPANY

Take Notice

It is a privilege for us to serve an important, national role in the investment industry. Increasing regulation, the continuing sophistication of financial products, and your ongoing growth and success provide both opportunity and challenge. We are up for the challenge, and are passionately committed to being a thought leader in the industry and an asset to you for many years to come.

Our ability to provide real value to you starts with discipline and accountability “at home”. We maintain rigor in technical audit and tax excellence; we continue to attract and develop the best and brightest in the industry; we continue to fully engage with you to ensure we understand and exceed your expectations; and we carefully manage our growth and profitability so we remain strong and stable.

We have confident swagger in our ability to serve you, AND humility in knowing that we must continue to improve and earn your trust and respect every day. The marketplace and the industry will continue to change, and we will work tirelessly to stay well ahead of the curve.

Thank you.

CEO, COHEN & COMPANY

**MORE PERSONAL,
MORE SOLUTIONS.**



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