

# In Your Corner

## Case History



## What You See Might Not Be What You Get.

### **THE CHALLENGE:**

Ensuring that the name of a Mutual Fund is in line with how the Fund is actually investing can be difficult, especially when the definitions of investments are constantly evolving and changing. A client of Cipperman Compliance Services (“CCS”) thought they were investing their Small-Mid Cap Fund in line with what the name of the Fund suggested: 80% of the Fund’s investment needed to be in Small- or Mid-Cap equities. Unknowingly, they had been investing over 20% of their fund in Micro-Cap equities.

### **CCS RECOMMENDATION:**

After review and interviews with the Portfolio Managers and Chief Compliance Officer (“CCO”) of the Fund, CCS—in a support role—helped the Adviser of the Fund to understand how the SEC defines the market caps of investments. Based on those definitions, CCS then worked with the Fund’s CCO to formulate the following plan:

- Create additional disclosures in the Fund’s offering documents that disclose the risk to the investments taken on by the Fund in addition to Small- or Mid-Cap equities.
- Put additional policies and procedures in place for checking whether the investment levels of the Fund are in line with the Rule, and what course of action to take in case the issue reoccurs.

### **RESULT:**

The Fund was able to maintain compliance with the Investment Advisers Act of 1940 as a result of CCS’ insight and execution of work. They are confident that they now have the proper policies and procedures in place to ensure compliance with the Rule going forward.