

ABC CAPITAL  
MANAGEMENT LP

CRD : XYZ123

FORM ADV Analysis  
04/30/2023-04/30/2024

Report Date  
May 2024



**CONVERGENCE**  
OPTIMAL PERFORMANCE

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# Your ADV Benchmarking Peer Group

## Your Filing Profile

- You are a **Non-Exempt Adviser**.
- You advise **Private Funds**.
- You submitted **1 interim filing** to the SEC during your 2022 annual filing period.
- Your annual filing period covers 03/31/2022 - 03/31/2023.

## Your Filing Peer Group

- There are **4,801** Non-Exempt Advisers with Private Funds.
  - 2,941 filed interim and annual updates (61.26%).
  - 1,860 filed an annual update (38.74 %).

# Form ADV Total Quality Scores

## Total Quality Score

You received **5 of 6** available Quality points. Your score places you in the Right Tail of your peers, indicating that your score is **greater than 91.52%** of your peer group. You are **1 of 374** Advisers achieving a score of **5**.

Scores of **3.95** and higher are "best practices."

### Test Scores Points Earned

Accuracy Test:	2.00	59.00
Consistency Test:	1.00	0.80
Frequency Test:	2.00	1.00

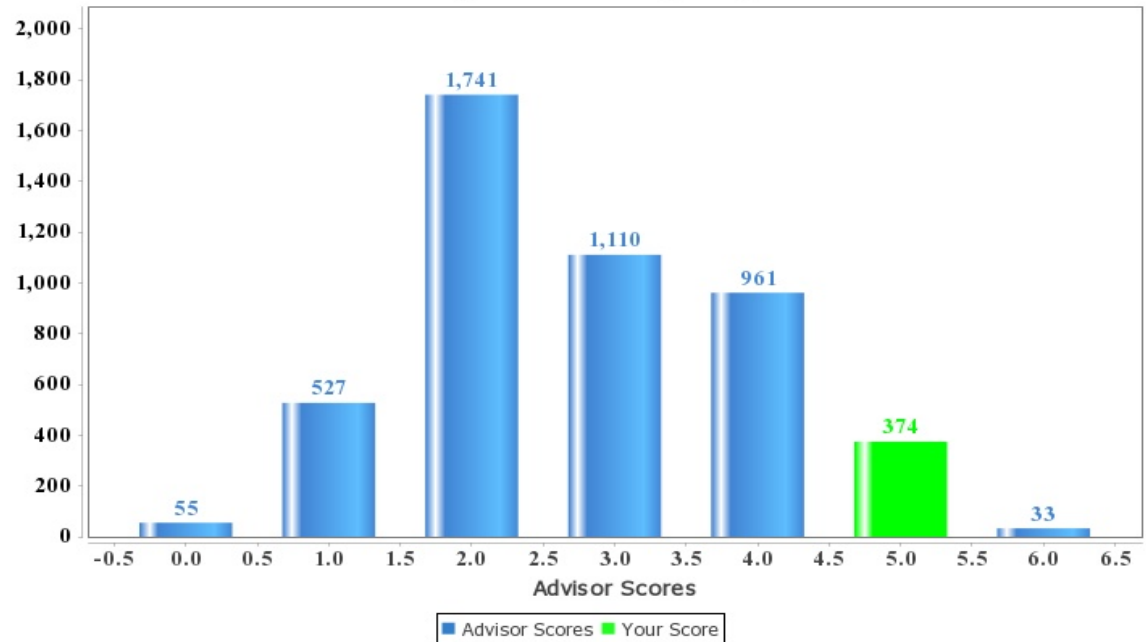
### Convergence Insights and Recommendations

Your Form ADV Part 1A Quality score is a "**best practice**" among your peer group and is **unlikely** to draw the attention of Regulators.

Share this report with LPs, Consultants and Service Providers to show your commitment to regulatory filing quality.

Room for improvement exists. Room for improvement exists. Please contact Phil Joyce at [pjoyce@convergenceinc.com](mailto:pjoyce@convergenceinc.com) to obtain the detailed results of your Accuracy, Consistency and Frequency scores to improve your ADV Quality Score.

Peer Group ADV Total Quality Score



Market Data	Quality Score
You	5.00
Min	0.00
Mid	3.00
Mean	2.76
Max	6.00
StdDev	1.19

Market Data	Quality Score
You	5.00
Mean	2.76
Above	3.95
Below	1.57

# ADDENDUM

## Description of the ADV Analyzer

# Regulator Views on Regulatory Filings

**The SEC continues to criticize Advisers for inaccurate, inconsistent, and less frequent filings.**

- The SEC has publicly disclosed their use of more advanced data mining and analytical techniques to proactively identify Advisers that demonstrate "weak" regulatory filing practices.
- "Weak" practices are detected by examining and comparing the filing practices of multiple Advisers. Convergence has been collecting, scoring and benchmarking Form ADV Parts 1A and 2A, and other filings, for 11+ years. The results of these tests are plotted in a "bell-curve" to identify Advisers with strong, weak and consistent compliance scores and by implication, its practices. While every Adviser can have an off year, their long-term track records can speak volumes about the effectiveness of their compliance culture.
- Advisers that file "weak" Form ADVs may inadvertently invite further inspection from the SEC who may view these Advisers as more "interesting."

*Convergence's back-testing of Advisers cited in U.S. Securities and Exchange Commission regulatory enforcement actions indicates a strong correlation with weak regulatory compliance scores which indicates that the SEC is using risk-based analytical methods to detect "bad actors."*

# How Regulators Can Use Data Mining and Analytics

**Regulators** have the ability to **apply AI and other data science techniques to an Adviser's regulatory filings** to detect inconsistencies and anomalies within and across multiple filings.

Their algorithms test for the following:

- **Accuracy Tests**, examines your 1A filings for:
  - Errors
  - Omissions
  - Inconsistencies within and across forms
- **Consistency Tests**, examine your 1A interim and annual filings for:
  - Whether the ADV Sections you updated in interim and annual filings compared to the market.
- **Frequency Tests**, examine your 1A filings for:
  - Filing Volume - Too many filings suggests the correction of errors and omissions and/or significant and material changes have occurred to your business, each of which can draw the SEC's attention and too few filings suggests that your business has not changed materially enough to have filed an interim update. Period-to-period comparisons of changes can determine materiality and whether you need to make interim updates.
- **Disclosures and Conflict Tests**, examine your 2A filings for:
  - Conciseness - are they wordy, verbose and redundant
  - Clarity - use of "plain English" versus legal terminology and acronyms
  - Conflict Disclosures - existence, description and management

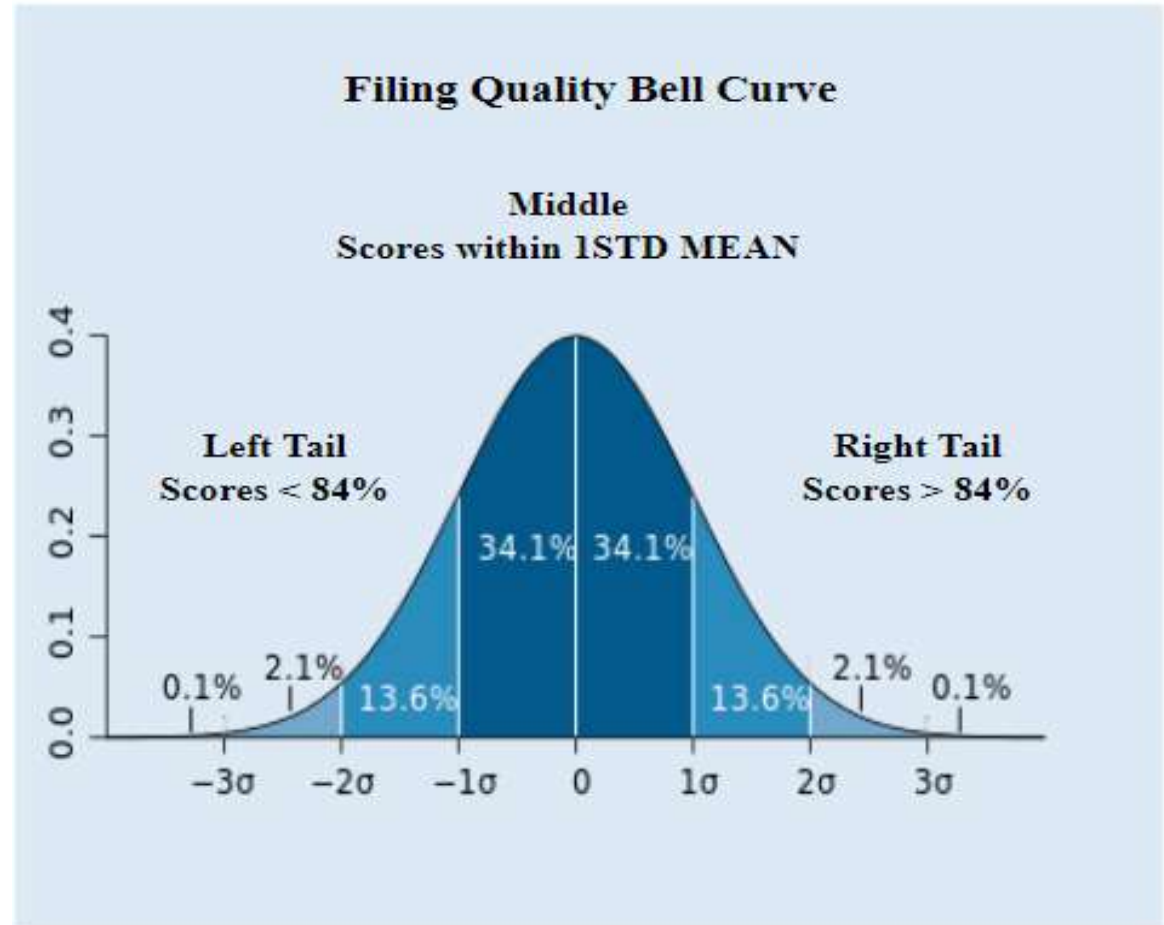


# Regulatory Filing Quality Bell Curve

Where the Adviser's scores fall in a tests distribution curve is used to comment on the Adviser's commitment to filing accurate, consistent and timely regulatory documents.

- Advisers in the right tail of the curve:
  - Have scores higher than 84% of all filers.
    - **Considered Best Practices**
- Adviser in the middle of the curve.
  - Have scores consistent with 68% of all filers.
    - **Consistent Practices**
- Advisers in the left tail of the curve:
  - Have scores lower than 85% of all filers.
    - **Considered Weaker Practices**

Adviser with scores in or close to the left should take steps to improve the quality of their filings.



# Different Types of SEC Exams

The SEC Office of Compliance Inspections and Examinations (OCIE) has shifted away from the "one-size-fits-all" examination approach to one emphasizing risk-targeted examinations and increased surveillance, particularly of larger fund complexes and high-risk firms. This means that a firm may be subject to more than one exam at the same time.

- The three types of examinations are "routine," "cause," and "sweep" examinations.
  - **Routine examinations** are conducted according to a cycle that is based upon a firm's perceived risk, and focus on industry areas that have been identified as posing the greatest compliance risks generally.
  - **Cause-based examinations** are based on complaints received by the OCIE and more recently based on data mining and analytical techniques focused on the Adviser's regulatory filings.
  - **Sweep-based examinations** are driven by issue specific concerns or interests and have recently included reviews of cyber-security, conflicts of interest, and fees and expenses.

*Advisers with scores in the left tail of their peer group distribution, and/or have individual test results in the left tail are likely to draw the attention of regulators.*

# Measuring and Managing Your ADV Matters

**The SEC and Investors expect Advisers to issue accurate, consistent and timely regulatory filings. Adviser's can demonstrate their commitment to regulatory compliance by meeting basic filing standards. Most Advisers seek to meet their basic filing standards. Yet, they don't know how consistent they are to their peers.**

- Investors, Regulators and Plaintiff Attorneys use "off-market" filing quality for different reasons.

## **Regulators**

- As a way to **identify Advisers** that create risk.

## **Investors**

- As a reason **not to invest** money with an Adviser.

## **Plaintiff Attorneys**

- To **argue** that the Adviser did not demonstrate reasonable care in carrying out key control activities.

*If you trying to raise capital, issue new funds or trying to demonstrate best practices, the ADV Analyzer results can help you.*

# Form ADV Analyzer Benefits

## **Improves the "quality" of your interim and annual ADV filings.**

- We identify issues with accuracy, consistency and timeliness and recommend solutions.

## **Keeps you aware of the practices of all other Advisers in the market.**

- We show you the detailed filing behaviours of your peer group.

## **Demonstrates your commitment to a strong "compliance culture."**

- We encourage clients to share the ADV Analyze results with investors and regulators.

## **Avoids inadvertently tripping exam "triggers" used by the SEC.**

- We encourage Advisers to model market-based "best practices" when deciding to file an interim update.

## **Reduces the cost and time created by excessive filings.**

- We encourage Advisers to model market-based "best practices" when deciding how often they should make interim updates.

## **Encourages "teamwork" across your organization to improve your regulatory filings.**

- We encourage teamwork across your organization. Compliance is a team, not spectator, sport. Everyone in the Adviser's organization can make a positive contribution to the compliance culture.

# How Convergence Produces the ADV Analyzer Results

## SEC Raw Regulatory Data

Convergence collects, parses, normalizes and enriches the regulatory filing data collected from 65,853+ Advisers (32,496+ SEC registrants and 33,357+ State registrants) maintaining a library containing over 414,018 original filing documents in our database. We index the filings and establish filing patterns within and across the market.

## Convergence Curated Data

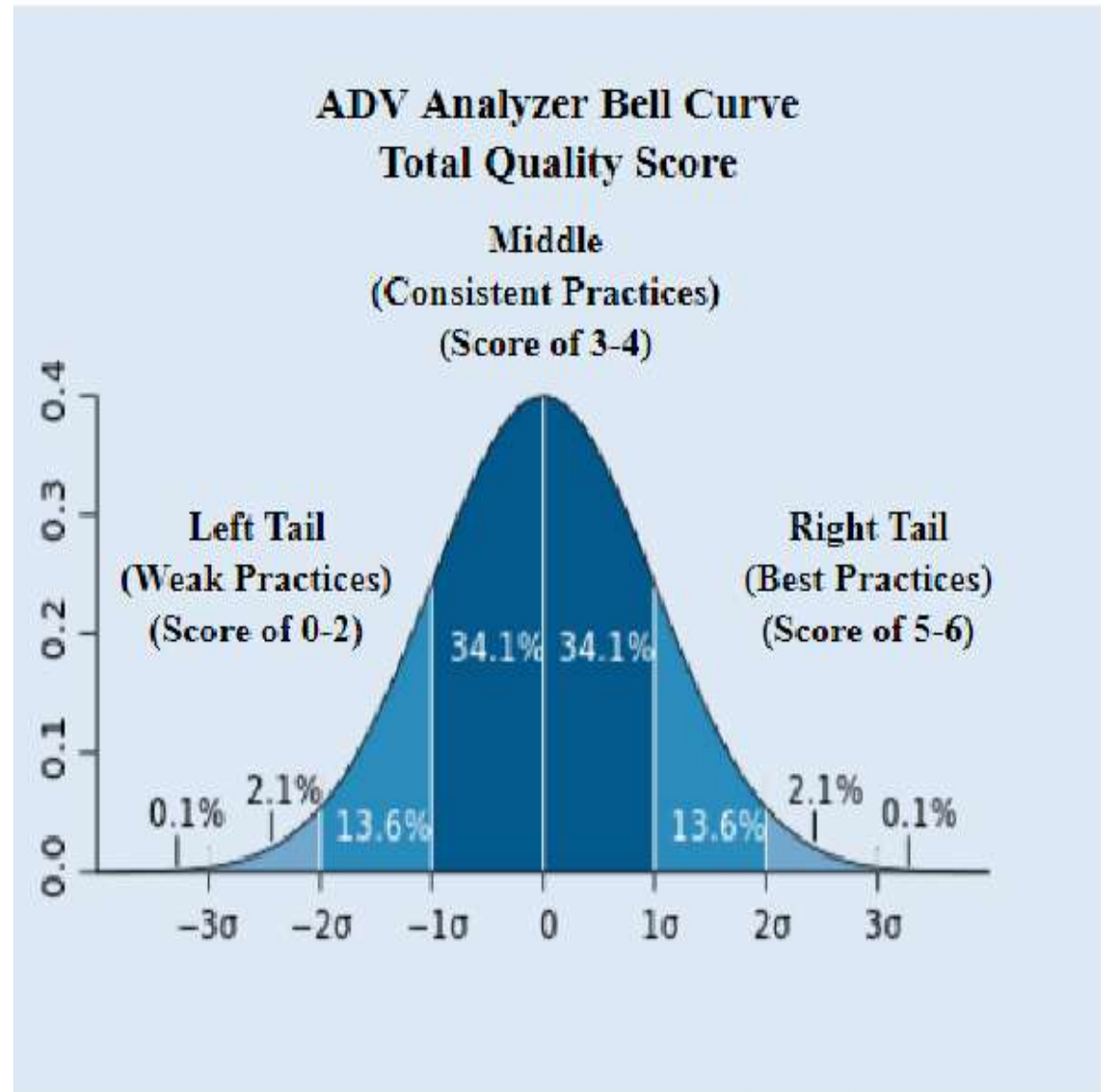
The “Analyzer” test, scores and indexes your ADV the accuracy, consistency, and frequency of your regulatory filings and compares them to the market and/or a relevant peer group. We provide you with your test scores and a road-map on how to improve your results.

## Convergence Insights

We provide data-driven "insights" into an Adviser's compliance practices by benchmarking and determining if their scores are "best", "weaker" or "consistent" with their peers. Our "insights" can be used by Advisers to improve their filings, by Service Providers to support client acceptance testing and by Investors (LPs) to support operational due diligence.

# Understanding the Total Quality Score Bell Curve

- An Adviser can receive a total of 6 points from our three underlying ADV 1A tests:
  - Accuracy Score: 0-2 points.
  - Consistency Score : 0-2 points.
  - Frequency Score : 0-2 points.
- Right tail scores demonstrate best practices.
- Middle scores demonstrate consistent practices.
- Left tail scores demonstrate weaker practices.
- Regulators and Investors expect Advisers to take steps to ensure that their regulatory filings are accurate and updated consistently, and filed as frequently, as prescribed by SEC guidance. The guidance provided by the SEC requires Advisers to make judgements including:
  - What constitutes a material change in my business?
  - When I experience a material change, should I file an interim update?
  - When I file an interim update, should I update more sections of my ADV than just the Part 2A Brochure and what sections of 1A should I update?





# Company Leadership



## **John Phinney**

Chairman/CEO

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John Phinney is Chairman and CEO of Convergence Inc. a Data as a Service (DaaS) company founded on the principals of industry transparency and risk mitigation.

John has spent his entire career working with the world's leading asset managers to increase revenues, improve efficiency and manage investment and non-investment risk. He is a proven thought leader who has designed and developed several first-ever initiatives, including being a named inventor for a patent for a Tier 1 multinational bank.

JPMorgan, Fidelity Investments, TRG Asset Management and Apollo Global Management pedigree.



## **Warren Master**

Chief Technology Officer

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Warren Master is responsible for all technology research and development at Convergence. He is an accomplished technology executive and hands on technology visionary with over 40 years experience in technology with 30 years specializing in the financial services. Warren has business experience on both the buy and sell side as well as the asset servicing side of the business.

Chemical Bank, Chase Manhattan Bank, JPMorgan and TRG Asset Management pedigree.



## **George Evans**

President/Chief Revenue Officer

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George Evans is responsible for business development and the delivery of Convergence methodology, solutions, and advisory services to Convergence clients. George has a long history of assisting firms with forward thinking, market leading and innovative techniques to capitalize on short term opportunities while staying focused on long term success.

He has over 40 years of experience in the financial services industry, primarily in the traditional asset management, hedge, private equity, banking, and insurance verticals.



## **George Gainer**

Head of Client Management

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George's career spans buy and sell side firms including Gravitas where he was a Finance & Business Performance Analyst and Apollo [through Gravitas] where he was responsible for Business Analysis & Reporting.

Prior to Apollo, George was at Iron Mountain as an Acquisition Accounting Manager, KPMG as Transaction Services Manager, and Deloitte where he was part of Audit Senior Staff.