

PART 2A OF FORM ADV:  
FIRM BROCHURE



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This brochure provides information about the qualifications and business practices of Deschutes Portfolio Strategy, LLC, dba Matisse Capital. If you have any questions about the contents of this brochure, please contact us at (503) 210-3000 or [info@matissecap.com](mailto:info@matissecap.com).

The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Additional information about Deschutes Portfolio Strategy, LLC, also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Please note that registration with the SEC as a Registered Investment Adviser does not imply a certain level of skill or training.

Throughout the rest of the document, we refer to Deschutes Portfolio Strategy, LLC, as "Matisse".

**Item 2. Material Changes**

This brochure for Matisse contains no material changes since the last annual update on March 24, 2022.

**Item 3. Table of Contents**

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

Matisse, an investment adviser formed and SEC-registered in 2010, is primarily owned by Bryn Torkelson (see bio in brochure supplement). Matisse provides investment advice, financial planning and retirement plan management (including employee education) to clients on both a discretionary and non-discretionary basis.

##### *Services*

Investment advisory services consist of advice on asset allocation, strategic portfolio structuring, the selection and monitoring of mutual funds (both closed-end and open-end) and the selection and monitoring of partnerships managed by third-party investment advisors. Financial planning services are offered on both a limited scope and a comprehensive basis.

We foster client relationships that are driven by the client's preferences in both the degree of their involvement in their portfolio decisions, and the products in their portfolios. In limited cases, clients may impose restrictions in their accounts on investing in certain securities or types of securities.

As of 12/31/2022, Matisse advises a total of \$1,110,540,408.15 across 741 client accounts. We advise \$609,713,479.71 across 53 client accounts on a non-discretionary basis and \$500,826,928.44 across 688 client accounts on a discretionary basis.

##### *Mutual fund management*

Matisse serves as the investment adviser for two open-end funds, the Matisse Discounted Closed-End Fund Strategy ("MDCEX") and the Matisse Discounted Bond CEF Strategy ("MDFIX") (together the "Funds"). MDCEX primarily invests in both equity and fixed income closed-end funds. MDFIX primarily invests in fixed income closed-end funds. Matisse manages the assets of MDCEX and MDFIX on a discretionary basis.

A strategy in which Matisse specializes is our discounted closed-end fund (CEF) strategy, which entails constructing a portfolio of discounted CEFs using proprietary research. We select and trade discounted CEFs to create globally balanced and diversified portfolios. Our goal is to create positive alpha by taking advantage of favorable discount movements---purchasing a CEF at a certain discount to its NAV and subsequently selling it at a narrower discount to NAV. Of course, we do not, and cannot, achieve this goal in every case, nor is capturing favorable discount movement always associated with positive alpha---or even positive returns. Past performance is no guarantee of future results. Certain risks associated with our strategy are discussed more fully in Item 8, and include risk of loss, tax inefficiency, and high turnover.

We currently employ this strategy within two mutual funds (MDCEX and MDFIX). We have in the past and may in the future also employ the strategy as a subadvisor or within separately managed accounts where the end client is an advisory client of Matisse or an unrelated institution. Managing different types of accounts will result in fee differences, performance dispersion and potential conflicts of interest in the allocation of the investment opportunities among different account types.

##### *Private fund management*

Matisse serves as the investment manager for the Matisse Absolute Return Fund, LLC ("MAR" or a "Hedge Fund"). MAR is in the process of liquidation. It is expected that MAR will be closed once all holdings are completely liquidated.

#### **Item 5. Fees and Compensation**

Matisse offers most of its investment advisory services for a fixed percentage of assets under management according to a written fee schedule agreed upon at the outset of the advisory relationship. Matisse occasionally charges hourly for its financial planning services, or charges a fixed fee for one-time special

projects.

### *Investment Management*

The negotiable fee structure for investment management has a typical minimum annual fee of \$10,000, or up to 1.5% of AUM. However, Matisse's typical asset-based fee starts at 1%, declines when account assets exceed \$10 million, and is typically negotiated on accounts greater than \$25 million. The fee structure may be amended from time to time by Matisse upon 30-60 days' prior written notice (depending on client type) to client.

Fees are typically paid directly to Matisse from the account by the third-party qualified custodian (typically Charles Schwab or TD Ameritrade) upon submission of an invoice to the custodian showing the amount of fees due. The invoice submitted is based on the value of the client's assets, and is calculated by Matisse using its portfolio management software system. Alternatively, the client may prefer to remit payment of fees directly to Matisse by check in response to an invoice sent by Matisse.

Matisse's fees are typically payable quarterly in advance based on the most recent quarterly asset valuation but may differ under certain circumstances. Though the majority of clients must pay quarterly in advance, if a client terminates the investment advisory agreement prior to the end of a quarter, fees will be prorated to the effective termination date as specified in the advisory contract upon receipt of written notice to Matisse. Any unearned portion of prepaid fees are refunded to the client.

### *Mutual funds*

Matisse does not collect 12b-1 or other fees as an incentive to place client assets in any particular outside mutual fund. If client assets are invested in mutual funds, the client may be required to pay, in addition to the Matisse fee, a proportionate share of each fund's marketing and advertising expenses, management fees and other mutual fund operating expenses. These fees are deducted prior to a mutual fund stating its daily NAV and are therefore not directly itemized expenses for the client. Occasionally, mutual funds are selected that include a load; in cases where there is a load on a mutual fund, neither Matisse, nor any of its employees, collects any portion of the fee. Clients will also incur brokerage and other transaction costs, and/or custodial fees; these fees are payable directly to the unrelated broker or custodian. Please refer to Item 12, Brokerage Practices, for further information. Clients should note that most mutual funds and investment products recommended by Matisse are available through other brokers or agents not affiliated with our firm.

As the investment manager for MDCEX and MDFIX, Matisse collects a somewhat higher fee on assets in the Funds (for MDCEX, up to 0.99%; and for MDFIX, up to 0.70%). A similar situation may occur with future Hedge Funds and Funds advised by Matisse.

Certain individual employees of Matisse are compensated in part based on the fees collected from the Funds.

To address this conflict:

- Matisse reviews all such recommendations as they occur.
- Clients are informed verbally and in the LLC documents (in the case of Hedge Funds), that Matisse and its related parties have a greater financial interest in the Funds due to their higher fees, and that the client's total fees might be lower outside the Funds.
- Assets in the Funds are not charged an asset-based management fee in addition to the fees charged by MDCEX and MDFIX, which applies to any future Hedge Funds or Funds.
- To ensure we meet our fiduciary obligations to retirement clients, all retirement accounts are credited back the difference between their advisory contract fee and the management fees charged in these vehicles, if applicable.

Private funds

Matisse does not collect a fee as investment manager for the Matisse Absolute Return Fund, LLC ("MAR" or a "Hedge Fund") because MAR is in the process of liquidation. It is expected that MAR will be closed once all holdings are completely liquidated.

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

Matisse is not currently managing any client accounts utilizing a performance-based fee arrangement. As a result, Matisse has no conflicts of interest between accounts that pay asset-based fees and accounts that pay performance-based fees (known as "side-by-side management").

#### **Item 7. Types of Clients**

Matisse provides investment advice to a national clientele of high net worth individuals, trusts, estates, charitable organizations, corporations, open-end mutual funds, investment partnerships, pension and profit-sharing plans, foundations and endowments. Matisse generally requires a minimum of \$1,000,000 to open an individually managed account (or group of accounts) but reserves the right to waive this minimum.

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

##### *Methods of Analysis & Strategies*

##### *a) Open-end funds*

For most of its AUM, Matisse invests client assets primarily in low-fee, institutional class, no-load, open-end mutual funds. Our core expertise is in combining multiple mutual funds from different management companies in order to build a diversified portfolio with risk parameters matching the client's.

In addition to other investment theories, Matisse uses the tenets of modern portfolio theory, which considers the basic relationship between risk and return and the reduction in risk that comes from diversification, in constructing optimal portfolios.

We select mutual funds with long-term performance under a consistently applied strategy and/or manager group, low expense ratios, low historical volatility, protection of capital in bear markets and smaller fund size. We select equity funds with a demonstrable value-based (or growth-at-a-reasonable-price) approach, good historical stewardship of shareholder capital, consistency of results over time and a high alpha. We seek funds with low correlation to one another, thereby increasing the benefits of diversification.

Matisse favors open-end mutual funds for several reasons: legally required diversification within a fund, reducing risk of loss that comes from concentration, lower fees than many other types of structures, daily liquidity, the fact that many institutional low-cost funds are available on the platform we use for most of our accounts, and access to many types of strategies beyond traditional long stocks and bonds.

Although the majority of the assets under our management are invested in open-end mutual funds, we also make use of many other types of securities in client accounts, such as: individual equity securities (exchange-listed, over-the-counter and foreign), ETFs, closed-end funds, warrants and options, individual corporate bonds, CDs, municipal bonds, annuities, US government securities and investment partnerships. When selecting from these security types, we favor fundamental analysis (rather than technical, charting, cyclical or other methods) that attempts to determine a security's intrinsic value and compare its current trading price to that value. We gather information for making this value determination from multiple sources, including financial newspapers, our own (or outside analysts) inspection of corporate activities, research materials prepared by others, corporate rating services, company SEC filings and company press releases.

## *b) Closed-end funds*

Matisse also employs a discounted closed-end fund strategy, constructing a portfolio of discounted closed-end funds using proprietary historical research dating back to 1988, as well as more detailed recent applied analysis of the factors affecting the returns of discounted closed-end funds. While this strategy is flexible and multi-faceted, the core focus is on taking advantage of inefficiencies in the closed-end fund universe using publicly traded closed-end funds. We enter nearly all positions with a view towards holding them long term, but are willing to trade out of them if their price is no longer far removed from our analysis of their value. In the closed-end fund space, we have developed a proprietary model which guides us when to exit and enter positions. The model is built on the core idea that closed-end fund discounts to NAV fluctuate over time, and that discounts are more a function of random market circumstances than of anything fundamental to the future underlying performance of the fund's NAV. We are looking for an unwarranted, large discrepancy between price and our perception of long-term value.

The closed-end fund model occasionally leads us to trade heavily in a short period, however we much more often make small changes. We believe massive structural inefficiencies persist in the closed-end fund space and are unlikely to decline, much less vanish, in the short term or intermediate term. The largest potential risk to our strategy is the historical fact that closed-end fund discounts sometimes widen dramatically across most of the universe. When this happens, we are likely to experience unsatisfactory returns. Another more common but less impactful risk would be over-concentration in a position leading to large losses. We tend to be much more interested in low-risk, large-upside positions, than in high-risk positions.

A more thorough discussion of risks associated with investing in the closed-end fund strategy is as follows:

- **Underlying Funds Risk.** The strategy invests in underlying closed-end funds. Investments in other funds subject the strategy to additional operating and management fees and expenses. For instance, investors in the strategy will indirectly bear fees and expenses charged by the funds in which the strategy invests, in addition to our direct fees and expenses. The strategy's performance depends in part upon the performance at NAV of the funds we select, based on the strategies and instruments used by these funds, along with our ability to select funds and effectively allocate assets among them.
- **Control of Portfolio Funds Risk.** Although Matisse will evaluate regularly each closed-end fund in which the strategy invests to determine whether its investment program is consistent with the strategy's investment objective, we will not have any control over the investments made by a closed-end fund. The investment advisor to each closed-end fund may change aspects of its investment strategies at any time. We will not have the ability to control or otherwise influence the composition of the investment portfolio of a closed-end fund.
- **Closed-End Fund Risk.** Closed-end funds involve investment risks different from those associated with other investment companies. First, the shares of closed-end funds frequently trade at a premium or discount relative to their net asset value. When Matisse purchases shares of a closed-end fund at a discount to its net asset value, there can be no assurance that the discount will decrease, and it is possible that the discount may increase and affect whether we will realize a gain or loss on the investment. Second, many closed-end funds use leverage, or borrowed money, to try to increase returns. Leverage is a speculative technique and its use by a closed-end fund entails greater risk and leads to a more volatile share price. If a closed-end fund uses leverage, increases and decreases in the value of its share price will be magnified. The closed-end fund will also have to pay interest or dividends on its leverage, reducing the closed-end fund's return. Third, many closed-end funds have a policy of distributing a fixed percentage of net assets regardless of the fund's actual interest income and capital gains. Consequently, distributions by a closed-end fund may include a return of capital, which would reduce the fund's net asset value and its earnings capacity. Finally, closed-end funds are allowed to invest in a greater amount of illiquid securities than open-end mutual funds. Investments in illiquid securities pose risks related to uncertainty in valuations, volatile market prices, and limitations on resale that may have an adverse effect on the ability of the fund to dispose of the securities promptly or at reasonable prices.
- **Market Risk.** Market risk refers to the possibility that the value of securities held by the strategy may

decline due to daily fluctuations in the market. Market prices for securities change daily as a result of many factors, including developments affecting the condition of both individual companies and the market in general. The price of a security may even be affected by factors unrelated to the value or condition of its issuer, such as changes in interest rates, economic and political conditions, and general market conditions. The strategy's performance will change daily in response to such factors.

- **Management Style Risk.** Different types of securities tend to shift into and out of favor with investors depending on market and economic conditions. The returns from the types of investments purchased by the strategy (e.g., closed-end funds which pay regular periodic cash distributions) may at times be better or worse than the returns from other types of strategies. Each type of investment tends to go through cycles of performing better or worse than the market in general. The performance of the strategy may thus be better or worse than the performance of funds that focus on other types of investments, or that have a broader investment style.
- **Quantitative Model Risk.** Securities or other investments selected using quantitative methods may perform differently from the market as a whole. There can be no assurance that these methodologies will enable the strategy to achieve its objective.
- **Foreign Securities Risk.** The strategy may invest in foreign securities. Foreign securities involve investment risks different from those associated with domestic securities. Changes in foreign economies and political climates are more likely to affect the strategy than investments that solely hold domestic securities. The value of foreign currency denominated securities or foreign currency contracts is affected by the value of the local currency relative to the U.S. dollar. There may be less government supervision of foreign markets, resulting in non-uniform accounting practices and less publicly available information about issuers of foreign currency denominated securities. The value of foreign investments may be affected by changes in exchange control regulations, application of foreign tax laws (including withholding tax), changes in governmental administration or economic or monetary policy (in this country or abroad), or changed circumstances in dealings between nations. In addition, foreign brokerage commissions, custody fees, and other costs of investing in foreign securities are generally higher than in the United States. Investments in foreign issues could be affected by other factors not present in the United States, including expropriation, armed conflict, confiscatory taxation, and potential difficulties in enforcing contractual obligations.
- **Portfolio Turnover Risk.** Matisse will sell portfolio securities when it is in the interests of our clients to do so without regard to the length of time they have been held. As portfolio turnover may involve paying brokerage commissions and other transaction costs, there could be additional expenses for the strategy. High rates of portfolio turnover may also result in the realization of short-term capital gains and losses. Any distributions resulting from such gains will be considered ordinary income for federal income tax purposes. Under normal circumstances, the anticipated portfolio turnover rate for the strategy is expected to be greater than 100%.

### *Risk*

For all of the above investment strategies, including mutual funds, clients and prospective clients should note carefully that investing in securities involves risk of loss that clients should be prepared to bear. For example, most equity mutual funds have very high correlation to the broad stock market and should be expected to lose as much or more than the stock market in any given period. In 2008, the S&P 500, a broad measure of the US stock market, fell 37% and many mutual funds lost even more. Any strategy involving frequent trading can negatively affect investment performance, particularly through increased brokerage fees, other transaction costs and taxes.

### *Research Tools and Methods*

Our main research tools include Bloomberg and various Morningstar software solutions. We also utilize SentimenTrader and Litman Gregory. Generally, Matisse implements long-term strategies to build client wealth, but some of our strategies are based on more of a short-term or trading method. We occasionally

employ techniques such as short sales, margin transactions and option writing (both puts and calls).

#### **Item 9. Disciplinary Information**

Matisse has no legal, regulatory, administrative enforcement, or disciplinary events involving our management persons that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

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

As discussed previously in Items 4 and 5, Matisse serves as the investment manager for a Hedge Fund, the Matisse Absolute Return Fund, LLC (MAR), and two open-end funds, the Matisse Discounted Closed-End Fund Strategy (MDCEX) and the Matisse Discounted Bond CEF Strategy (MDFIX). Given that Matisse may be engaged to advise clients or prospective clients about the appropriateness of investing in Hedge Funds and Funds and that higher fees can potentially be derived from assets invested in these vehicles as opposed to other investment vehicles, a conflict of interest is created.

To address this conflict:

- Matisse reviews all such recommendations as they occur.
- Clients are informed verbally and in the LLC documents (in the case of Hedge Funds), that Matisse and its related parties have a greater financial interest in these vehicles due to their higher fees, and that the client's total fees might be lower outside these vehicles.
- Assets in these vehicles are not charged an asset-based management fee in addition to the fees charged by MAR, MDCEX and MDFIX, which will apply to any future Hedge Funds or Funds.
- To ensure we meet our fiduciary obligations to retirement clients, all retirement accounts are credited back the difference between their advisory contract fee and the management fees charged in these vehicles, if applicable.

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

##### *Code of Ethics*

The Matisse Code of Ethics is based on the principle that investment advisory representatives and administrative staff members (Access Persons) owe a fiduciary duty to our clients for which Matisse serves as an advisor. The Code of Ethics is to protect the interests of both clients and advisors by demanding advisory personnel perform their duties with complete propriety and do not take advantage of their position. Accordingly, Matisse employees must avoid activities, interests and relationships that might interfere or appear to interfere with making decisions in the best interest of our advisory clients. Failure to abide by Matisse's Code of Ethics may result in disciplinary action, including termination of employment. A complete copy of our Code of Ethics is available to our clients or prospective clients upon request.

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

As previously discussed in this brochure, Matisse may recommend that clients invest in Funds or Hedge Funds for which it is the investment manager. Matisse reviews all such recommendations as they occur. Clients are informed verbally and in the offering documents, that Matisse and its related parties and employees have a greater financial interest in MAR, MDCEX, and MDFIX including any future Hedge Funds or Funds, due to their higher fees. The client's fees might be lower outside these vehicles. Assets in Hedge Funds and Funds are not charged a separate advisory fee at the client level, and retirement accounts are credited back any difference that exists between their contractual advisory fee and the management fee charged by these vehicles. Employees of Matisse may purchase or sell for their own personal accounts



securities held or traded in Matisse client accounts. Matisse employees must preclear personal trades that could possibly conflict with client accounts. These trades are reviewed and approved or denied by the Chief Compliance Officer or designee. Matisse maintains a record of all personal trades by Access Persons that is collected quarterly and reviewed by Matisse's Chief Compliance Officer. Additionally, Matisse Access Persons are prohibited from trading closed-end funds without express prior approval from the Chief Compliance Officer or designee.

## **Item 12. Brokerage Practices**

Client assets must be maintained in an account at a "qualified custodian", generally a broker-dealer or bank. Matisse is not a broker-dealer and no Matisse related person is a broker-dealer. While Matisse uses many different qualified custodians to meet our clients' unique needs, we most often recommend that our clients use Charles Schwab & Co., Inc. ("Schwab"), a FINRA-registered broker-dealer, member SIPC, as the custodian/broker. Matisse also regularly works with TD Ameritrade Institutional, a division of TD Ameritrade Inc., member FINRA/SIPC ("TD Ameritrade"), an unaffiliated SEC-registered broker-dealer and FINRA member, in this capacity. Matisse receives services offered to independent investment advisors from these and other firms that we recommend to clients that include custody of securities, trade execution, and clearance and settlement of transactions, that are typically not available to retail clients. These products and services, how they benefit us, and the related conflicts of interest are described below (see Item 14 – Client Referrals and Other Compensation). While we may recommend specific firms to our clients to provide custodial and brokerage services, the client will enter into an agreement with that firm directly; Matisse does not open these accounts for our clients. Even when accounts are maintained at a particular broker, Matisse can still use other brokers to execute trades for client accounts.

Matisse and its employees may have the authority to determine, without obtaining specific client consent, the securities to be bought or sold, the amount of securities to be bought or sold, the broker or dealer to be used and, in certain circumstances, the commission rate to be paid. Best execution is not synonymous with lowest brokerage commission. Consequently, in a particular transaction a client may pay a brokerage commission in excess of that which another broker might have charged for executing the same transaction.

A number of factors may be considered by Matisse when selecting a broker or dealer to affect a transaction, including the expected market impact of the trade, the broker's execution capability, the broker's financial strength and stability, the broker's responsiveness to Matisse, its reputation and access to the markets for the security being traded, the efficiency with which the transaction will be effected, commission rates and the value of research products and services that a broker lawfully may provide to assist Matisse in the exercise of its investment decision-making responsibilities. The determinative factor is not the lowest possible commission cost but whether the transaction represents the best overall qualitative execution for our clients. Matisse will not execute any order in a fashion that is either preferential to one account relative to other like accounts managed by Matisse or materially adverse to such other accounts.

The Adviser shall seek best execution for securities transactions executed on behalf of its clients. For purposes of this policy, best execution means that the Adviser will execute securities transactions in such a manner that the total cost or proceeds in each transaction is the most favorable under the circumstances. With respect to all advisory clients:

- All brokerage arrangements must be reviewed and approved by the Chief Compliance Officer or designee before being implemented.
- The Chief Compliance Officer or designee will periodically review all soft dollar arrangements.
- Offering document and Form ADV disclosure will be periodically reviewed by the Chief Compliance Officer for accuracy and completeness to ensure that all brokerage activities are

disclosed to Advisory Clients and Investors.

### *Cross Transactions*

A cross transaction occurs when securities are purchased or sold between or among client accounts. If Matisse engages in a cross transaction, the firm will use an independent unaffiliated broker. We have adopted cross transaction procedures to ensure that all clients are treated equitably. The use of cross transactions can increase the probability of completing a transaction at a better price. Matisse will execute a cross transaction only when we believe we can achieve best execution, the price of any cross transaction is fair, no client is disfavored, and we do not receive any form of compensation for effecting the transaction.

### *Research and Other Soft Dollar Benefits*

#### 1. Conflicts of Interest Arising out of Soft Dollars

Matisse receives research and related services from brokers at no cost. This is commonly referred to as the receipt of “soft dollar” benefits. One of the factors that Matisse considers when selecting a broker to effect certain transactions is the research services provided to Matisse by the broker. Partly because of the receipt of soft dollars, Matisse accounts may pay brokerage commissions on these transactions that are competitive but that may be higher than the lowest available rate that another broker might have charged. Soft dollars create a significant conflict of interest because Matisse has an incentive to trade with brokers providing the most or best research and related services.

Soft dollars give Matisse an incentive to select brokers based on its interest in receiving research services rather than on the client’s interest in obtaining the best execution. To manage the conflicts inherent in using soft dollars, Matisse strives to:

- (1) Have transactions executed at prices that are advantageous to clients and at commission rates that are reasonable in relation to the benefits received;
- (2) Use soft dollars to obtain research and related services that we believe will provide the greatest benefit to our clients;
- (3) Pay for non-research assistance with hard dollars; and
- (4) Make full and fair disclosure of all material facts with respect to our soft dollar arrangements.

Client accounts that have paid for a specific service may not receive the benefit from that service and other client accounts may benefit from a service for which they did not pay. All soft dollars that are generated from Matisse clients are aggregated together and collectively used to pay for research services. Soft dollar benefits are not proportionally allocated to any accounts that may generate different amounts of soft dollar benefits. As described below, the types of research services acquired with soft dollars will often benefit Matisse’s research team across the board and it is difficult if not impossible to separately measure the benefits a research service provides to each of the accounts managed by Matisse. In addition, the volume and nature of trading activities of the accounts are not uniform, and so the amount of soft dollars paid by each account will vary. Certain clients will not contribute soft dollars through their transactions. These clients benefit from the research services provided to Matisse through soft dollars generated by other Matisse clients, even though they do not contribute soft dollars.

#### 2. Types of Research Services Acquired with Soft Dollars

Matisse receives soft dollar research and related services for Bloomberg Professional Service and Morningstar Inc. access and services. Bloomberg analytics provide real-time tools that can retrieve fundamental company, financial and economic data, monitor risk and exposure, utilize pricing models and evaluate long and short-term performance. Morningstar provides data focused research on many

types of investments that we use across client accounts, including open-end and closed-end mutual funds.

### 3. Procedures Used to Direct Client Transactions to a Particular Broker-Dealer

During the last fiscal year, the following procedures were used to direct client transactions to a particular broker-dealer in return for soft dollar benefits that the firm received:

- Matisse determined the cost of relevant research services, including Bloomberg Professional Services and Morningstar Inc., was reasonable in relation to the benefits they provide to our clients,
- recognized that as an intrinsic part of our CEF strategy we incur regular commissions, a percentage of which would be sufficient to cover these research costs, and
- identified a CEF specialist broker and negotiated a low commission rate onto which a small amount of soft dollar credits was added.

#### *Brokerage for Client Referrals*

As a result of past participation in TD Ameritrade's AdvisorDirect program (the "referral program"), Matisse received client referrals from TD Ameritrade. TD Ameritrade established the referral program as a means of referring its brokerage customers and other investors seeking fee-based personal investment management services or financial planning services to independent investment advisors. TD Ameritrade does not supervise Matisse and has no responsibility of Matisse's management of client portfolios or Matisse's other advice or services. Matisse is no longer participating in the referral program for purposes of receiving client referrals but it is obligated to pay TD Ameritrade an on-going fee for each successful client relationship established as a result of past referrals. This fee is usually a percentage (not to exceed 25%) of the advisory fee that the client pays to Matisse ("Solicitation Fee"). Matisse will also pay TD Ameritrade the Solicitation Fee on any advisory fees received by Matisse from any of a referred client's family members who hired Matisse on the recommendation of such referred client. Matisse will not charge clients referred to it through AdvisorDirect any fees or costs higher than its standard fee schedule offered to its other clients or otherwise pass Solicitation Fees paid to TD Ameritrade clients. For information regarding additional or other fees paid directly or indirectly to TD Ameritrade, please refer to the TD Ameritrade AdvisorDirect Disclosure and Acknowledgement Form.

#### *Directed Brokerage*

In the event that a client directs Matisse to use a particular broker, the client has the sole responsibility for negotiating commission rates and other transaction costs with the directed broker. Thus, a disparity may exist between the commissions borne by the client and the commissions borne by Matisse's other clients that do not direct Matisse to use a particular broker. Furthermore, some brokers assess minimum transaction charges, which may be disadvantageous to the client; the client should understand that by instructing Matisse to execute transactions through a specific broker, the client might not necessarily obtain commission rates and execution as favorable as those that would be obtained if Matisse was able to place transactions with other brokers.

#### *Trade Aggregation and Allocation (Block Trades)*

If Matisse believes that the purchase or sale of a security is in the best interest of more than one of its clients, Matisse may aggregate the securities to be purchased or sold into a single order ("block trade") to obtain favorable execution and/or lower brokerage commissions. Typically, Matisse will allocate securities to be purchased or sold, as well as the expense incurred in the transaction on a pro-rata basis or in another manner that it considers equitable and consistent with its fiduciary obligations to clients. Clients may not

receive a pro-rata allocation of a block trade in instances where the trade is only partially filled, or due to cash and holdings differences between various accounts. In such instances, some clients may receive their entire allocation and some clients may not receive any allocation if their pro-rata share is less than a minimal amount or if Matisse has used another equitable method to allocate the block trade. Clients should recognize that the advice given and the actions taken with respect to their accounts might differ from the advice given or the timing and nature of action taken with respect to other advisory accounts. Notwithstanding the above, not all trades will be executed at the same time or at the same price.

Certain conflicts of interest will arise related to block trades. Matisse will seek to allocate investment opportunities believed appropriate for one or more of its accounts equitably and consistent with the best interests of all accounts involved. However, there can be no assurance that a particular investment opportunity that comes to Matisse's attention will be allocated in any particular manner.

### **Item 13. Review of Accounts**

Matisse reviews our managed client accounts not less than quarterly. The basic level of review is the same for each account. When Matisse has advised a client with regard to selection and retention of third-party investment managers, Matisse reviews client positions with the third-party manager when the manager issues its reports, generally quarterly. Reviews generally consider factors like overall allocation of the account as compared to the client's investment objectives, historical performance of the account relative to relevant benchmarks, industry or security concentrations, prospects of each security held, percentage invested in each issue and cash management.

Matisse prepares written quarterly reports for clients. These reports include performance information, holdings, account activity and statistical analysis. Some of these reports are customized by Matisse. They may be delivered either by hard copy, e-mail, posting to a client portal or in person.

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

Certain employees of Matisse may receive additional compensation for client assets that are invested in the closed-end fund strategy. These employees may receive more compensation based on the value of firm assets that employ this investment strategy. Consequently, such employees have an incentive to encourage clients to use this strategy over other strategies which do not pay the employee additional compensation. This creates a conflict of interest.

To address this conflict, all recommendations based on suitability factors are reviewed prior to client assets being invested in the closed-end fund strategy. This employee compensation does not affect the fees paid by the client, and clients of Matisse are not charged a higher advisory fee for using any particular strategy recommended by the firm. Matisse believes that this method of compensation, as currently paid to the firm's Portfolio Manager, creates a positive incentive for the employee to strive for the best possible performance within the strategy.

As disclosed under Item 12 above, Matisse may recommend specific firms to our clients for custody and brokerage services. There is no direct link between Matisse's recommendation of these firms and the investment advice we give to our clients, although we may receive economic benefits from these firms that are typically not available to retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving Advisor participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers;

and discounts on compliance, marketing, research, technology, and practice management products or services provided to Matisse by third party vendors. Matisse may also receive business consulting and professional services paid for by these firms.

Some of the products and services may benefit Matisse but may not benefit its client accounts. These products or services may assist Matisse in managing and administering client accounts, including accounts not maintained at the custodial firm providing the services. Other services made available to Matisse are intended to help manage and further develop its business enterprise. The benefits received by Matisse or its personnel through participation in such programs do not depend on the amount of brokerage transactions directed to the particular firm. As part of its fiduciary duties to clients, Matisse endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by Matisse or its related persons in and of itself creates a potential conflict of interest and may indirectly influence the Advisor's choice of any firm for custody and brokerage services.

Matisse has entered into agreements with third-party marketing firms and may enter into other such agreements in the future, to compensate such firms for referring clients into Funds. When this occurs, the client's total fee is no higher than the total fee of a client who purchased the Fund on his own, because the compensation comes directly from Matisse.

## **Item 15. Custody**

### *Investment Portfolios*

All clients' accounts are held in custody by independent banks and qualified custodians/broker/dealers. In accordance with the fee agreements signed by Matisse and clients, Matisse is permitted to debit advisory fees from most of our clients' accounts and for that reason Matisse may be considered to have custody of client assets. Matisse may also be considered to have custody of client assets in cases where clients specifically request that Matisse be granted authority to move assets between the client's various accounts. Custodians provide clients statements, transaction reports and year-end tax reports, which should be carefully reviewed by the client. Clients should compare the account statements they receive from the custodian with the reports they receive from Matisse. Matisse also sends periodic performance reports.

### *Limited Partnership*

Because the primary owner of Matisse, Bryn Torkelson, is also the sole owner of Matisse Capital Management, LLC, the General Partner to MAR, this Matisse related person is considered to have custody of the partnership's assets. This relationship may apply to any future Hedge Funds. As with our other client accounts, assets within Hedge Funds are held by a third-party qualified custodian and statements are sent directly to the limited partners. Limited partners of Hedge Funds should carefully review these statements and compare them to any information provided by Matisse.

MAR and any future Hedge Funds will be audited on an annual basis by an independent accounting firm registered with the Public Company Accounting Oversight Board. With certain exceptions, 180 days after the end of the Hedge Fund's fiscal year, its audited financial statements are distributed directly to the Hedge Fund's limited partners.

## **Item 16. Investment Discretion**

Matisse, as part of our standard investment advisory contract, accepts discretionary authority to manage securities accounts on behalf of clients. For some of Matisse's clients (typically 401k plans), our authority is non-discretionary.

For our discretionary accounts, our customary practice is to discuss proposed positions and trades with the

client before we implement them. However, we can and do at times exercise discretionary authority in client accounts without such advance discussion. Clients may place limits on this authority if they so desire. Typically, any such limits are informal arrangements between Matisse and each client, since trust is a key element of each client relationship. Before assuming discretionary investment authority, Matisse requires an executed investment advisory agreement with a client and the execution of a limited power of attorney between Matisse, the custodian and the client.

#### **Item 17. Voting Client Securities**

Matisse's clients, when setting up their accounts at the third-party broker/custodian, may elect to retain authority for voting proxies or may elect to transfer that authority to Matisse.

We may abstain from voting a proxy if we conclude that the effect on shareholders' economic interests or the value of the portfolio holding is indeterminable or insignificant. For example, we will sometimes abstain from voting proxies in an uncontested directors' election.

Clients may obtain information about how their proxies were voted upon request to us. Clients may obtain a copy of our proxy voting policies and procedures upon request. Where clients have elected to retain authority for voting proxies, they receive proxies directly from the third-party qualified custodian.

#### **Item 18. Financial Information**

Matisse has no financial issues that impair our ability to carry out our fiduciary duty to our clients and has never been the subject of a bankruptcy petition. Matisse does not require prepayment of fees six months in advance or have any other events requiring disclosure under this item of this brochure.

PART 2B OF FORM ADV:  
BROCHURE SUPPLEMENT



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May 22, 2023

Bryn H. Torkelson  
Daniel C. Sholian  
Eric A. Boughton, CFA  
Axel H. Flichtbeil  
Rebecca Y. Wei, CFA, CIPM  
Niklas H. Torkelson  
Deirdre S. Hochberg Higdon, IACCP®  
Corrie B. Oliva, CFA

This brochure supplement provides information about the individuals listed above that supplements the Matisse Capital brochure. You should have received a copy of that brochure. Please contact Matisse at 503-210-3000 or [info@matisssecap.com](mailto:info@matisssecap.com) if you did not receive Matisse Capital's brochure or if you have any questions about the contents of this supplement.

Additional information about Bryn Torkelson, Daniel Sholian, Eric Boughton, Axel Flichtbeil, Rebecca Wei, Niklas Torkelson, Deirdre Hochberg Higdon, and Corrie Oliva is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Full name: Bryn Heyser Torkelson  
Year of Birth: 1956

Educational Background:  
B.S. – Finance; University of Oregon; Eugene, OR; 1980

Business experience for past 5 years:  
Founder and CIO; Deschutes Portfolio Strategy LLC, dba Matisse Capital

Disciplinary Information:  
There are no legal or disciplinary events material to a client's or prospective client's evaluation.

Other Business Activities:  
As discussed elsewhere in this brochure, Mr. Torkelson is the primary owner of Matisse, which is the investment advisor to two open-end funds, the Matisse Discounted Closed-End Fund Strategy, ticker MDCEX, and the Matisse Discounted Bond CEF Strategy, ticker MDFIX. As also previously discussed, Mr. Torkelson is the sole owner of Matisse Capital Management, LLC, the general partner to Matisse Absolute Return Fund, a private investment partnership. This creates a conflict of interest in that Mr. Torkelson has a greater financial incentive in Matisse clients investing in the funds.

Additional Compensation:  
Mr. Torkelson, as sole owner of Matisse Capital Management, LLC, may receive payments from partners in Matisse Absolute Return Fund who are not clients of Matisse.

Supervision:  
Mr. Torkelson, as the principal of the firm, has no direct supervisor. Mr. Torkelson may be reached at (503) 210-3000.

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Full name: Daniel Creston Sholian  
Year of Birth: 1956

Educational Background:  
B.S. – Finance; University of Oregon; Eugene, OR; 1980

Business experience for past 5 years:  
Senior Consultant; Deschutes Portfolio Strategy LLC, dba Matisse Capital

Disciplinary Information:  
There are no legal or disciplinary events material to a client's or prospective client's evaluation.

Other Business Activities:  
None

Additional Compensation:  
None



Supervision:

Niklas Torkelson, Managing Partner, (503) 210-3000

Niklas Torkelson monitors, on an informal basis, and supervises, the advisory activities of Mr. Sholian on behalf of the firm.

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Full name: Eric Boughton, CFA

Year of Birth: 1975

Educational Background:

B.S. – Mathematics—Applied Analysis; University of Houston; Houston, TX; 1997

Business experience for past 5 years:

Portfolio Manager and Chief Analyst; Deschutes Portfolio Strategy LLC, dba Matisse Capital

Professional Designation:

Chartered Financial Analyst (CFA)

To earn a CFA charter, you must have four years of qualified investment work experience, become a member of CFA Institute, pledge to adhere to the CFA Institute Code of Ethics and Standards of Professional Conduct on an annual basis, apply for membership to a local CFA member society, and complete the CFA Program. The CFA Program is organized into three levels, each culminating in a six-hour exam. Completing the Program takes most candidates between two and five years. The Program reflects a broad Candidate Body of Knowledge™ (CBOK) developed and continuously updated by active practitioners to ensure that charterholders possess knowledge grounded in the real world of today's global investment industry.

Disciplinary Information:

There are no legal or disciplinary events material to a client's or prospective client's evaluation.

Other Business Activities:

None

Additional Compensation:

In his role as Portfolio Manager, Mr. Boughton receives additional compensation for client assets that are invested in the closed-end fund strategy. Consequently, he may have an incentive to encourage clients to use this strategy over other strategies which do not pay the employee additional compensation.

While this potentially creates a conflict of interest, Mr. Boughton's primary role is as the firm's Portfolio Manager, and he does not act as an advisor to clients. Additionally, Mr. Torkelson reviews all such recommendations based on suitability factors prior to client assets being invested in the closed-end fund strategy. This employee compensation does not affect the fees paid by the client, and clients of Matisse are not charged a higher advisory fee for using any particular strategy recommended by the firm.

Supervision:

Niklas Torkelson, Managing Partner, (503) 210-3000

Niklas Torkelson monitors, on an informal basis, and supervises, the advisory activities of Mr. Boughton on behalf of the firm.

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Full name: Axel Herbert Flichtbeil

Year of Birth: 1951

Educational Background:

BA – Mathematical Economics; Reed College, Portland OR; 1973

Business experience for past 5 years:

Senior Consultant; Deschutes Portfolio Strategy LLC, dba Matisse Capital; 2015-present

Disciplinary Information:

There are no legal or disciplinary events material to a client's or prospective client's evaluation.

Other Business Activities:

None

Additional Compensation:

None

Supervision:

Niklas Torkelson, Managing Partner, (503) 210-3000

Niklas Torkelson monitors, on an informal basis, and supervises, the advisory activities of Mr. Flichtbeil on behalf of the firm.

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Full name: Rebecca Wei, CFA, CIPM

Year of Birth: 1973

Educational Background:

BA – Dance, University of California, Los Angeles; 1998

Business experience for past 5 years:

Performance and Research Analyst; Deschutes Portfolio Strategy LLC, dba Matisse Capital; 2013-present

Professional Designation:

Chartered Financial Analyst (CFA)

To earn a CFA charter, you must have four years of qualified investment work experience, become a member of CFA Institute, pledge to adhere to the CFA Institute Code of Ethics and Standards of Professional Conduct on an annual basis, apply for membership to a local CFA member society, and complete the CFA Program. The CFA Program is organized into three levels, each culminating in a six-hour exam. Completing the Program takes most candidates between two and five years. The Program reflects a broad Candidate Body of Knowledge™ (CBOK) developed and continuously updated by active practitioners to ensure that charterholders possess knowledge grounded in the real world of today's global investment industry.

Certificate in Investment Performance Measurement (CIPM)

According to the CIPM Association, the CIPM program was developed by the CFA Institute as a specialty credentialing program that develops and recognizes the performance evaluation and presentation expertise of investment professionals who “pursue excellence with a passion.” The program also provides a strict code of ethics to guide investment professionals throughout their careers.

Disciplinary Information:

There are no legal or disciplinary events material to a client's or prospective client's evaluation.

Other Business Activities:

None

Additional Compensation:

None

Supervision:

Niklas Torkelson, Managing Partner, (503) 210-3000

Niklas Torkelson monitors, on an informal basis, and supervises, the advisory activities of Ms. Wei on behalf of the firm.

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Full name: Deirdre Skye Hochberg Higdon, IACCP®

Year of Birth: 1982

Educational Background:

B.A. – Political Science, Economics, with Honors; University of California at San Diego; La Jolla, CA; 2004

Business experience for past 5 years:

Director of Compliance & Client Operations; Deschutes Portfolio Strategy LLC, dba Matisse Capital; 2022 - present

Operations Manager; Deschutes Portfolio Strategy LLC, dba Matisse Capital; 2014-2022

Professional Designation:

Investment Adviser Certified Compliance Professional® (IACCP®)

According to the National Regulatory Services (NRS), the IACCP® program, co-sponsored by the Investment Adviser Association (IAA), is a professional education program granting the designation, Investment Adviser Certified Compliance Professional (IACCP®), to individuals who complete an online and/or in-person instructor-led program of study, pass a certifying examination, and meet its work experience, ethics and continuing education requirements. Participants receive a grounding in the rules and regulations required for investment advisers. The program provides a step-by-step examination of the Investment Advisers Act of 1940 and related state and federal regulations, guidance for building a strong compliance program and highlights best practices that can immediately be implemented at firms.

Disciplinary Information:

There are no legal or disciplinary events material to a client's or prospective client's evaluation.

Other Business Activities:

None

Additional Compensation:

None

Supervision:

Niklas Torkelson, Managing Partner, (503) 210-3000

Niklas Torkelson monitors, on an informal basis, and supervises, the advisory activities of Mrs. Higdon on behalf of the firm.

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Full name: Niklas Heyser Torkelson

Year of Birth: 1991

Educational Background:

B.S. – Business Administration, Finance, with Honors; University of Oregon; Eugene, OR; 2013

MBA – Business Administration; Creighton University, Omaha, NE; 2021

MIMFA – Investment Management and Financial Analysis; Creighton University, Omaha, NE; 2021

Business experience for past 5 years:

Managing Partner; Deschutes Portfolio Strategy LLC, dba Matisse Capital; 2022 - present

Vice President Finance & Marketing; Deschutes Portfolio Strategy LLC, dba Matisse Capital; 2018 - 2022

Finance and Marketing; Deschutes Portfolio Strategy LLC, dba Matisse Capital; 2013-2018

Disciplinary Information:

There are no legal or disciplinary events material to a client's or prospective client's evaluation.

Other Business Activities:

None

Additional Compensation:

None

Supervision:

Bryn Torkelson, President, (503) 210-3000

Bryn Torkelson monitors, on an informal basis, and supervises, the advisory activities of Mr. Torkelson on behalf of the firm.

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Full name: Corrie Bergeron Oliva, CFA

Year of Birth: 1974

Educational Background:

B.A. – Business Administration; University of San Diego, San Diego, CA; 1996

M.S. – Financial Analysis; Portland State University; Portland, OR; 2003

Business experience for past 5 years:

Senior Consultant; Deschutes Portfolio Strategy LLC, dba Matisse Capital; 2019 - present

Senior Consultant; Arnerich Massena; February 2016 – December 2017

Professional Designation:

Chartered Financial Analyst (CFA)

To earn a CFA charter, you must have four years of qualified investment work experience, become a member of CFA Institute, pledge to adhere to the CFA Institute Code of Ethics and Standards of Professional Conduct on an annual basis, apply for membership to a local CFA member society, and complete the CFA Program. The CFA Program is organized into three levels, each culminating in a six-hour exam. Completing the Program takes most candidates between two and five years. The Program reflects a broad Candidate Body of Knowledge™ (CBOK) developed and continuously updated by active practitioners to ensure that charterholders possess knowledge grounded in the real world of today's global investment industry.

Disciplinary Information:

There are no legal or disciplinary events material to a client's or prospective client's evaluation.

Other Business Activities:

None

Additional Compensation:

None

Supervision:

Niklas Torkelson, Managing Partner, (503) 210-3000

Niklas Torkelson monitors, on an informal basis, and supervises, the advisory activities of Mrs. Oliva on behalf of the firm.

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