

**Item 1.       Cover Page**

# **Cavalry Management Group, LLC**

## **Part 2A of Form ADV Firm Brochure**

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San Francisco, CA 94111  
415-439-7000**

March 30, 2011

This brochure provides information about the qualifications and business practices of Cavalry Management Group, LLC (“Cavalry”). Cavalry primarily conducts its advisory business under the name “Cavalry Asset Management”.

If you have any questions about the contents of this brochure, please contact us at 415-439-7000. 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 Cavalry also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Cavalry is a registered investment adviser. Registration as an investment adviser does not imply a certain level of skill or training.

**Item 2.           Material Changes**

In 2010, the SEC required significant changes to the content and format of Part II of Form ADV. This brochure, which reflects those changes, is Cavalry's first brochure following the new content and format requirements, and is materially different from brochures that Cavalry used in prior years.

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

##### Firm History and Principal Owners

Cavalry is a Delaware limited liability company that has been in business since 2003. It serves as the investment adviser to U.S. and non-U.S. private pooled investment funds (each, a “Fund” and collectively, the “Funds”). Cavalry’s principal owner, managing member and portfolio manager is John K. Hurley. TKG Ventures, LLC, a California limited liability company that is wholly-owned by Mr. Hurley, is also an owner of Cavalry.

As of March 1, 2011, Cavalry managed approximately \$1.47 billion of client assets on a discretionary basis.

##### Advisory Services Cavalry Provides

Cavalry manages assets only on a discretionary basis. Cavalry does not manage any assets on a non-discretionary basis.

Cavalry invests principally, but not solely, in equity and equity-related securities that are traded publicly in U.S. and non-U.S. markets on behalf of the Funds it manages, but is authorized to enter into any type of investment transaction that it deems appropriate under the terms of each Fund’s partnership agreement, investment management agreement or other account agreement, as applicable. Cavalry seeks investment opportunities primarily in securities of technology-related companies.

Cavalry manages different Funds that employ varying degrees of long, short, gross and net exposures in pursuing these strategies and objectives. Cavalry selects all Fund investments and strategies. Investors in the Funds do not have an opportunity to select or evaluate any Fund investments or strategies.

Cavalry typically does not tailor its services to the individual needs of the Funds (or the Fund’s underlying investors), but manages each Fund according to the stated investment strategy of the Fund.

See *Item 8 “Methods of Analysis, Investment Strategies and Risk of Loss”* for a further description of the investment strategies that Cavalry employs.

#### **Item 5. Fees And Compensation**

Cavalry’s compensation is negotiable and varies, but typically consists of management fees and performance allocations and fees.

##### Management Fee

Cavalry typically charges an annual management fee ranging from 0.5% to 2.0% of assets under management, which amount is payable in quarterly or monthly installments at the beginning or end (depending on the terms of the applicable Fund) of each calendar quarter or month based on the net market value of each client’s account on that date, when the management fee accrues and

becomes payable. An investor in a Fund who contributes capital on a date other than the first day of a calendar quarter or month is charged a prorated Management Fee with respect to that capital contribution.

### Performance Allocations and Fees

An affiliate of Cavalry also typically receives a performance allocation equal to 20% or 30% of net profits (including both realized and unrealized gains and losses) otherwise allocable to the investors in the Funds it manages. Performance allocations and fees generally are only applied to the portion of profits that exceed the cumulative losses previously allocated to or incurred by the applicable investor. In addition to the foregoing, for certain investors, an affiliate of Cavalry receives a performance allocation equal to (a) 10% of net profits (including both realized and unrealized gains and losses) in each year up to an amount of profits equal to 175% of those prior losses plus (b) 20% of profits in excess of 175% of those prior losses. Cavalry also manages a Fund for which an affiliate of Cavalry receives a performance allocation equal to 20% of the amount by which the returns of that account (including both realized and unrealized gains and losses) exceeds the return of a specified market index over the same measurement period.

Performance allocations are assessed in arrears on an annual basis (with some exceptions). Cavalry complies with Rule 205-3 under the Investment Advisers Act of 1940, to the extent required by applicable law.

Performance allocations and fees may create an incentive for Cavalry to make more risky and speculative investments than it would otherwise make. In addition, the performance-based compensation Cavalry's affiliate receives with respect to an investor for a measurement period is not reduced by losses that investor may incur in any subsequent measurement period (that is, there is no so-called "claw back" of the performance allocations or fees).

### General Information About Cavalry's Fees

Cavalry typically deducts management fees and performance allocations and fees directly from client accounts but may bill a client for such amounts on request.

Cavalry believes that its fees are competitive with fees charged by other investment advisers for comparable services. Comparable services may be available, however, from other sources for lower fees.

The disclosure in this Item 5, together with the disclosure in Item 12, allow a plan that is subject to the Employee Retirement Income Security Act of 1974 and that invests in a Fund to use the "alternative reporting option" to report Cavalry's compensation as "eligible indirect compensation" on the Schedule C of the plan's Form 5500 Annual Return/Report of Employee Benefit Plan.

### Termination

Relationships with Cavalry's Fund clients are terminable on expiration of the partnership's term, dissolution of the partnership or the company or on Cavalry's withdrawal as general partner or investment adviser of the Fund. Except as may be otherwise negotiated in particular cases, the

holder of an individually managed account, including an offshore fund client, may terminate the account by giving at least 60 days' prior written notice. Investors in a Fund may withdraw/redeem from that Fund, on specified prior written notice, on the last day of any calendar quarter or calendar month (depending on the terms of the applicable Fund), except that the investor may be charged specified fees (payable to the Fund) if it makes withdrawals/redemptions prior to specified dates after that investor's investment(s) in the Fund.

In all cases, expenses, the pro rata portion of the management fee and the performance allocation or fee through the date of termination are charged to the account. All prepaid but unearned management fees are refunded on termination of a client's account. An investor who withdraws from a Fund on a date other than the last day of a quarter receives a refund of the unearned management fee previously paid.

### Expenses

Each Fund and client account is responsible for its own costs and expenses, including (i) investment expenses, such as borrowing charges on securities sold short, custodial fees, bank service fees, and any other reasonable expenses related to the purchase, sale or transmittal of client assets, (ii) due diligence and research expenses, (iii) proportionate share of the costs and expenses of investing through the applicable master fund, (iv) ongoing legal, accounting and bookkeeping fees and expenses, (v) the fees and expenses charged by any fund administrator for its accounting, bookkeeping and other services. Research expenses will be allocated reasonably across the Funds and individually managed accounts for which Cavalry or its affiliates serve as investment manager or general partner.

Cavalry bears its own operating, general, administrative and overhead costs and expenses, other than the expenses described above. All or part of these costs and expenses may be paid, however, by securities brokerage firms that execute clients' securities trades, as discussed in Item 12 below.

For complete information regarding the management fees and performance allocations and fees, and the withdrawal or redemption terms, restrictions and fees that relate to a Fund, current and prospective investors should refer to the Offering Circular or Private Offering Memorandum for that Fund.

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

Cavalry currently manages only accounts that pay or allocate performance-based compensation as described in Item 5. Cavalry does not manage accounts that do not pay or allocate performance-based compensation.

### **Item 7. Types Of Clients**

Cavalry provides investment advice to the Funds and other accounts. Investors in the Funds are required to invest a minimum of \$5,000,000, but Cavalry (or, if applicable, one of its affiliates that serves as the general partner of the Fund) may waive this minimum. Cavalry generally requires a minimum of \$5,000,000 to open an individually managed account, but may waive this

minimum. Investors in the Funds may include high-net-worth individuals, fund of funds, institutions, trusts, endowments, foundation, pension plans and other institutional investors.

## **Item 8. Methods Of Analysis, Investment Strategies And Risk Of Loss**

### Investment Objectives and Strategies

Cavalry's investment objective is to preserve capital while maximizing capital appreciation through investments primarily in the publicly traded equity securities of technology-related companies. Although Cavalry invests primarily in publicly traded stocks and related instruments, Cavalry typically has broad and flexible investment authority. Accordingly, the portfolios of Funds that Cavalry manages may at any time include long, short or derivative positions in U.S. or non-U.S. publicly traded common stocks, private or restricted securities, preferred stocks, options, stock warrants and rights, swaps and other derivative instruments and debt instruments. In addition, Cavalry may purchase, hold, sell or otherwise deal in commodities, commodity contracts, commodity futures, financial futures or options thereon.

Cavalry's strategy is driven by company-by-company, fundamental analysis. Cavalry's research process typically includes visiting companies, reviewing corporate releases and SEC filings, independent modeling of past financial results and future financial projections, and independent research with industry suppliers, customers, competitors and consultants.

The Funds that Cavalry manages typically hold long positions in companies that Cavalry believes enjoy better than generally expected near and long-term earnings prospects and reasonable absolute and relative valuations. Cavalry also may cause the Funds to invest in companies in which all or parts of the company could make it an attractive target for acquisition by strategic or financial buyers.

The Funds that Cavalry manages typically hold short positions in companies that Cavalry believes suffer from worse than generally expected near and long-term earnings prospects and unfavorable absolute and relative valuations.

Cavalry manages different Funds whose investment objectives and strategies are similar, except that they employ varying degrees of long, short, gross and net exposures in pursuing these objectives and strategies. Additionally, the Funds may have different levels of portfolio concentration and certain Funds may invest in illiquid securities.

For complete information regarding a particular Fund's investment objective and strategy, current and prospective investors should refer to the Offering Circular or Private Offering Memorandum for that Fund.

### General Disclosure

The investment strategies summarized above represent Cavalry's current intentions, are general in nature and are not exhaustive. Except as set forth in the Offering Circular or Private Offering Memorandum for a Fund client or the investment management agreement for another client, there are no limits on the types of securities in which Cavalry may take positions on behalf of the Funds or its other clients, the types of positions that it may take, the concentration of its

investments or the amount of leverage that it may use (including the extent of margin trading and short positions). Cavalry has broad discretion to use any securities and commodities trading or investment techniques, whether or not contemplated by the expected investment strategies described above. In addition, there are limitations in describing any investment strategy due to its complexity, confidentiality and indefinite nature. Depending on conditions and trends in securities and commodities markets and the economy generally, Cavalry may pursue any objectives or use any techniques that it considers appropriate and in best interests of the Funds and accounts that it manages. The Funds may not achieve their investment objectives. Further, many of the investment techniques and activities described above and that Cavalry uses to manage the Funds are high-risk activities that could result in substantial losses (and potentially complete loss).

An investment in one or more Fund(s) is a highly speculative investment and is not intended as a complete investment program. It is designed and suitable only for sophisticated investors for whom an investment in the Fund(s) does not constitute a complete investment program, who have limited need for liquidity and who fully understand, are willing to assume and have the financial resources necessary to bear the risks associated with the Fund's specialized investment program, including the risk of losing their entire investment in the Fund.

### Risk Factors

Investing in securities involves risk of substantial loss (and potentially complete loss) that clients and investors in the Funds should be prepared to bear. Below is a brief summary of some of the important risks that investors and clients may encounter and that they should consider before investing in any Fund or opening an account that Cavalry manages. The risks described below are not exhaustive. Any or all of those risks could materially and adversely affect investment performance, the value of any Fund or account or any security held in a Fund or account, and could cause investors in the Funds or account holders to lose substantial amounts of money. The risks described below also generally apply to individually managed accounts. A prospective investor or client should discuss with Cavalry's representatives any questions that they may have before investing in a Fund or opening an account.

- Client accounts may not achieve their investment objectives. A strategy may not be successful and investors may lose some or all of their investment.
- The likelihood that investors in Funds or clients will realize income or gain depends on the skill and acumen of Cavalry and its portfolio manager.
- Investors in Funds and clients do not have an opportunity to evaluate or select investments or strategies for the Fund or account.
- Client accounts may be concentrated in securities of technology sector companies, which represents only a small segment of the economy, may be more volatile than the broader market and many of which have micro- to medium-sized market capitalizations. Those securities may involve substantially higher risks than do investments in securities of larger non-technology companies.

- Cavalry may take positions in securities of small, unseasoned companies, which often involve greater risks than the securities of larger, better-known companies, are typically less actively traded than those of larger companies, and usually feature greater price volatility than other securities in the broad equity markets.
- Investor sentiment on the market, an industry or an individual stock or other security is not predictable and can adversely affect an account's investments.
- An account may hold stocks that miss earnings expectations and decline, and may short stocks that beat earnings expectations and rise.
- Cavalry may not be able to obtain complete or accurate information (or be able to confirm the completeness, genuineness or accuracy of information it obtains) about an investment and may misinterpret the information that it does receive. Cavalry also may receive material, non-public information about an issuer that prevents it from trading securities of that issuer for a client when the client could make a profit or avoid losses.
- Cavalry may engage in hedging, which may reduce profits, increase expenses and cause losses. Price movement in a hedging instrument and the security hedged do not always correlate, resulting in losses on both the hedged security and the hedging instrument. Cavalry is not obligated to hedge a client's portfolio positions, and it frequently may not do so.
- An account may have higher portfolio turnover and transaction/brokerage costs than a similar account managed by another investment adviser. These costs reduce capital available for investments and potential for profit.
- Cavalry sells securities short, resulting in a theoretically unlimited risk of loss if the prices of the securities sold short increase. Additionally, short-selling has other risks, such as risk of "buy-in" of a short position at a disadvantageous price or so-called "short squeezes".
- Management and stockholders of an issuer may sue short sellers to prevent short sales of the issuer's securities. Cavalry could be subject to such actions, even if they are baseless, and clients could incur substantial costs defending them.
- Cavalry may use leverage by borrowing on margin, selling securities short and entering into swaps and other derivative contracts, which increases volatility and risk of loss.
- Cavalry may enter into transactions in the "over-the-counter" and "interdealer" markets, which are not subject to the same oversight and regulation as "exchange-based" markets.
- Cavalry may sell covered and uncovered options on securities. The sale of uncovered options could result in unlimited losses.
- Counterparties (such as brokers, dealers, custodians and administrators with which Cavalry does business on behalf of clients) may default on their obligations. For example,

a client may lose its assets on deposit with a broker if the broker, its clearing broker or an exchange clearing house becomes bankrupt.

- Cavalry may cause clients to invest in securities of non-U.S. issuers. The risks of these investments include political risks; economic conditions of the country in which the issuer is located; limitations on foreign investment in any such country; currency exchange risks; withholding taxes; limited information about the issuer; limited liquidity; and limited regulatory oversight.
- Changes in economic conditions can adversely affect investment performance. At times, economic conditions in the U.S. and elsewhere have deteriorated significantly, resulting in volatile securities markets and large investment losses. Government actions responding to these conditions could lead to inflation and other negative consequences to investors.
- Cavalry may acquire for one or more clients a large position in an issuer's securities, but the client(s) nevertheless are unlikely to have any control over the issuer's management.
- Cavalry may cause a client account to invest in thinly traded and relatively illiquid securities, or in securities that become illiquid after the account invests. In such cases and in the event of extreme market activity, the client account may not be able to liquidate its investments as promptly as desired. In addition, sales of thinly traded securities could depress the market value of those securities and thereby reduce the client account's profitability or increase its losses.
- Certain strategies that Cavalry manages may invest in restricted securities that are subject to long holding periods and/or that are not traded in public markets. These securities are difficult or impossible to sell at prices comparable to the market prices of similar publicly-traded securities and may never become publicly traded.
- An account's investment portfolio may not be diversified. Therefore, a loss in any one position, industry or sector in which that client has invested may cause significant losses.
- Cavalry determines the value of securities held in client accounts, whether or not a public market exists for such instruments. Some of the securities and instruments in which Cavalry invests can be difficult to value. An incorrect valuation could result in losses.
- Because Cavalry or one of its affiliates may receive performance-based compensation, it may create an incentive for Cavalry or its affiliate to make investments that are riskier or more speculative than it would if it did not receive performance-based compensation.
- If the assets that Cavalry and its affiliates manage grow too large, it may adversely affect performance, because it may become more difficult for Cavalry to find attractive investments as the amount of assets that it must invest increases.
- An investor in a Fund may have taxable income from that Fund without a corresponding cash distribution or dividend payment to pay the related taxes.

- Cavalry's activities could cause adverse tax consequences to clients and investors, including liability for interest and penalties.
- Cavalry's activities may cause an account that is subject to the Employee Retirement Income Security Act of 1974 to engage in a prohibited transaction under that Act.
- Cavalry and its affiliates may spend time on activities that compete with a Fund without accountability to investors, including investing for other clients and their own accounts. If Cavalry receives better compensation and other benefits from managing other assets or client accounts compared to managing a particular Fund, it has incentive to allocate more time to those other activities.
- Cavalry may provide certain investors or clients more frequent or detailed reports, special compensation arrangements and withdrawal or redemption rights that it does not provide to other investors or clients.

The list of risks described above is only a brief summary of some of the important risks that investors and clients may encounter and that they should consider before investing in any Fund or opening an account that Cavalry manages. Current and prospective investors in a Fund should review that Fund's Offering Circular or Private Offering Memorandum carefully and in its entirety for a further discussion of the risk factors and that investors should consider before investing in any Fund that Cavalry manages, and they should consult with their professional advisers before deciding whether to invest in a Fund.

**Item 9. Disciplinary Information**

Not applicable.

**Item 10. Other Financial Industry Activities And Affiliation**

Not Applicable.

**Item 11. Code Of Ethics, Participation Or Interest In Client Transactions And Personal Trading**

Cavalry has adopted a Code of Ethics in compliance with Rule 204A-1 under the Investment Advisers Act of 1940 that establishes standards of conduct for Cavalry's employees. The Code of Ethics includes general requirements that Cavalry's employees comply with their fiduciary obligations to clients and applicable securities laws, and specific requirements relating to, among other things, personal trading, insider trading, conflicts of interest and confidentiality of client information. It requires employees to comply with the personal trading restrictions described below and periodically to report their personal securities transactions and holdings to Cavalry's chief compliance officer (the "CCO"), and requires the CCO to review those reports. It also requires employees to report any violations of the Code of Ethics promptly to the CCO. Each Cavalry employee receives a copy of the Code of Ethics and any amendments to it and must acknowledge in writing to having received those materials. Quarterly, each employee must certify that he or she complied with the Code of Ethics during the preceding quarter. Clients and

prospective clients may obtain a copy of Cavalry's Code of Ethics by contacting John Milani, Cavalry's CCO, at telephone 415-439-7000.

Under Cavalry's Code of Ethics, Cavalry and its partners, officers and employees and the spouse and dependent children of any of the foregoing ("Covered Persons") (i) may not engage in any personal trading in securities or derivatives without obtaining pre-approval from the CCO, except that Covered Persons may invest without the CCO's approval in mutual funds (both open-ended and closed-ended mutual funds), government securities, short-term money market instruments (such as bankers' acceptances, repurchase agreements and commercial paper, bank certificates of deposit and bank deposit accounts) and purchases which are a part of an automatic dividend reinvestment; and (ii) may not purchase or sell any publicly traded securities or derivatives in the technology sector, except that Covered Persons may hold and, with the CCO's prior approval, sell any securities or derivatives in the technology sector if the Covered Person held those securities or derivatives at the time the Covered Person started his/her employment with Cavalry. A Covered Person's ability to sell securities of the same classes in which Cavalry invests for the Funds and its other clients may create a conflict of interest in that any of such persons can use his or her knowledge about actual or proposed securities transactions and recommendations for a Fund or client account to profit personally by the market effect of such transactions and recommendations. To address this conflict, except as described in Item 12 regarding aggregating securities transactions, during their employment with Cavalry, personal trading by Covered Persons in all other securities or derivatives must be pre-approved by the CCO as described above. The performance of Covered Persons' personal accounts may be more favorable than that of Fund or client accounts.

Cavalry solicits prospective investors who may or may not be Cavalry's clients or investors in other Funds advised by Cavalry to invest in Funds that it manages. Cavalry has an incentive to cause a prospective client/investor to invest in a Fund instead of an individually managed account because of the reduced costs and administrative burdens of managing a Fund compared to an IMA, Cavalry's performance compensation from a Fund receives more favorable tax treatment than that from an IMA and Fund investors have less transparency and liquidity than IMAs. In addition, if a Fund investor also has an IMA with Cavalry that uses an investment strategy that is similar to that of a Fund, the investor may use knowledge of the IMA's portfolio to decide if and when to make an additional investment or withdraw or redeem assets from the Fund at times when other Fund investors would have made similar decisions had they had similar transparency. In addition, many of the investment strategies the Cavalry advises are structured as "master-feeder" funds, and Cavalry is the investment adviser to the feeder funds and master funds. Cavalry discloses these conflicts of interest to clients and investors.

Because Cavalry manages more than one account, there may be conflicts of interest over its time devoted to managing any one account and the allocation of investment opportunities among all accounts that it manages. Cavalry attempts to resolve all such conflicts in a manner that is generally fair to all of its clients. Cavalry may give advice to, and take action on behalf of, any of its clients that differs from the advice that it gives or the timing or nature of action that it takes on behalf of any other client so long as it is Cavalry's policy, to the extent practicable, to allocate investment opportunities to its clients fairly and equitably over time. Cavalry is not obligated to acquire for any account any security that Cavalry or its Covered Persons may acquire for its or

their own accounts or for any other client if, in Cavalry's absolute discretion, it is not practical or desirable to acquire a position in that security for the account.

## **Item 12. Brokerage Practices**

Cavalry has complete discretion in selecting the brokers that it uses for client transactions and the commission rates that clients pay the brokers. Portfolio transactions for the Funds and the other clients generally are allocated to securities brokers on the basis of best execution and in consideration of those firms providing or paying the costs of certain services that benefit Cavalry, its affiliates, the Funds and the other clients.

In selecting a broker for any transaction or series of transactions, Cavalry may consider a number of factors, including, for example:

- net price, clearance and settlement;
- reputation, integrity, financial strength and stability;
- efficiency of execution and error resolution;
- block trading and block positioning capabilities;
- willingness to execute related or unrelated difficult transactions in the future;
- order of call;
- offering to Cavalry on-line access to computerized data regarding clients' accounts;
- computer trading systems; and
- the availability of stocks to borrow for short trades.

Cavalry may also purchase (or cause a client to purchase) from a broker or allow a broker to pay for the following (each a "soft dollar" relationship):

- research services, including economic and market information, portfolio strategy advice, industry and company comments, technical data, recommendations, research conferences, and general reports;
- proxy voting services;
- periodical subscription fees;
- consultations;
- performance measurement data;
- on-line pricing;
- news wire charges;
- quotation services;
- on-line trading systems; and
- front-end compliance systems.

During Cavalry's last fiscal year, it acquired the foregoing types of products and services with client brokerage commissions or markups. Cavalry or the applicable Fund or client may be deemed to be paying for research and these other services with "soft" or commission dollars.

Cavalry may receive soft dollar credits based on principal, as well as agency, securities transactions with brokers or direct a broker that executes transactions to share some of its

commissions with another broker that provides soft dollar benefits to Cavalry. With respect to certain information technology products that Cavalry uses for both research/brokerage and non-research/brokerage purposes, Cavalry allocates in good faith the costs of those products between the research/brokerage and non-research/brokerage purposes, and uses soft dollars to pay only for the portion allocated to research/brokerage purposes.

Section 28(e) of the Securities Exchange Act of 1934 provides a “safe harbor” to investment advisers who use commission dollars of their advised accounts to obtain investment research and brokerage services that provide lawful and appropriate assistance to the adviser in performing investment decision-making responsibilities. Conduct outside of the safe harbor of section 28(e) is subject to the traditional standards of fiduciary duty under state and federal law. If Cavalry uses commission dollars to pay for products or services that provide administrative or other nonresearch assistance to itself or its affiliates, such payments may not fall within the section 28(e) safe harbor.

Cavalry also may cause Funds and other clients to pay a broker brokerage commissions in excess of that which another broker might charge for effecting the same transaction in recognition of the value of the brokerage, research, other services and soft dollar relationships that broker provides. Cavalry determines in good faith that such compensation is reasonable in relation to the value of such brokerage, research, other services and soft dollar relationships, in terms of either the specific transaction or Cavalry’s overall fiduciary duty to its clients. An account may, however, pay higher commissions and mark-ups than are otherwise available or may pay more commissions or mark-ups based on account trading activity. Nevertheless, the research and other benefits resulting from Cavalry’s brokerage relationships benefit Cavalry’s operations as a whole and all accounts that it manages, including those accounts that do not generate the soft dollars that pay for such research and other benefits and accounts of clients that direct Cavalry to use a broker that does not provide Cavalry with soft dollar services. Cavalry does not allocate soft dollar benefits to client accounts proportionately to the soft dollar credits that the accounts generate.

Cavalry’s relationships with brokers that provide soft dollar services influence Cavalry’s judgment and create conflicts of interest in allocating brokerage business between firms that provide soft dollar services and firms that do not. Cavalry has an incentive to select or recommend a broker based on Cavalry’s interest in receiving soft dollar services rather than clients’ interest in receiving the most favorable execution. These conflicts of interest are particularly influential to the extent that Cavalry uses soft dollars to pay expenses it would otherwise be required to pay itself.

Cavalry addresses these conflicts of interest by annually evaluating the trade execution services that Cavalry receives from the brokers that it uses to execute trades for clients. Such evaluation includes comparing those services to the services available from other brokers. Cavalry considers, among other things, alternative market makers and market centers, the quality of execution services, the value of continuing with various soft dollar services and adding or removing brokers, increasing or decreasing targets for each broker and the appropriate level of commission rates.

Cavalry has retained multiple financial services companies to serve as the prime brokers and/or custodians of each Fund. Cavalry may replace these firms, or appoint additional prime brokers and custodians, at any time. The services that the prime brokers provide may include custody, margin financing, clearing, settlement, stock borrowing, capital introduction services, various client portfolio reporting and information management, and other related services. Cavalry expects to use these services for research and trading on behalf of its clients. While many of the services provided by these prime brokers and custodians benefit both Cavalry and its clients, some of the services, such as capital introduction services, primarily benefit Cavalry. Although many prime brokers provide similar services to investment advisers in exchange for brokerage, custody and clearance fees and other charges, if Cavalry did not receive these services from the prime brokers, Cavalry would be required to pay for all or some portion of them. Cavalry is not required to direct a particular number of trades to these prime brokers or custodians, or to continue to use any of those firms as each Fund's custodian, but it has an incentive to do so based on prior and continued services.

Cavalry may aggregate securities sale and purchase orders for a client with similar orders being made contemporaneously for other accounts that Cavalry manages or with accounts of its affiliates. In such event, Cavalry may charge or credit a client the average transaction price of all securities purchased or sold in such transactions. As a result, however, the price may be less favorable to the client than it would be if Cavalry were not executing similar transactions concurrently for other accounts. Cavalry may also cause a client to buy or sell securities directly from or to another client, if such a cross-transaction is permitted and in the interests of both clients.

Cavalry may also direct a certain amount of brokerage transactions to brokers who refer prospective investors or clients to Cavalry. Directing brokerage in exchange for investor or client referrals creates a conflict of interest in that Cavalry has an incentive to refer its clients' brokerage business to brokers to which it might not otherwise direct transactions. During its last fiscal year, Cavalry did not direct client transactions to a particular broker in return for client referrals.

#### **Item 13. Review Of Accounts**

John K. Hurley, Cavalry's Managing Member, reviews all accounts regularly. Those reviews take into account matters such as asset allocation, cash management, market prospects, prospects of individual issuers, and changes in issuer earnings, issuer valuation, industry outlook and market outlook.

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

The prime brokers for the Funds' account provide a variety of services in addition to custodial services, including capital introduction services. Cavalry is not required to direct any volume of business in return for these services. However, Cavalry may have an incentive to maintain relationships with these firms based on their prior and continued services.

Cavalry may engage solicitors to whom it pays cash or a portion of the advisory fees paid by clients referred by those solicitors. In such cases, this practice is disclosed in writing to the client

and Cavalry complies with the other requirements of Rule 206(4)-3 under the Investment Advisers Act of 1940, to the extent required by applicable law.

#### **Item 15. Custody**

All client assets are held in custodial accounts at unaffiliated broker/dealers and/or banks.

Investors in Funds generally do not receive statements from the custodian(s). Instead, the Funds are subject to an annual audit of its financial statements and the audited financial statements are distributed to each Fund investor within 120 days of the end of the Fund's fiscal year. The audited financial statements are prepared in accordance with generally accepted accounting principles.

#### **Item 16. Investment Discretion**

Cavalry has discretionary authority to manage investment accounts on behalf of Funds and other clients pursuant to a grant of authority in each Fund's limited partnership agreement or a limited power of attorney in each other Fund's or client's account agreement.

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

Cavalry has retained the services of the ISS Governance Services unit of RiskMetrics Group ("ISS") to provide research, recommendations and voting services on proxy voting issues. Cavalry has instructed ISS to make voting decisions on behalf of each of Cavalry's accounts based on the considerations described in the proxy voting guidelines that ISS periodically provides to Cavalry. Cavalry may override ISS' voting decisions if Cavalry deems it in the best interests of Cavalry's accounts. If Cavalry does not affirmatively override ISS' recommended voting decision, ISS will vote in accordance with its recommendation. Cavalry may elect to abstain from voting proxies if Cavalry believes it is appropriate.

Notwithstanding the possibility that a material conflict of interest over proxy voting may arise between Cavalry and a client, Cavalry believes that it places the interests of its clients ahead of Cavalry's own interests by following ISS' recommendations. However, if Cavalry determines that the foregoing proxy voting policies do not adequately address a material conflict of interest over proxy voting arising between Cavalry and a client, Cavalry will, in its exclusive discretion, either (a) direct ISS to vote its proxy in accordance with ISS' recommendation or (b) provide the client with copies of all proxy solicitation materials that Cavalry receives with respect to this proxy, notify the client of the conflict and of Cavalry's intended response to the proxy solicitation and request that the client consent to Cavalry's intended response. If the client consents to Cavalry's intended response or fails to respond to the notice within a reasonable period of time specified in the notice, Cavalry will vote the proxy as described in the notice. If the client objects to Cavalry's intended response, Cavalry will vote the proxy as directed by the client.

A client can obtain a copy of Cavalry's proxy voting policy and a record of votes cast by Cavalry on behalf of that client by contacting Cavalry.

**Item 18. Financial Information**

Not Applicable.

**Item 19. Requirements For State-Registered Advisers**

Not Applicable.

**Notice of Cavalry's Privacy Policy**

Cavalry is committed to protecting its clients' and investors' personal and financial information.

**Information That Cavalry Collects**

In the course of providing services to its clients and investors, Cavalry collects and maintains certain non-public personal information about its clients and investors (including, for example, their name, address, social security or tax identification number, employment information, assets, income and other similar information). Cavalry collects non-public personal information from several sources, including the following:

- Information that clients or investors provide on applications (such as subscription agreements and offering questionnaires) or other forms; and
- Information that clients or investors provide in connection with transactions with Cavalry, its affiliates (such as certain of the Funds) or others.

**Information That Cavalry Shares**

Cavalry does not disclose any non-public personal information about its clients or investors or former clients or investors to anyone, except as required or permitted by law. Cavalry may voluntarily disclose non-public personal information about its clients or investors or former clients or investors in the following circumstances:

- To third-party service providers that Cavalry uses in connection with providing services to its clients or investors. For example, Cavalry may provide such information to prime brokers, ISDA counterparties, attorneys, fund administrators, tax accountants and/or auditors.
- To regulatory authorities in connection with Cavalry's business or the business of its affiliates (such as any of the Funds).

**Confidentiality and Security**

Cavalry restricts access to non-public personal information about its clients and investors to those of its employees who need to know that information to provide services to its clients or investors. Cavalry maintains physical, electronic and procedural safeguards to guard clients' and investors' personal information.