

Dalton Investments LLC

Part 2A of Form ADV

The Brochure

1601 Cloverfield Blvd., Suite 5050 N
Santa Monica, CA 90404
www.daltoninvestments.com
(424) 231-91000

Updated: March 2012

This brochure provides information about the qualifications and business practices of Dalton Investments LLC (“**Dalton Investments**”) and that of its related advisors, including its relying advisors - **Rosenwald Capital Management Inc.** (“**RCM**”) and **Persky Financial Management, Inc.** (“**PFM**”) (together “**Dalton**”). If you have any questions about the contents of this brochure, please contact us at (424) 231-9100. 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. Dalton Investments, PFM and RCM are registered investment advisers with the SEC. Registering with the SEC or with any state securities authorities does not imply a certain level of skill or training.

Additional information about Dalton is also available on the SEC’s website at: www.adviserinfo.sec.gov and on Dalton’s website www.daltoninvestments.com.

Item 2: Material Changes

Dalton's most recent update to Part 2 of Form ADV was made in July 2011. Dalton's business activities have not changed materially since the time of that update. However, in 2012 the SEC provided guidance permitting separately registered investment advisors that are under common control to file jointly as relying advisors. Accordingly, Dalton's 2012 Part 2 now includes information for Dalton Investments, RCM and PFM.

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Item 4: Advisory Business

A. Firm Description

Dalton Investments LLC is a California limited liability company (“**Dalton Investments**”) organized in March 1999 by Mr. James B. Rosenwald III and Mr. Steven D. Persky. Dalton is principally owned by Persky Financial Management Inc. and trusts of the James B. Rosenwald family. Mr. Rosenwald and Mr. Persky are the managing members of Dalton Investments.

Rosenwald Capital Management Inc. (“**RCM**”) is a related and relying advisor to Dalton due to Mr. Rosenwald’s concurrent service as a senior investment principal of both Dalton and RCM. RCM was founded in May 1984 and is owned by the Rosenwald Family Trust.

Persky Financial Management, Inc. (“**PFM**”) is a related and relying advisor to Dalton due to Mr. Persky’s concurrent service as a senior investment principal of both Dalton and PFM. PFM was founded in 1998 and is owned by Mr. Steven D. Persky.

In addition, Dalton operates through its wholly owned subsidiaries Dalton Advisory KK (Tokyo), Dalton Advisory Co. Ltd. (Shanghai) and Dalton Investments (UK) Limited (London) (together, the “**Dalton Foreign Offices**”). RCM, PFM and Dalton Foreign Offices together, are defined as (the “**Related Advisors**”). Dalton Investments and the Related Advisors together, are defined as (“**Dalton**”).

Dalton Investments, RCM and PFM are each SEC registered investment advisors and pursuant to the Security and Exchange Commission’s No- action letter dated January 18, 2012, RCM and PFM are included in Dalton’s filings as “**relying advisors**”.

B. Advisory Services

Dalton provides investment advisory services to high net-worth individual and institutional clients including corporate plans, charitable organizations, corporations and financial institutions and endowments/foundations through separately managed accounts.

Additionally, Dalton provides investment services for private investment funds, organized as US partnerships, Cayman Islands exempted companies and Undertaking for Collective Investments in Transferable Securities (“UCITs”) (each a “Fund” and collectively, the “Funds”). Dalton’s core strategy funds are the following: (1) Asia Long/Short strategy (which includes Dalton Asia (Master) Fund Ltd., a Cayman Islands exempted company and its two feeder funds: Dalton Asia (US Feeder) Fund LP, a Delaware limited partnership and Dalton Asia (Offshore Feeder) Fund Ltd., a Cayman Islands exempted company); (2) Global Long/Short strategy (which includes Pacific and General Investments (Master) Fund, L.P, a Cayman Islands exempted limited partnership and its two feeders Pacific and General Investments LP, a Delaware limited partnership and Pacific and General Investments Inc., a Cayman Islands exempted company); (3) Distressed Credit Long/ Short strategy (which includes Dalton Distressed Credit (Master) Fund Ltd., a Cayman Islands exempted company and its two feeders: Dalton Distressed Credit (US

Feeder) Fund LP, a Delaware limited partnership and Dalton Distressed Credit (Offshore Feeder) Fund Limited a Cayman Islands exempted company) and (4) Mortgage Long/ Short strategy (which includes Dalton High Yield Mortgage (Master) Fund a Cayman Island exempted company and its two feeder funds: Dalton High Yield Mortgage (US Feeder) LP a Delaware limited partnership and Dalton High Yield Mortgage (Offshore Feeder) Fund Ltd. a Cayman Islands exempted company).

In addition to its core strategy Funds, Dalton serves as the investment adviser with discretionary trading authority over (1) Dalton Greater China (Master) Fund Limited, a Cayman Islands exempted company and its two feeder funds: Dalton Greater China (US Feeder) Fund LP, a Delaware limited partnership and Dalton Greater China (Offshore Feeder) Fund Limited, a Cayman Islands exempted company; (2): Dalton Distressed Mortgage Fund, LP, a Delaware limited partnership and Dalton Distressed Mortgage Fund Ltd. a Cayman Islands exempted company; and (3) Dalton Japan Real Estate Value (Master) Fund Limited and its two feeder funds: Dalton Japan Real Estate Value (US Feeder) Fund LP and Dalton Japan Real Estate Value (Offshore Feeder) Fund Ltd. RCM serves as the investment manager and general partner for Rosenwald Partners LP. PFM serves as the investment manager and general partner for Convergent U.S. Fund, L.P.

Pacgen GP LLC serves as the general partner for Pacific and General Investments (Master) Fund, L.P and Pacific and General Investments LP. Dalton serves as the general partner for all other funds identified above as Delaware limited partnerships.

Dalton is a niche, bottom-up value investor. Investments are made in U.S. and Non U.S. securities. Our investment markets may include emerging markets such as China, Korea, Singapore, Taiwan, Thailand, Vietnam, India and Russia among others. In addition, Dalton invests in distressed debt – including distressed mortgage products.

C. Customized Services

All Dalton separately managed accounts are managed according to individual client needs and objectives. The investment mandate and restrictions for each client account are set forth in their respective investment management agreement.

Dalton's advice with respect to the Funds is subject to their investment programs, which differ due to, among other reasons, differing investment strategies, various investment restrictions and types of investors.

Persons reviewing this Form ADV Part 2A should not construe this as an offering of any of the Funds described herein. Such offering will only be made pursuant to the delivery to prospective investors of a private placement memorandum, which describes certain risk factors, conflicts of interest and investment objectives of the Funds.

D. Wrap Fee Programs

None

E. Client Assets

As of January 31, 2012 Dalton and its Related Advisers managed approximately \$1,924,303,043.00 regulatory assets (based on unaudited numbers) on a discretionary basis. Currently, Dalton does not manage any non-discretionary accounts.

Item 5: Fees and Compensation

A. Advisory Fees and Compensation

Management Fees

Fees for strategy-specific separate accounts are subject to negotiation and established pursuant to each account's investment management agreement.

Management fees payable by the Funds vary and are established pursuant to the Fund's respective constituent documents. Management fees charged to the Funds typically are calculated as a percentage of capital under management and generally range up to 1.5% per annum. Management fees typically are payable and deducted from assets of each such Fund either monthly or quarterly in arrears.

Performance Fees and Allocations

Performance fees or allocations ("**Performance-Based Compensation**") payable to Dalton will vary by Fund and are established pursuant to the Funds' respective constituent documents. Performance-Based Compensation is generally charged at a Fund's year end at a rate of 20% of net realized and unrealized profits (if any) allocated to the capital account of each investor or a series of Fund shares.

Generally any net loss for a fiscal year is carried forward so that no Performance-Based Compensation is due from the account or Fund, as the case may be, in future fiscal years unless these losses have been recouped. Withdrawals will be subject to Performance-Based Compensation, as applicable, as of the withdrawal date. Dalton principals or Fund directors may, at their discretion, negotiate different redemption terms, incentive fees, management fees, or any other terms regarding investments in the Funds.

Performance-Based Compensation for managed accounts is subject to negotiation and is established pursuant to each account's investment management agreement. Dalton, at its discretion, may also engage and compensate sub-advisers or co-advisors.

Redemption Amount

Investors in certain Funds may be subject to an early withdrawal fee for withdrawals during a lock-up period.

B. Payment of Fees

Management fees are generally payable either monthly or quarterly in arrears. The first payment is assessed and due at the end of the first calendar month or quarter. The payment is assessed pro rata in the event an agreement is executed at any time other than the first day of the current calendar month or quarter. Subsequent payments are due and will be assessed on the first day after the end of each calendar month or quarter based on the average value of the account assets under management as of the close of business on the last business day of each month or quarter.

C. Additional Fees and Expenses

To the extent permitted under the Funds' constituent documents, the Funds pay certain expenses directly or reimburse Dalton for certain expenses paid on behalf of the Funds. The Funds generally are responsible for operating expenses which may include, but are not limited to: (a) brokerage and execution charges, commissions, custodial charges, and fees for quotation and other data services; (b) fees related to accounting, trading, portfolio management and risk management systems; (c) research subscriptions and expenses; (d) travel, legal and consulting fees related to investment research; (e) broken trade and broken deal fees; (f) expenses to register securities and transfer taxes; (g) costs and expenses incurred for the purpose of protecting and enhancing the value of the assets of the Feeder Funds and the Master Fund (including the costs of instituting and defending litigation); (h) U.S. federal, state and local taxes, filing and registration fees (other than taxes on Dalton's income); (i) all costs, fees and expenses relating to investor communications, relations, bookkeeping, accounting and the preparation and mailing of financial, tax and performance information to investors; (j) fees, costs and expenses incurred in connection with borrowings; (k) administration fees, costs and expenses; (l) premiums and other costs of D&O/E&O and other insurance, (m) fees for attorneys, accountants, consultants and other professionals or experts (including the fees and expenses for counsel to Dalton or one or more of Dalton's respective officers or managers) arising in connection with a Fund's business; and (n) directors' fees.

To the extent applicable, all fees paid to Dalton for investment advisory services are separate and distinct from the fees and expenses charged by other collective investment vehicles including mutual funds. These fees are described in the respective prospectus and will generally include a management fee, other fund expenses and a possible distribution fee. If a mutual fund also imposes sale charges, a client may pay an initial or deferred sales charge. A client could invest in a mutual fund directly, without the services of Dalton. In that case, the client would not receive the services provided by Dalton. Accordingly, the client should review both the fees charged by the mutual fund and the fees charged by Dalton to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

D. Prepayment of Fees

Not Applicable.

E. Additional Compensation and Conflicts of Interest

Not Applicable

Item 6: Performance Based Fees and Side-by-Side Management

Dalton manages accounts with differing fee structures – including management fee only and lower Performance-Based Compensation accounts. Performance-Based Compensation creates an incentive for Dalton to favor those accounts over asset-based fee accounts or make investments that are riskier or more speculative than would be the case in the absence of Performance-Based Compensation. To seek to mitigate this inherent conflict, Dalton has implemented allocation policies and procedures (discussed in Item 11D) that seek to ensure that investments are allocated equitably.

Item 7: Types of Clients

Dalton primarily provides customized investment management services to high net-worth individuals and associated trusts; estates or charitable organizations; pension and profit sharing plans; and other corporations or business entities. In addition, Dalton provides investment advice to the Funds.

Each Fund's documents may set a minimum investment amount for investment by prospective investors. Dalton has waived, and reserves the right to modify or waive, the minimum new investment commitments for the Funds from time to time. Minimum investment amounts for managed accounts are determined on a case-by-case basis.

Item 8: Methods of Analysis, Investment Strategies and Risk of Loss

Dalton conducts fundamental analysis on all securities recommended for client accounts. Dalton focuses on bottom-up value investment research techniques applied globally and for certain accounts, may use long and short positions to generate returns.

A. Methods of Analysis and Investment Strategies

Asia Strategy

James B. Rosenwald III (“Jamie”) is responsible for the firm’s investment activity in Asia and has more than 30 years investing experience in the region. Dalton’s investment activity in Asia is supported by experienced research teams in Shanghai and Tokyo, which perform rigorous fundamental analysis on companies in the Japanese and Pan-Asian markets. Dalton seeks to achieve its investment objective by owning shares of undervalued, owner operated, profitable businesses, as determined by Dalton, that are likely to benefit from growth and structural changes taking place in Asia. For hedged strategy accounts and Funds, Dalton may short shares of overvalued, poorly run, weak businesses, as determined by Dalton, where there are catalysts for declines.

Global Strategy

Dalton’s Global strategy is managed by Gifford Combs. Mr. Combs has over 25 years’ experience as a value investor and has managed equity portfolios for both domestic and international institutions. Dalton strives to own a diverse group of well-managed, undervalued companies and seeks returns generated by taking concentrated positions in liquid names with little turnover and limited use of leverage. For hedged accounts and Funds, Dalton hedges overall portfolio risk through opportunistic short sales of shares that are overvalued and by holding cash.

Distressed Mortgage

Dalton’s Distressed Mortgage strategy is managed by Todd Sherer who has 15 years of mortgage experience in the origination, servicing and securitization markets for distressed US-based mortgage securities and whole loans. He is supported by a research team of two analysts who actively generate investment ideas, analyze target investments, and monitor existing positions. Dalton seeks to invest in off-the-run, distressed residential mortgage backed securities (RMBS) that are attractive based on their intrinsic cash flows under conservative assumptions, as determined by Dalton, and allow for potential upside if losses come through more slowly than assumed or if home-owner refinancing increases and prices normalize. For hedged strategy accounts and Funds, interest rate hedges and short positions may be used if deemed beneficial to portfolio returns.

Distressed Credit

Dalton's Distressed Credit strategy is managed by Steve Persky who has more than 25 years experience in credit analysis, money management, high-yield debt trading and securities lending. Dalton's Distressed Credit strategies strive to combine a nimble approach towards investing across the distressed sector with intensive credit analysis. Dalton seeks to build a diversified portfolio of off-the-run distressed securities, including corporate debt, asset-backed securities and RMBS strategies that will provide attractive returns based on conservative assumptions, as determined by Dalton. Dalton targets securities that are viewed as more difficult to analyze or have been sold off due to downgrades, headline risk, de-leveraging or forced liquidations. For hedged strategy accounts and Funds, shorts have historically been employed to manage risk and as a potential outright source of additional returns.

In addition to the above strategies, Dalton also manages a legacy private client strategy for a limited number of high net worth individuals. The investment strategies for these accounts vary depending on the individual needs of the clients. This strategy is not generally available to new clients. Dalton also manages and provides advisory services for real estate assets.

Dalton may offer other advisory services, engage in any investment strategy and make any investment, including any not described herein. The investment strategies pursued by Dalton are speculative and entail substantial risks. There is no assurance that Dalton's investment objectives will be achieved. Accordingly, such activities could result in a substantial loss of capital.

B. Certain Risks Relating to Investment Strategies

The following risk factors do not purport to be a complete list or explanation of the risks involved in an investment in a Fund or account. These risk factors include only risks Dalton believes to be material, significant, or unusual based on information currently available and relate to particular investment strategies and investments made pursuant to the strategy. Prospective investors should carefully consider the risks of investing, which include, without limitation, those set forth below.

Global and Asian Equities Strategy

Foreign Investment Considerations

Special risks associated with securities of foreign companies add to the usual risks inherent in domestic investments. Such special risks include fluctuations in foreign exchange, political or economic instability in the country of issue, and the possible imposition of exchange controls or other laws or restrictions. In addition, securities prices in foreign markets are generally subject to different economic, financial, political and social factors than are the prices of securities in U.S. markets. With respect to some foreign countries there may be the possibility of expropriation or confiscatory taxation, limitations on liquidity of securities or political or economic developments. Moreover, less information may be publicly available concerning certain of the foreign issuers of securities than is available concerning U.S. companies. Foreign companies are also generally not subject to uniform accounting, auditing and financial reporting standards or to practices and requirements comparable to those applicable to U.S. companies.

Emerging Markets

Dalton may make investments in emerging markets. These investments are subject to all of the risks of non-U.S. investments generally, and have additional heightened risks due to a lack of established legal, political, business and social frameworks to support securities markets. Such risks include, without limitation, liquidity risks (sometimes aggravated by rapid and large outflows of “hot money” and capital flight), currency risks and political risks, including potential exchange control regulations and potential restriction on non-U.S. investment and repatriation of capital, social instability and unrest, terrorism, pervasiveness of corruption and crime, delays in settling portfolio transactions, risk of loss arising out of systems of security registration and custody, less effective government regulation and supervision of business and industry and a greater likelihood of disruptions brought about by regional conflicts and war. Emerging market countries have varying laws and regulations and investment in some emerging markets by non-domestic entities may be controlled or restricted to varying degrees. In some countries where prior government approval is required for non-domestic investments, there may be regulations that limit the size of a non-domestic entity’s investment in a particular type of security, issuer or sector of the economy, or there may be certain restrictions on non-domestic capital remittances abroad.

The markets in which Dalton will invest can be highly volatile and may decline significantly in response to adverse issuer, political, social, regulatory, market or economic developments. Different parts of the market and different types of securities may react differently to these developments. Emerging market countries are more likely to experience high levels of inflation, deflation or currency devaluation, each of which can harm their economies and securities markets. Political, social or economic developments may affect a single issuer, industry, sector or geographic region or may affect the entire market as a whole.

Foreign Currency Transactions and Exchange Rate Risk

Dalton may invest in securities denominated in non-U.S. currencies and in other financial instruments, the price of which is determined with reference to such currencies. Dalton may engage in foreign currency transactions for a variety of purposes, including to “lock in” the U.S. dollar price of the security, between the trade and the settlement dates, the value of a security Dalton has agreed to buy or sell, or to hedge the U.S. dollar value of securities a portfolio may already own. Dalton may also engage in foreign currency transactions for non-hedging purposes to generate returns. To the extent unhedged, the value of an account’s net assets will fluctuate with U.S. dollar exchange rates as well as with price changes of the account’s investments in the various local markets and currencies. Forward currency contracts and options may be utilized to hedge against currency fluctuations, but there can be no assurance that such hedging transactions will be available or, even if undertaken, effective.

Highly Volatile Markets

Price movements of forward contracts and other derivative contracts are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political

and economic events and policies. In addition, governments from time to time intervene, directly and by regulation, in certain markets, particularly those in currencies, financial instruments and interest rate-related options. Such intervention often is intended directly to influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations.

Concentration of Investments

Client accounts may hold a relatively small number of securities positions, each representing a relatively large portion of the account's/Fund's capital and may hold a large percentage of capital in cash while awaiting better opportunities. Losses incurred in such positions could have a material adverse an account's overall financial condition, including opportunity loss.

Small Capitalization Companies

The securities of small capitalization and recently organized companies pose greater investment risks because such companies may have limited product lines, distribution channels and financial and managerial resources. The equity securities of small capitalization companies are often traded over-the-counter or on regional exchanges and may not be traded in the volumes typical on a national securities exchange. Consequently, client accounts may be required to dispose of such securities or cover a short position over a longer (and potentially less favorable) period of time than is required to dispose of or cover a short position with respect to the securities of larger, more established companies. Investments in small capitalization companies may also be more difficult to value than other types of securities because of the foregoing considerations as well as lower trading volumes. Investments in companies with limited operating histories are more speculative and entail greater risk than do investments in companies with an established operating record. Additionally, transaction costs for these types of investments are often higher than those of larger capitalization companies.

Short Sales

For certain client accounts, Dalton may make short sales in any type of securities. Short sales that are not made "against the box" and are not part of a hedging transaction create opportunities to increase return but, at the same time, are speculative and involve special risk considerations. Since the seller in effect profits from a decline in the price of the securities sold short without the need to invest the full purchase price of the securities on the date of the short sale, returns will tend to increase more when the securities sold short decrease in value, and to decrease more when the securities sold short increase in value, than would otherwise be the case if the seller had not engaged in such short sales. Short sales theoretically involve unlimited loss potential, as the market price of securities sold short may continuously increase.

General Derivative Considerations

The use of derivatives involves risks different from, or possibly greater than, the risks associated with investing directly in securities or more traditional investments, depending upon the characteristics of the particular derivative and the account's portfolio as a whole. Derivatives may

entail investment exposures that are greater than their cost would suggest, meaning that a small investment in derivatives could have a large potential impact on the account's performance. The market for many derivatives is, or suddenly can become, illiquid. Changes in liquidity may result in significant, rapid, and unpredictable changes in the prices for derivatives.

Special Hedging Considerations

Special risks are associated with the use of options, futures contracts and swaps as hedging techniques. In addition to directional risks of the underlying securities, options, futures contracts, and swaps are subject to fluctuations in the volatility of the underlying security and fluctuations in prevailing interest rates to a lesser extent. For options, futures contracts and swaps used in hedging, there can be no guarantee of a correlation between price movements in the hedging vehicle and in the portfolio securities being hedged. A lack of correlation could result in a loss on both the hedged securities and the hedging vehicle so the respective client account's return might have been better had hedging not been attempted. In addition, a decision as to whether, when and how to use options, futures or swaps involves the exercise of skill and judgment which are different from those needed to select portfolio securities, and even a well-conceived transaction may be unsuccessful to some degree because of market behavior, currency fluctuations or interest rate trends. The potential loss incurred in swaps, futures and writing options on futures is unlimited.

Leverage

Dalton may apply a substantial degree of leverage by borrowing and may also engage in investment strategies that constitute leverage should Dalton consider this necessary or desirable. Such strategies may include the borrowing and short selling of securities, the acquisition of securities on margin and the acquisition and disposal of certain types of derivative securities and instruments, such as swaps, forward contracts, futures and options. Whilst leveraging creates an opportunity for greater total returns it will also expose a portfolio to a greater risk of loss arising from adverse price changes.

Distressed Debt Strategy

Distressed Securities

Distressed securities may include the purchase of securities of issuers in bankruptcy, at risk of filing for bankruptcy or otherwise being insolvent. The identification of investment opportunities in distressed securities is a difficult task, and there is no assurance that such opportunities will be successfully recognized or acquired. While investments in distressed securities offer the opportunities for above average returns, these investments involve a high degree of risk and can result in substantial losses. In addition, the portfolio may be required to hold such securities for a substantial period of time before realizing their anticipated value. Returns generated from such investments may not adequately compensate a client account for the risks involved.

High Yield Debt Securities and Non-Performing Debt

Below investment grade debt securities, commonly referred to as “high yield bonds” or “junk bonds,” are considered to be speculative and involve a greater risk of default or price changes due to changes in the issuer’s creditworthiness than higher rated securities. Dalton may invest in non-performing, “distressed” debt – high yield bonds issued by entities that have already indicated an inability to pay outstanding interest or principal. The value and liquidity of these instruments may be diminished by adverse publicity and investor perceptions. In addition, the ultimate recovery for holders of such bonds often depends upon the resolution of complex legal questions, determined in the context of bankruptcy reorganization. These securities often are contractually or structurally subordinated in right of payment to prior claims of banks or other senior lenders, and will typically be unsecured.

Because defaulted high yield securities are frequently traded only in markets where the number of potential purchasers and sellers, if any, is limited, Dalton’s ability to sell these securities at their fair value either to meet redemption requests or to respond to changes in the financial markets may be limited.

Structured Securities

Structured securities are securities whose value is determined by reference to changes in the value of specific currencies, interest rates, commodities, indexes or other financial indicators (the “Reference”) or the relative change in two or more References. The interest rate or the principal amount payable upon maturity or redemption may be increased or decreased depending upon changes in the applicable Reference. Structured securities may be positively or negatively indexed, so that appreciation of the Reference may produce an increase or decrease in the interest rate or value of the security at maturity. In addition, changes in the interest rates or the value of the security at maturity may be a multiple of changes in the value of the Reference. Consequently, structured securities may present a greater degree of market risk than other types of fixed-income securities and may be more volatile, less liquid and more difficult to price accurately than less complex securities.

Distressed Mortgage Strategy

Mortgage-Related and Other Asset-Backed Securities Risk

Dalton invests in a variety of mortgage-related securities issued by government agencies or other governmental entities or by private originators or issuers. These may include, without limitation, mortgage pass-through securities, collateralized mortgage obligations (“CMOs”), commercial or residential mortgage-backed securities, mortgage dollar rolls, CMO residuals, stripped mortgage-backed securities (“SMBs”) and other securities that directly or indirectly represent a participation in, or are secured by and payable from, mortgage loans on real property. Dalton may also invest in other types of asset-backed securities, including collateralized debt obligations (“CDOs”), which include collateralized bond obligations (“CBOs”), collateralized loan obligations (“CLOs”) and other similarly structured securities.

Mortgage-related and other asset-backed securities often involve risks that are different from or more acute than risks associated with other types of debt instruments. For instance, these securities may be particularly sensitive to changes in prevailing interest rates. Rising interest rates tend to extend the duration of mortgage-related securities. This is known as extension risk. In addition, mortgage-related securities are subject to prepayment risk—the risk that borrowers may pay off their mortgages sooner than expected, particularly when interest rates decline. This can reduce an investor’s returns because the investor may have to reinvest that money at lower prevailing interest rates. For instance, an investor may invest in SMBs where it receives the entire interest from the mortgage assets (the interest-only, or “IO” class), or it may receive the entire principal (the principal-only, or “PO” class). The yield to maturity on an IO class is extremely sensitive to the rate of principal payments (including prepayments) on the underlying mortgage assets, and a rapid rate of principal payments may have a material adverse effect of the investor’s yield to maturity for these investments. Investments in other asset-backed securities are subject to risks similar to those associated with mortgage—backed securities, as well as additional risks associated with their structure and the nature of the assets underlying the security and the servicing of those assets. For instance, certain CDOs are backed by pools of high-risk, below investment grade debt securities and may involve substantial credit and other risks. Further, due to their often complicated structures, various mortgage-related and particularly asset-backed securities may be difficult to value and may constitute illiquid investments.

Mortgage Market/Subprime Risk

Investments in mortgage-related securities may involve particularly high levels of risk under current market conditions. The residential mortgage market in the United States recently has experienced difficulties that may adversely affect the performance and market value of certain mortgage-related investments. Delinquencies and losses on residential mortgage loans (especially subprime and second-lien mortgage loans) generally have increased recently and may continue to increase, and a decline in or flattening of housing values (as has recently been experienced and may continue to be experienced in many housing markets) may exacerbate such delinquencies and losses. Borrowers with adjustable rate mortgage loans are more sensitive to changes in interest rates, which affect their monthly mortgage payments, and may be unable to secure replacement mortgage at comparably low interest rates. Also, a number of residential mortgage loan originators have experienced serious financial difficulties or bankruptcy. Although the foregoing factors have contributed to the significant decline in prices that has occurred in the secondary mortgage market, there is no assurance that prices might not decline further after the Fund has invested in such instruments.

Item 9: Disciplinary Information

Dalton employees have not been involved in any legal or disciplinary events in the past 10 years that would be material to a client's evaluation of Dalton's advisory business or integrity of the Dalton's management.

Dalton was involved in a proceeding with the National Futures Association for failing to timely file 2005 financial statements. The matter was resolved via a consent settlement. The NFA required payment of a fine of \$10,000. All financials since 2005 have been timely received.

Item 10: Other Financial Industry Activities and Affiliations

A. Broker- Dealer Registration Status

Not Applicable

B. Futures Commission Merchant, Commodity Pool Operator or Commodity Trading Adviser Registration Status

As referenced above, Dalton Investments is registered as a Commodity Trading Adviser.

C. Material Relationships or Arrangements with Industry Participants

Dalton provides discretionary investment management services to, and affiliates of Dalton serve as the general partner to, various Dalton Funds, as more fully discussed in Item 4.

PFM has an exclusive sub adviser relationship with Convergent Fund Management LLC (“**Convergent**”) which is a subadviser for certain private client accounts managed by Dalton or PFM. Convergent is not a related person to Dalton and Dalton is responsible for payment of Convergent’s management and incentive fees.

RCM, PFM, the Dalton Foreign Offices and Convergent are integrated into Dalton’s systems and operations and all are subject to Dalton’s compliance policies and procedures. In addition, Dalton’s Chief Compliance Officer (the “**CCO**”) serves as the CCO for each of the Related Advisers and Convergent.

Certain Conflicts of Interest among Dalton Clients

As indicated above, Dalton and Dalton personnel may from time to time act as directors, secretary, manager, investment manager or investment adviser or carry out other functions as may be required from time to time in relation to, or be otherwise involved in or with, other funds and clients which have similar investment objectives. Dalton persons are generally required only to devote so much of their time to each Dalton Fund or Client as is reasonably necessary in good faith. In addition, Dalton and its Related Advisers generally are not prohibited from engaging in existing or future business if such activity does not materially interfere with Dalton’s business or conflict with Dalton’s obligations under the respective constituent documents. Different Dalton accounts charge differing fees and incentive fees and/or allocations due to circumstances such as different contractual rates or loss recovery account balances. Dalton accounts may have conflicting interests with respect to their investments, including with respect to selling objectives, taxes, performance, liquidity, timing and other objectives. For example, certain Dalton accounts may from time to time be selling securities and instruments that other Dalton accounts may continue to hold and/or purchase. Performance results may vary substantially among the Dalton Accounts.

Dalton has adopted policies and procedures, including a Code of Ethics and Allocation policies to address these potential conflicts of interests. For a more detailed discussion of Dalton's Code of Ethics, please refer to Item 11 below.

D. Material Conflicts of Interest Relating to Other Investment Advisers

Dalton and its affiliates have relationships with certain advisers and operating companies that could present potential or actual conflicts of interest.

Dalton and its affiliates may hold capital interests in the management companies of other investment firms or in such firms' private investment limited partnerships and may serve as directors for such management companies. However, neither Dalton nor its affiliates have the power to direct the management or policies of such management companies.

Mr. Rosenwald serves on the Board of Directors of Shore Capital Group Ltd. and Beach Front Properties LLC/ Beach Front Properties Management Inc. However, neither Dalton nor Mr. Rosenwald has the power to direct the management or policies of such management companies. Accordingly, neither investment management company is a "related person" to Dalton.

Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

A. Code of Ethics

Dalton has adopted a Code of Ethics (the “Code”) that is designed to monitor and prevent potential conflicts of interest. The Code requires 1) that Dalton and its “supervised persons” must consider the interests of Dalton’s clients before their own, 2) compliance with federal securities laws, 3) reporting and review of personal securities transactions and holdings; 4) reporting of violations of the Code and 5) distributions of the Code to all Dalton personnel, as it may be amended, with a requirement that all supervised persons must provide to Dalton a written acknowledgement that they have received the Code.

Dalton’s supervised persons consist of managing members and managing directors; employees and other persons subject to Dalton’s supervision and control. For purposes of compliance with the Code, Dalton treats all its “supervised persons” as if they were “access persons”.

Dalton’s Code includes, among others, restrictions that prohibit access persons from trading certain instruments for their personal accounts without first obtaining pre-clearance, serving on the boards of directors of any outside companies except with the approval of Dalton’s CCO or general counsel, or receiving or offering gifts or entertainment worth a substantial monetary value from or to persons doing business with Dalton.

A copy of Dalton’s Code will be furnished upon request.

B. Securities in which Dalton or a Related Person has a Material Financial Interest

Cross Trades

Dalton may from time to time determine that it would be in the best interest of certain clients to transfer a security from one client to another (each such transfer, a “Cross Trade”) for a variety of reasons, including without limitation, tax purposes, liquidity purposes, to rebalance the portfolios of the clients or to reduce transaction costs that may arise in open market transactions. If Dalton determines that a cross trade is in the best interests of each client involved, Dalton will take steps to ensure that the transaction is consistent with its duty to obtain best execution, is permitted pursuant to the guidelines for each of these clients and is compliant with ERISA regulations, as applicable.

Principal Transactions

To the extent that Cross Trades may be viewed as principal transactions due to the ownership interest in a client by Dalton or its personnel, Dalton will comply with the requirements of Section 206(3) of the Advisers Act.

C. Investing in Securities that Dalton or a Related Person recommends to Clients

Dalton and its employees may from time to time invest for their personal accounts in securities or instruments in which Dalton accounts are also invested. Dalton may also recommend to the Dalton accounts securities or instruments in which it, its Related Persons or employees are already invested. Conflicts of interest may arise if Dalton, its affiliates and employees provide advice or take action for their own accounts that may differ from, conflict with or be adverse to advice given or action taken for clients. Dalton has implemented policies, relating to personal account trading by its employees and related persons designed to reduce, monitor and resolve conflicts of interest presented by such trading activities and to ensure such trading activities are carried out in accordance with applicable law and regulatory requirements. Dalton's access persons are subject to Dalton's personal trading pre-clearance policy, which is designed to generally (1) prevent access persons from transacting in certain securities of issuers at or about the same time that Dalton recommends securities to Dalton accounts and (2) also prevent transactions in securities in which Dalton accounts are restricted from trading.

D. Conflicts of Interest Created by Contemporaneous Trading

Please also see discussion under Item 12 B below.

From time to time, various potential and actual conflicts of interest may arise from the overall advisory, investment and other activities of Dalton, its affiliates and its personnel. Dalton has established policies and procedures to monitor and resolve conflicts and will endeavor to resolve conflicts with respect to investment opportunities in a manner it deems equitable to the extent possible under the prevailing facts and circumstances.

In addition, Dalton may give advice or take action with respect to the investments of one or more Dalton accounts that may not be given or taken with respect to other Dalton accounts with similar investment programs, objectives and strategies. Accordingly, although certain Dalton accounts may have similar strategies, they may not hold the same securities or instruments or achieve the same performance. These activities also may adversely affect the prices and availability of other securities or instruments held by or potentially considered for one or more Dalton accounts.

Item 12: Brokerage Practices

A. Factors Considered in Selecting or Recommending Broker-Dealers for Client Transactions

Dalton has full discretion and authority to make all investment decisions with respect to the types, amounts and prices of securities or instruments to be bought or sold, the brokers or dealers to be used for a particular transaction, and commissions or markups and markdowns paid. Dalton's primary consideration in effecting a securities transaction for its clients is to obtain best execution. In selecting a broker-dealer to execute each particular transaction, Dalton takes the following into consideration: the best net price available; the reliability, integrity and financial condition of the broker-dealer; the size of and difficulty in executing the order; and the value of the expected contribution of the broker-dealer to the investment performance of Dalton's clients on a continuing basis. Accordingly, the price to a particular client in any particular transaction may be less favorable than that available from another broker-dealer if the difference is reasonably justified by other aspects of the execution services offered.

1. Research and Other Soft Dollar Benefits

Brokers who effect securities transactions for Dalton's accounts provide Dalton with research and other brokerage services, which supplements Dalton's own research. Research services received by Dalton through the placement of securities transactions of clients are available for the general benefit of all accounts managed by Dalton, and in some cases research may be utilized in connection with managing accounts that have not placed securities transactions for the purpose of obtaining the research. Research and other services paid for with soft dollars will not necessarily benefit all clients equally, and some clients whose commissions are not used to generate soft dollar credits may benefit. In some cases, the research services are available only from the broker-dealer providing such services. In other cases, the research services may be available from alternate sources in exchange for cash payments.

Dalton intends the use of commission or "soft" dollars to pay for proprietary and/or third party research or brokerage products or services will fall within the safe harbor for soft dollars created by Section 28(e) of the Exchange Act. Research products and services, which are generally written or on-line, include, but are not limited to, investment reports, pricing and financial information, investment periodicals, financial reports, company reports, regulatory filings, news services, industry reports, economic reports, company recommendations, interview services, analyst reports and comments, political and regional analyses. In addition, such research services may be provided in the form of access to various computer-generated data, computer software, and meetings arranged with corporate and industry spokespersons and economists. Reports, services and products may or may not contain specific recommendations about a company, sector, region or time horizon, but shall contain information to assist in the investment decision-making process. Generally where a product or service obtained with commission dollars provides both research and non-research product or service assistance to Dalton, Dalton will make a reasonable allocation of the cost which may be paid for with commission dollars and Dalton will pay the

remainder. In making good faith allocations of costs between research and non-research assistance, a conflict of interest may exist by reason of Dalton's allocation of the costs of such benefits and services that primarily benefit Dalton and those that primarily benefit the Dalton Accounts.

All arrangements for the provision of research and other brokerage services are subject to the following conditions: (i) Dalton's CCO must approve the arrangement; (ii) the arrangement must be documented by Dalton; (iii) the services provided by the broker-dealer must be of benefit to Dalton's accounts; and (iv) no such arrangement shall commit an account of Dalton to pay a specified rate of commission to, to generate a specified amount of commission with, or to make any payments to, any particular broker-dealer.

Dalton may cause a particular client to pay a broker or dealer that provides brokerage and research services to Dalton an amount of commission for executing a securities transaction in excess of the amount of commission that another broker or dealer would have charged for effecting the same transaction. The portfolio manager at Dalton will have determined, however, that the particular amount of commission in this event will be reasonable in relation to the value of brokerage and/or research services provided by the executing broker-dealer. In making this determination, the benefits of research services are evaluated to define the product or service provided in making investment decisions on behalf of Dalton clients. Dalton reviews soft dollar services quarterly in connection with Dalton's best execution reviews.

2. Brokerage for Client Referrals

From time to time, Dalton may participate in certain "capital introduction" programs organized or sponsored by certain prime or executing brokers to Dalton accounts. Through such events, prospective investors would have the opportunity to meet with Dalton representatives. Currently, neither Dalton nor Dalton accounts compensate prime or executing brokers or their affiliates for organizing such programs or making such introductions or for any investments ultimately made by such prospective investors, nor do they anticipate doing so in the future. While such programs and introductions may provide an incentive or influence Dalton in deciding whether to use such prime or executing broker in connection with brokerage, financing, trade execution and other activities of the Dalton accounts, Dalton will not commit to allocate a particular amount of brokerage to a prime or executing broker in any such situation. Furthermore, Dalton conducts best execution reviews in an effort to identify and mitigate compliance risks associated with brokerage relationships, and to assess whether Dalton is obtaining best execution for clients' accounts.

3. Directed Brokerage

On occasion, a client may direct Dalton to effect securities transactions in the client's account through a specific broker/dealer. This instruction shall be construed as a "directed brokerage arrangement". In such circumstances, the client is responsible for negotiating the terms and arrangements for their account with that broker/dealer. Dalton will not seek better execution services or prices from other broker/dealers or be able to aggregate the client's transactions (unless via a "step-out" trade), for execution through other broker/dealers, with orders for other accounts advised or managed by Dalton. As a result, Dalton may not obtain best execution on

behalf of the client, who may pay materially disparate commissions, greater spreads or other transaction costs, or receive less favorable net prices on transactions for the account than would otherwise be the case.

Prior to accepting the direction, if Dalton is not familiar with the broker/dealer, it shall conduct a diligence review on the broker/dealer, focusing on the entity's financial solvency and its ability to provide services similar to those provided by other brokers through which Dalton conducts business. After the review has been conducted, the CCO will either approve the implementation of the arrangement or request that the client reconsider the direction, depending on the outcome of the review.

Dalton will evidence the client's direction of brokerage in a written format, with signed and dated client acknowledgement of the direction.

B. Order Aggregation

If Dalton determines that the purchase or sale of the same security is appropriate with regard to one or more Dalton accounts, Dalton, may but is not obligated to, aggregate purchase or sale orders on behalf of the respective Dalton accounts and allocate the securities or other assets so purchased or sold, on an average price basis, among such accounts.

C. Trade Error Policy

In the event that Dalton experiences an error with respect to client accounts, Dalton will correct such error in accordance with its policies and procedures. Pursuant to their respective constituent documents, the Funds will generally be responsible for any losses resulting from trading errors and similar human errors, absent gross negligence or willful misconduct.

D. Trade Allocation Policy

Dalton has instituted policies and procedures to ensure that it will place Client transactions with appropriate care and diligence, seek best execution, treat all Clients fairly, and disclose all material conflicts of interest. The procedures are designed to ensure investment opportunities are allocated fairly among all clients and strategies. Generally, accounts trading pari-passu with other like accounts should be aggregated and allocated on a pro-rata basis, unless an explanation is documented for a deviation. Institutional separate accounts are generally traded independently when the account guidelines differ from other accounts. For aggregated trades, the allocation must be determined and documented prior to the trade. When a trade is to be executed for an individual account and the trade is not in the best interests of other accounts, as determined by the Portfolio Manager, then the trade will only be performed for that account. This is true even if the traders and/or Portfolio Managers believe that a larger size block trade would lead to the best overall price for the security being transacted.

Item 13: Review of Accounts

A. Frequency and Nature of Review of Client Accounts or Financial Plans

Dalton performs various daily, weekly, monthly, quarterly and periodic reviews of each client's portfolio.

Mr. Rosenwald reviews all accounts within the Asia strategy. In addition Tony Hsu co-manages the Asia Fund and Greater China Fund along with Mr. Rosenwald.

Mr. Combs reviews all accounts within the Global strategy.

Mr. Sherer reviews all accounts within the Distressed mortgage strategy.

Mr. Persky and Swaraj Chowdhury review all accounts within the Distressed credit strategy.

Mr. Persky and Mark Mandell review private client accounts considering client circumstances and objectives.

B. Factors Prompting Review of Client Accounts other than a Periodic Review.

A review of a client account may be triggered by unusual activity or special circumstances on a case-by-case basis.

C. Content and Frequency of Account Reports to Clients

Dalton provides the following reports to the investors in the Dalton Funds:

- (1) The annual audited financial statements of the applicable Dalton Fund are sent to investors within 120 days after the end of the fiscal year; and
- (2) Report on affairs or performance of the applicable Dalton Fund is sent to all active investors monthly, quarterly or semi-annually as applicable.

Reporting with respect to managed accounts is subject to negotiation and established pursuant to each account's investment management agreement.

Item 14: Client Referrals and Other Compensation

A. Economic Benefits for Providing Services to Clients

Dalton does not receive economic benefits from non-clients for providing investment advice and other advisory services.

B. Compensation to Non-Supervised Persons for Client Referrals

Dalton has entered into agreements with third party consultants referring clients to the firm. As a result of client referrals, consultants may be paid a share of the management fee and performance fee earned from the assets under management of one or more clients or such other compensation as may be agreed upon between Dalton and such consultants. The consultants operate independently from Dalton and generally have developed relationships with suitable investors. Third party consultants generally perform independent due diligence reviews of Dalton. Dalton may receive research and other brokerage services from non-client broker-dealers who affect securities transactions for Dalton's accounts.

For Dalton's private client business, the requirement to establish accounts at Schwab entitles Dalton access to Schwab's institutional trading and custody services, which are typically not available to Schwab retail investors. Schwab services include brokerage, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors. Schwab also makes available other products and services that assist Dalton in managing and administering client accounts. These include software and other technology that provide access to client account data, facilitate trade execution, provide research, pricing information and other market data, facilitate payment of advisory fees from client accounts, and assist with back-office functions, recordkeeping and client reporting. While as a fiduciary, Dalton endeavors to act in its clients' best interests, Dalton's requirement that certain clients maintain their assets in accounts at Schwab may be based in part on the benefit to Dalton of the availability of some of the foregoing products and services and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

Item 15: Custody

All client assets are held in custody by unaffiliated broker/dealers or banks; however Dalton may be deemed to have constructive custody of the assets of certain private funds that it manages. Investors in these Funds do not receive statements from the custodians; rather they receive monthly NAV statements from an independent administrator. The Funds are subject to an annual audit and the audited financial statements are distributed to each investor. The audited financial statements will be prepared by an independent public accountant in accordance with generally accepted accounting principles and distributed within 120 days of the Fund's fiscal year end.

Item 16: Investment Discretion

Unless otherwise specified, Dalton has discretionary trading authority with respect to each Dalton account. Dalton's investment decisions and advice with respect to each Dalton account are subject to each Dalton account's investment objectives and guidelines as set forth in its constituent documents. Dalton or an affiliate has entered into an investment management agreement, limited partnership agreement or similar agreement with each Fund, or beneficial owner of each managed account, pursuant to which Dalton or an affiliate thereof was granted discretionary trading authority.

Item 17: Voting Client Securities

It is Dalton's policy to vote client proxies in the interest of maximizing shareholder value. To that end, Dalton will vote in a way that it believes will most increase investor value. Consideration will be given to both the short and long term implications of the proposal to be voted on when considering the optimal vote. Dalton monitors for potential conflicts of interest between the client's interest and its own within the proxy voting process.

Nevertheless, if Dalton's Chief Compliance Officer determines that Dalton, its affiliates or its affiliated persons are facing a material conflict of interest in voting a proxy, Dalton's procedures provide that either (1) a unanimous vote by 3 disinterested management committee members is required on a course of action or (2) an outside consultant will be engaged to proffer the vote.

Dalton's complete proxy voting policy and procedures are memorialized in writing and are available for review. In addition, Dalton's complete proxy voting record is available upon request. For further information, contact Dalton at the phone number listed on the front of this document.

Additionally, should Dalton inadvertently receive proxy information for a security held in a client's account for which Dalton does not vote proxies, then Dalton will immediately forward such information on to the client, and will not take any further action with respect to the voting of such proxy. In case of termination of its agreement with a client, Dalton shall make a good faith and reasonable attempt to forward proxy information inadvertently received by Dalton on behalf of the client to the forwarding address provided by the client to Dalton.

Item 18: Financial Information

Dalton has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.