

Firm Brochure

(Part 2A of Form ADV)

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This brochure provides information about the qualifications and business practices of Castalia Advisors LLC. If you have any questions about the contents of this brochure, please contact us at: +1 (914) 733-7380, or by email at: mail@castaliaadvisors.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission, or by any state securities authority.

Disclaimer: Castalia Advisors LLC is a Registered Investment Advisor. The reference to the firm being a Registered Investment Advisor does not imply a certain level of skill or training.

Additional information about Castalia Advisors LLC is available on the SEC's website at www.adviserinfo.sec.gov

March 30, 2012

Castalia Advisors LLC

Material Changes

Annual Update

The Material Changes section of this brochure will be updated annually when material changes occur since the previous release of the Firm Brochure.

Material Changes since the Last Update

The U.S. Securities and Exchange Commission issued a final rule in July 2010 requiring advisers to provide a Firm Brochure in narrative “plain English” format. The new final rule specifies mandatory sections and organization.

Full Brochure Available

Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at: +1 (914) 733-7380 or by email at: mail@castaliaadvisors.com

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Advisory Business

Firm Description

Castalia Advisors LLC, (“Castalia Advisors”) was founded in 2003.

Castalia Advisors LLC, a limited liability company formed under the laws of the State of New York, is the general partner of the Fund (the “General Partner”). The General Partner, among other things, is responsible for management of Castalia Straits L.P., the Investment Manager for Castalia Straits Limited and is a Subadvisor for Castalia Springs Limited.

Castalia Straits L.P., is a limited partnership formed under the laws of the State of Delaware. Castalia Straits Limited is an offshore investment company, domiciled in the Cayman Islands and formed under the laws of the Cayman Islands, which substantially invests all its assets in Castalia Straits L.P.

Castalia Straits L.P.’s investment objective is to achieve capital appreciation by investing primarily in an actively managed portfolio of publicly traded securities issued by companies engaged in the transportation sectors (“Transportation Securities”) with a focus on commodity trading and commodity products, maritime, energy and logistics. Transportation Securities include equity and debt of companies and/or their subsidiaries and affiliates engaged in the movement of goods, services and people and related support activities, and may include securities of companies engaged in such other related areas as the General Partner from time to time determines.

Castalia Springs Limited is an exempted company incorporated on August 25, 2006 and existing under the laws of the Cayman Islands. Castalia Straits Limited’s investment objective is to achieve long term capital appreciation by investing primarily in an actively managed portfolio of freight and freight related commodity derivatives, with a focus on absolute return. The Fund trades on regulated exchanges in the United Kingdom, Norway, Singapore and the USA. The Fund trades only on a ‘cleared’ basis. Castalia Advisors, LLC (the “U.S. Subadvisor” and, together with the UK Subadvisor, the “Subadvisors”), carries out the management of the Fund’s investment portfolio. The U.S. Subadvisor is responsible for managing the cash and securities portion of the Fund’s portfolio.

Principal Owners

Jay Charles Goodgal, Managing Member owns 99.5% of Castalia Advisors LLC. A family member of Mr. Goodgal owns 0.5%.

Types of Advisory Services

Castalia Advisors provides investment management supervisory services, also known as asset management services to investment pools and funds.

Castalia Advisors is either the General Partner or Investment Manager of these funds.

As of December 31, 2011, Castalia Advisors manages approximately \$50,163,328 in assets for approximately 3 clients. All funds are managed on a discretionary basis, no assets are managed on a non-discretionary basis.

Tailored Relationships

The goals and objectives are defined in the Confidentiality Offering Memorandum of each fund. Investment policy statements are created that reflect the stated goals and objective. These Agreements may impose restrictions on investing in certain securities or types of securities.

Agreements may not be assigned without client consent.

Termination of Agreement

The Confidential Offering Memorandum has specific policies and procedures for redeeming an investment in any fund. Castalia Straits L.P. and Castalia Straits Limited allows for redemptions on a quarterly basis, while Castalia Springs Limited allows investors to redeem investments on a monthly basis.

The Management Agreement between Castalia Advisors defines under what terms and conditions the funds may terminate the relationship of Castalia Advisors.

Fees and Compensation

Description**Fee Billing**

Investment management fees are billed quarterly, in advance, meaning that we invoice the Funds before the three-month billing period has ended. Payment in full is expected upon invoice presentation. Fees are usually deducted from the Fund account to facilitate billing. All fees are reviewed by the Administrator of the funds.

Other Fees

The Funds will bear all costs in connection with the investment and reinvestment of its assets (including costs incurred with respect to transactions that are not consummated), its organizational and initial offering expenses, its administrative expenses and other operational expenses. The Fund will also bear its offering expenses, including the cost of periodically updating and revising its Offering Memorandum. The Investment Manager will bear costs incurred in providing investment management and advisory services to the Fund that are not the responsibility of the Fund.

Performance-Based Fees

Sharing of Capital Gains

Castalia Advisors charges the funds a management fee based upon assets under management and a performance fee based upon profitability. There is no minimum hurdle rate the funds may achieve before a performance fee is calculated. Castalia Advisors is subject to a high watermark before performance fees may be reinstated following a period in which a loss is incurred.

On behalf of Castalia Straits L.P. and Castalia Straits Limited, the Investment Manager will receive an annual incentive fee equal 10% to 20% of the net profits (including unrealized gains) allocable to each Share of the Fund, subject to a loss carryforward provision, depending upon whether the investor is an investor since November 2008 and a new investor, respectively. The Investment Manager may elect to defer receipt of all or a part of the Incentive Fee.

With regards to the fund Castalia Springs Limited, Castalia Advisors may receive a manage for services provided to an affiliate that directs the investment management of Castalia Springs Limited. Castalia Advisors does not receive any incentives for assets under management relating to Castalia Springs Limited.

Types of Clients

Description

Castalia Advisors generally provides investment advice to three investment companies: Castalia Straits L.P., Castalia Straits Limited and Castalia Springs Limited. Client relationships vary in scope and length of service.

Investment Minimums

The minimum investment size is \$250,000.00 for each investor. Depending upon the fund, the investor may pay a management fee of between 0.75% and 2.0% per annum.

Methods of Analysis, Investment Strategies and Risk of Loss

Methods of Analysis

Security analysis methods may include charting, fundamental analysis, technical analysis, and cyclical analysis.

The main sources of information include financial newspapers and magazines, inspections of corporate activities, research materials prepared by others, corporate rating services, timing services, annual reports,

prospectuses, filings with the Securities and Exchange Commission, and company press releases.

Other sources of information that Castalia Advisors may use include industry consultants for industry market data and economists, including but not limited to GaveKal, Lloyd's, Maritime Strategies International Limited, Tradewinds and the World Wide Web.

Investment Strategies

The Fund's investment objective is to achieve capital appreciation by investing in an actively managed portfolio consisting primarily of publicly traded securities ("Transportation Securities") issued by companies engaged in transportation sectors, with a focus on commodity trading and commodity products, maritime, energy and logistics ("transportation") within defined risk parameters. Transportation Securities include equity and debt of companies and/or their subsidiaries and affiliates engaged in the movement of goods, services and people and related support activities, securities of companies engaged in other related areas as the Investment Manager may from time to time determine, as well as a limited amount of non-publicly traded securities issued by transportation companies.

The Investment Manager seeks to identify and invest in transportation companies which sell at a discount to their intrinsic values, have significant off-balance sheet assets, display improved or improving earnings and cash flow resulting from increased revenues and operating efficiencies, and/or are temporarily depressed because of internal or external changes. The Investment Manager believes the prices of transportation companies that are not closely followed tend to be inefficiently priced, and may offer opportunities for superior returns. The Investment Manager believes that these opportunities derive principally from the factors set forth below.

Investors have recently been able to achieve attractive returns from investment in Transportation Securities. The Investment Manager believes that the volatility of transportation indices demonstrates the suitability of Transportation Securities for an actively managed portfolio such as the Fund. Moreover, the relative performance of transportation and general market indices may provide investment professionals with indications as to the optimum timing of investment and divestment of Transportation Securities.

In the Investment Manager's view, investors in transportation are poised to benefit from the current increased merger and acquisition activity among transportation companies, greater liquidity in quoted transportation, and improved industry fundamentals. These developments reflect a period of consolidation, during which surplus and sub-standard assets are being eliminated and a growing number of companies may be expected to seek stock market listings.

This may also benefit those who participate in privately placed Transportation Securities.

The market valuation of leading quoted transportation companies and the value of private concerns may be expected to rise significantly as operating returns on capital improve during a cyclical upturn in the transportation markets. The Investment Manager believes that this upturn may occur as and when economic and trade growth worldwide resume a stronger trend and may be accentuated by the increased scrapping of marginal transportation capacity. Traditionally, Transportation Securities have tended to be valued at a significant discount to underlying net asset value in most markets at most times.

The overall recent improving trend in transportation industries completes the industries' structural adjustment following the depression which affected the industries for much of the 1970s and 1980s and the extreme distortions which developed in the age structure of certain segments of the world shipping fleet. The very high capital cost of asset replacement in transportation means the companies contemplating fleet renewal and expansion in the years 2000 to 2010 may have to expand their permanent capital base, whether through equity issues, private or public, or mergers and acquisitions.

Finally, the Investment Manager believes that better quality transportation companies and private placement opportunities may be more highly valued now, because:

- Valuations may rise as the sector becomes better understood and liquidity improves.
- The number of quoted transportation companies has increased substantially over the past 10 years and this can be expected to continue. The Investment Manager believes that the number of new public offerings should increase the flow of information on the transportation industry for both publicly quoted securities and private companies.
- The valuation of transportation companies may progressively shift from an asset basis to an earnings/cash flow basis.
- A greater emphasis on consistently strong cash flow generating companies by the investment community should lead to an enhancement of valuations among better managed transportation concerns.
- Leading transportation companies are increasingly adopting corporate structures and disciplines that have long been the norm in other industries.
- A reduced reliance on excessive leverage may moderate the volatility of the earnings of such companies and thereby enhance their quality and attractiveness to investors outside the industry.

- Political and military upheavals that can have a severe adverse impact on many land-based industries often have a beneficial effect on transportation companies.

The long-term trends for world trade appear positive and in particular, seaborne world trade. Moreover, the Investment Manager believes that the Fund may benefit from the Investment Manager's expert knowledge and transportation industry connections. The Investment Manager believes that these advantages may enable the Fund to realize superior returns, particularly in view of the fact that relatively few analysts and investors currently follow Transportation Securities and transportation companies in the United States and internationally.

Other strategies may include long-term purchases, short-term purchases, trading, short sales, margin transactions, and option writing (including covered options, uncovered options or spreading strategies).

Risk of Loss

All investment programs have certain risks that are borne by the investor. Our investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks:

Economic and Market Conditions

The success of the Fund may be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws, and national and international political circumstances, such as armed conflict or terrorist acts, and large scale natural disasters. These factors may affect the level and volatility of security prices and liquidity of investments made by the Fund, which may impair the Fund's profitability or result in losses. Uncertainties as to market conditions and the economic environment may negatively affect the results of certain trading strategies employed by the Fund's investment program that assume past market behavior patterns can predict, to some degree, future market behavior patterns. Market environment changes can be sudden and extreme, and can bring about unexpected and magnified market dynamics that may negatively affect the Fund's investment program.

Investment and Trading Risks

The Fund will invest in and actively trade securities and other financial instruments using strategies and investment techniques with significant risk characteristics, including risks arising from: the volatility of the global equity, currency, and fixed income markets; short sales; leverage; the potential illiquidity of derivative instruments; the potential loss from counterparty

defaults; and borrowing to meet redemption requests and the payment of the Incentive Fee. The turnover rate of the Fund's investment portfolio may be significant, potentially involving substantial brokerage commissions, fees and other transaction costs.

Transportation Securities

There exists an inherent risk in investing in a single asset class, such as transportation. While transportation companies may be diversified on a global and sector basis, transportation as a whole is correlated with local regional and global economic, social and political circumstances. In many countries, companies are controlled or influenced by governments. Decisions made by governments may affect returns and shareholder values. Furthermore, transportation is a capital-intensive industry that is affected by a variety of factors including, but not limited to, interest rates, currency movements, weather and commodity prices. In addition, the supply and demand for various commodities has a significant influence on pricing for transportation. The issuers of many Transportation Securities may be characterized in the equity markets as small capitalization companies. At times there may not be an active market to buy and sell such securities. During periods where the trading of Transportation Securities is limited, it may be difficult to liquidate securities for purposes of meeting redemptions by Shareholders.

Absence of Regulatory Oversight

The Fund is not registered as an investment company under the 1940 Act in reliance on an exception from the definition of investment company available to privately offered investment companies. The significant investor protection provisions of the 1940 Act will not apply with respect to an investment in the Fund.

Regulatory Risks

Regulatory changes that would adversely affect the Fund's operations cannot be predicted. For example, changes in the regulatory and tax environment for derivative instruments could adversely affect the value of derivative instruments held by the Fund and the ability of the Fund to pursue its trading strategies. Similarly, the regulatory environment for highly leveraged investors is evolving, and changes in the direct or indirect regulation of highly leveraged investors may adversely affect the ability of the Fund to pursue its trading strategies.

Limited Operating History

While the Investment Manager's principal has extensive experience in investment advisory services, the Fund has a limited operating history upon which investors can evaluate its performance.

Dependence Upon the Investment Manager and Key Personnel

The Investment Manager is responsible for the formulation and implementation of the investment policies and strategies of the Fund. Investors will have no advance opportunity to evaluate the merits and risks of any investment by the Fund, nor will they have any ability to determine when or whether the Fund should make or dispose of any investment. Therefore, potential investors should not acquire Shares unless they are willing to entrust all investment aspects of the business of the Fund to the Investment Manager. In this regard, prospective investors should note that the continued provision of investment management services to the Fund by the Investment Manager is subject to many factors, including the continued availability of the services of key personnel, in particular, Mr. Jay Charles Goodgal.

Incentive to Speculate

The Incentive Fee (as defined below) payable to the Investment Manager by the Fund is based on the Fund's net gains, and may create an incentive for the Investment Manager to make investments on behalf of the Fund that are riskier or more speculative than would be the case absent such allocation. The Incentive Fee is based on realized and unrealized gains and losses, and as a result could be made in respect of unrealized gains that are never realized.

Limited Liquidity of Shares

There is no public market for the Shares, and no such market is expected to develop in the future. An investment in the Fund provides only limited liquidity through monthly Redemptions, and such Redemption rights may be delayed or deferred under certain circumstances. Furthermore, the Shares are subject to the Redemption Charge described herein, which further limits the liquidity of the Shares. Shareholders may not transfer all or any portion of their Shares without the written consent of the Directors, which consent may be withheld at its sole discretion.

Highly Volatile Markets

The prices at which the Fund's investments trade are highly volatile. Price movements on options, convertible bonds, forwards, futures and other derivative contracts in which the Fund's assets may be invested are influenced by, among other factors, 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 government bonds, currencies, financial instruments, futures and options. Such intervention often is intended to directly influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other variables, interest rate fluctuations. The Fund also is subject to the risk of the failure of any exchanges on which its positions trade or failure of their clearinghouses.

Market Liquidity

During periods of limited liquidity and higher price volatility, the Fund's ability to acquire or dispose of its investments at a price and time that the Investment Manager deems advantageous may be impaired. As a result, in periods of rising market prices, the Fund may be unable to participate fully in price increases because it may be unable to acquire desired positions quickly; conversely, the Fund's inability to fully and promptly dispose of positions in declining markets may contribute to a decline in the Fund's Net Asset Value.

Equity Securities

The Fund may hold long and short positions in common stocks, preferred stocks and convertible securities of U.S. and non-U.S. issuers. The Fund may invest in depositary receipts or shares relating to non-U.S. securities. Equity securities fluctuate in value, often due to factors unrelated to the fundamental economic condition of the issuer of the securities, including general economic and market conditions, and these fluctuations may be pronounced.

Foreign Exchange

The Fund may engage in foreign exchange transactions in the spot and forward markets to effect its positions, or to hedge other positions denominated in non-U.S. dollar currencies. A forward currency exchange contract involves an obligation to purchase or sell a specific currency at a future date, which may be any fixed number of days from the date of the

contract as agreed by the parties, at a price that is fixed at the time the contract is entered into. In addition, the Fund may maintain short positions in forward currency exchange transactions, in which the Fund agrees to exchange a specified amount of a currency for another currency at a future date in anticipation of, or as a hedge against, a decline in the value of the currency sold relative to the value of the currency the Fund agreed to purchase. A forward currency exchange contract offers less protection against defaults by the counterparty to the contract than is the case with exchange-traded currency futures contracts. Forward currency exchange contracts are also highly leveraged, in some cases requiring little or no original margin deposit. The Fund may also purchase and sell put and call options on currencies and currency futures contracts and options on currency futures contracts.

Investments in Non-U.S. Issuers

The Fund is expected to invest in securities of non-U.S. issuers listed on non-U.S. securities exchanges or traded in non-U.S. over-the-counter markets. Investments in non-U.S. securities often are subject to risks generally viewed as not present in the United States, and may include: less regulation pertaining to, and less regulatory oversight of, non-U.S. custodians, resulting in an increased risk of loss by reason of the insolvency or misappropriation by non-U.S. custodians or sub-custodians; varying custody, brokerage and settlement practices; difficulty in pricing of securities; less public information regarding issuers of non-U.S. securities; less governmental regulation and supervision of the issuance and trading of securities; a lack of availability of financial information regarding non-U.S. issuers and the difficulty in interpreting financial information prepared under non-U.S. accounting standards; less liquidity and more volatility in non-U.S. securities markets; the possibility of expropriation or nationalization; the imposition of withholding and other taxes; adverse political, social or diplomatic developments; limitations on the movement of funds or other assets between different countries; difficulties in invoking legal process and enforcing contractual obligations in non-U.S. jurisdictions; and difficulty in assessing economic trends in non-U.S. countries. Investment in markets outside the United States typically also involves higher brokerage and custodial expenses than does investment in U.S. markets. Risks associated with investing in non-U.S. securities may be greater with respect to those issued by companies located in emerging industrialized or less developed countries.

Currency Risk

The Fund will value all of its securities and other assets in U.S. dollars. With respect to holdings of non-U.S. issuers' securities that are denominated in currencies other than the U.S. dollar, the Fund may or may not seek to hedge

all or any portion of the Fund's foreign currency exposure. To the extent unhedged, the value of the Fund's assets will fluctuate with U.S. dollar exchange rates as well as the price changes of the Fund's investments in the various local markets as stated in local currencies. An increase in the value of the U.S. dollar as compared to the other currencies in which the Fund makes its investments will reduce the value of such investments to the Fund. Accordingly, the Fund could realize a net loss on an investment even if there were a gain on the investment in terms of the local currency. Investments in non-U.S. denominated instruments may also be adversely affected by currency exchange control regulations or other non-U.S. or U.S. laws or restrictions, or by devaluations of non-U.S. currencies. The Fund may seek to hedge currency risks by investing in currencies, currency futures contracts and options on currency futures contracts, forward currency exchange contracts, swaps, swaptions or any combination of the above (whether or not exchange traded). See the sub-heading entitled "Foreign Currency" above. Such techniques entail additional costs and additional risks and there can be no assurance that they will be effective.

Counterparty and Settlement Risk

The Fund may be subject to credit risk with respect to parties with whom it trades, and may also bear the risk of settlement default. In addition, there may be practical or time problems associated with enforcing the Fund's right to its assets in the case of an insolvency of any such party.

Leverage

The Fund intends to utilize leverage in its investment strategy. Leverage may take the form of loans for borrowed money, trading on margin and acquiring or entering into derivative instruments that are inherently leveraged, including options, futures, forward contracts, swaps and reverse repurchase agreements. Because the use of leverage will allow the Fund to control positions worth significantly in excess of its equity investment in such positions, the use of leverage will magnify the extent of gain or loss the Fund realizes by reason of movements in its portfolio positions. In addition, use of leverage entails interest and other transaction costs.

The use of margin and short-term borrowings creates additional risks to the Fund. Specifically, the Fund may use substantially all of its capital as margin deposits. If the value of the Fund's capital used as a margin falls below the margin level required by a prime broker, additional margin deposits would be required. If the Fund were unable to satisfy any margin call by a prime broker, that prime broker could liquidate some or all of the positions in the Fund's account with the prime broker, resulting in potentially significant

losses. The failure to satisfy a margin call, or the occurrence of other material defaults under margin or other financing agreements, could trigger cross-defaults under the Fund's agreements with other brokers, lenders, clearing firms or other counterparties, compounding the adverse impact to the Fund. Also, in the event of a sudden decrease in the value of the Fund's assets, the Fund might not be able to liquidate assets quickly enough to satisfy its margin requirements, and may then become subject to claims of financial intermediaries that extended "margin" loans. Such claims could exceed the value of the assets of the Fund. The banks and dealers that provide financing to the Fund can apply essentially discretionary margin, haircut, financing and collateral valuation policies. Changes by banks and dealers in any of these policies may result in large margin calls, loss of financing and forced liquidations of positions at disadvantageous prices. There can be no assurance that the Fund will be able to secure or maintain adequate financing.

Hedging

The Fund may hedge some or all of its portfolio by taking long and short positions in related securities. Hedging against a decline in the value of a portfolio position does not eliminate fluctuations in the values of those portfolio positions or prevent losses if the values of those positions decline, but establishes other positions designed to gain from those same developments, thus seeking to moderate the decline in the portfolio position's value. Such hedging transactions also limit the opportunity for gain if the value of the portfolio position should increase. In the event of an imperfect correlation between a position in a hedging instrument and the portfolio position that it is intended to protect, the desired protection may not be obtained, and the Fund may be exposed to risk of loss. In addition, it is not possible to hedge fully or perfectly against any risk, and hedging entails its own costs. The Investment Manager may determine in its discretion not to hedge against certain risks and certain risks may exist that cannot be hedged.

Short Selling

The Fund intends to engage in short selling. A short sale creates the risk of a theoretically unlimited loss, because the price of the underlying security could theoretically increase without limit, thus increasing the cost of buying those securities to cover the short position. There can be no assurance that securities necessary to cover a short position will be available for purchase. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, which could exacerbate the loss.

Options

A component of the Fund's investment program may involve the purchase and sale of put options, call options and options on futures. Investing in options can result in a greater potential for profit or loss than investing in the underlying securities. The value of an option may change because of a change in the value of the underlying securities, the passage of time, changes in the market's perception as to the future price behavior of the underlying securities, or any combination of the above. In the case of the purchase of an option, the risk of loss of the option buyer's entire investment in the option (*i.e.*, the premium paid and transaction charges) reflects the nature of an option as a wasting asset that may become worthless at its expiration. Where an option is written (or sold) uncovered, the option seller may be liable to pay substantial additional margin, and the risk of loss is theoretically unlimited, as the option seller will be obligated to deliver, or take delivery of, a security at a predetermined price, which may, upon the exercise of the option, be significantly different from its market value at the time the option was initially written.

The Fund may purchase and sell exchange-traded options on individual securities, securities sectors and/or securities indices. There can be no guarantee that at all times there will be a liquid market for all options. A market could become unavailable if one or more exchanges were to stop trading options or it could become unavailable with respect to options on a particular underlying stock if the exchanges stopped trading options on that stock. In addition, a market could become temporarily unavailable if unusual events (*e.g.*, volume exceeds clearing capability) were to interrupt normal exchange operations. If an options market were to become illiquid or otherwise unavailable, an option holder would be able to realize profits or limit losses only by exercising, and an options seller or writer would remain obligated until it is assigned an exercise or until the option expires. If trading is interrupted in an underlying stock, the trading of exchange-traded options on that stock is usually halted as well. Holders and writers of options may then be unable to close out their positions until options trading resumes, and they may be faced with considerable losses if the stock reopens at a substantially different price.

Trading options on futures involves a high degree of risk. An option on a futures contract is a right either to buy or sell the underlying futures contract at a specific price. The risks of trading options on futures are similar to the risks of trading securities options. In addition, if the holder of an option on a futures contract exercises the option, the holder will, in effect, be buying or selling the underlying futures contract, and will then be subject to the same risks involved in futures trading.

Forward Freight Agreements

The Fund may invest in forward freight agreements (i.e. contracts), which are over-the-counter forward agreements for the trading of freight (i.e., the movement of commodities via ship) on defined routes on the Baltic Exchange. There are several risks inherent in these agreements including risk of counterparty default, high volatility, and limited liquidity.

Derivative Instruments

Swaps, derivatives, and certain options and other custom derivative or synthetic instruments are subject to the risk of non-performance by the counterparty to such instrument, including risks relating to the financial soundness and creditworthiness of the counterparty. From time to time, the Fund may have significant exposure to such transactions. In addition, there is significant, inherent leverage and risk related to purchasing, writing or otherwise entering into derivative instruments, which can expose the Fund to significant risk of loss.

Futures Trading

The Fund may engage in regulated futures transactions for bona fide hedging of existing long and short positions, and also for independent profit opportunities. Trading in futures and options on futures involves significant risks, including: (i) price volatility; (ii) illiquidity; and (iii) a high degree of leverage. The Fund may sustain a total loss of the initial margin and any maintenance margin that it deposits with a broker to establish or maintain a position in the commodity futures market. If the market moves against the Fund's position, the Fund may be called upon to deposit a substantial amount of additional margin, on short notice, in order to maintain its position. If the Fund does not provide the required margin within the prescribed time, its position may be liquidated at a loss, and the Fund will be liable for any resulting deficit in its account. Under certain market conditions, the Fund may find it difficult or impossible to liquidate a position. This can occur, for example, when the market makes a "limit move." Placing contingent orders, such as a "stop-loss" or "stop-limit" order, will not necessarily limit losses to the intended amounts, since market conditions may make it impossible to execute those orders. A "spread" position may not be less risky than a simple "long" or "short" position. The high degree of leverage that is often obtainable in futures trading because of the small margin requirements can work against the Fund as well as in favor of it. The use of leverage can lead to large losses. Foreign futures markets may have greater risk than domestic futures markets. Unlike trading on domestic commodity exchanges, trading on foreign commodity exchanges is not regulated by the CFTC and may be subject to greater risks than trading on domestic exchanges.

Concentration and Lack of Diversification

The Fund will invest its capital in Transportation Securities with a focus on maritime, energy and logistics. Concentration of investment in the transportation sector means that the Fund's investment portfolio will likely be subject to more rapid change in value than would be the case if the Fund were required to maintain a wider diversification among companies, industries, and types of securities.

Custody and Broker Credit Risks

Assets deposited with the Prime Broker which are fully paid (being those not held by the Prime Broker as margin) will be held in segregated safe custody in accordance with the agreement with the Prime Broker. Assets held as collateral by the Prime Broker in relation to facilities offered to the Fund and assets deposited as margin with either the Prime Broker or with executing brokers need not be segregated from the assets of the Prime Broker or such executing brokers. Such assets may therefore be available to the creditors of such persons in the event of their insolvency. The failure or bankruptcy of a broker may result in adverse consequences for the assets of the Fund and may, in turn, have an adverse effect on the Net Asset Value of the Fund.

The Fund and/or the Prime Broker may appoint sub-custodians in certain non-U.S. jurisdictions to hold the assets of the Fund. The Prime Broker may not be responsible for cash or assets that are held by sub-custodians in certain non-U.S. jurisdictions, nor for any losses suffered by the Fund as a result of the bankruptcy or insolvency of any such sub-custodian. As a result, the Fund may have a potential exposure on the default of any sub-custodian and consequently many of the protections that would normally be provided to a fund by a custodian will not be available to the Fund. Custody services and regulation of custody and bankruptcy in certain non-U.S. jurisdictions remain undeveloped and, accordingly, there is a transaction and custody risk of dealing in certain non-U.S. jurisdictions and the ability of the Fund to recover assets held by a sub-custodian in the event of the sub-custodian's bankruptcy would be in doubt. Moreover, a substantial portion of the Fund's assets may not be held in segregated accounts.

Effect of Substantial Redemptions

Substantial Redemptions of Shares of any Class within a short time period may negatively affect the Investment Manager's ability to adjust the Fund's asset allocation and trading strategies to the reduced amount of assets under management. Under certain circumstances, the Investment Manager may compel the Redemption of all or any portion of a Class B Share for any reason or for no reason at all. Under such circumstances, the Fund may be

required to liquidate positions at an inappropriate time or on unfavorable terms in order to satisfy Redemption requests, resulting in a lower Net Asset Value for the remaining Shareholders.

Portfolio Valuation

Determinations as to the Net Asset Value of the Fund will directly affect the calculation of the Management Fee and the Incentive Fee and may also involve the exercise of discretion and judgment in the event fair value or similar determinations must be made with respect to certain investments of the Fund. Reliable pricing information from third parties may at times not be available as to certain of the Fund's portfolio holdings. Disruptions in the secondary markets may limit the Fund's ability to obtain accurate market quotations for purposes of valuing its investments and calculating its Net Asset Value. There can be no assurance that the values assigned in good faith by the Investment Manager to the portfolio investments of the Fund will equal or approximate the price at which they may be sold or otherwise liquidated or disposed of from time to time.

- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from

a steady stream of customers who buy electricity no matter what the economic environment is like.

- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

Disciplinary Information

Legal and Disciplinary

The firm and its employees have not been involved in legal or disciplinary events related to past or present investment clients.

Other Financial Industry Activities and Affiliations

Financial Industry Activities

Castalia Advisors is registered as registered investment advisor.

Affiliations

Castalia Advisors is affiliated with J.C. Goodgal, Inc., a registered investment advisor registered with the State of New York.

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

Code of Ethics

The employees of Castalia Advisors have committed to a Code of Ethics that is available for review by clients and prospective clients upon request.

Castalia Advisors's Code of Ethics ("Code") sets forth a standard of business conduct expected of all Castalia Advisors. employees, reflecting Castalia Advisors' fiduciary obligations, supervisory requirements, and duty to comply with applicable federal securities laws. The Code also sets forth procedures and controls to prevent the misuse of material nonpublic information by employees.

Castalia Advisors's Code is designed to assure all persons covered by the Code and, in particular, Castalia Advisors' investment personnel and other employees having access to client holdings or trading information:

§ Act with integrity, competence, diligence, respect, and in an ethical manner in all dealings with the public, clients, prospective clients, their colleagues in the investment profession, and other participants in the markets in which Castalia Advisors is active; and

§ Comply at all times with applicable provisions of the federal and state securities laws.

The firm will provide a copy of the Code of Ethics to any client or prospective client upon request.

The employees of Castalia Advisors have committed to a Code of Ethics that is available for review by clients and prospective clients upon request. The firm will provide a copy of the Code of Ethics to any client or prospective client upon request.

Personal Trading

The Chief Compliance Officer of Castalia Advisors is Jay Charles Goodgal. Mr. Goodgal reviews all employee trades each month. His trades are reviewed by Mr. Enrico Elvina, Director of Operations. The personal trading reviews ensure that the personal trading of employees does not affect the markets, and that clients of the firm receive preferential treatment.

Brokerage Practices

Selecting Brokerage Firms

Castalia Advisors does not have any affiliation with product sales firms. Castalia Advisors determines custodians based on the proven integrity and financial responsibility of the firm and the best execution of orders at reasonable commission rates.

Castalia Advisors does not receive fees or commissions from any of these arrangements.

Best Execution

Castalia Advisors reviews the execution of trades at each custodian each quarter. The review is documented in the Castalia Advisors *Compliance Manual*. Trading fees charged by the custodians is also reviewed on a quarterly basis. Castalia Advisors does not receive any portion of the trading fees.

Review of Funds

Periodic Reviews

Fund reviews are performed daily by Jay Charles Goodgal, Managing Member. Account reviews are performed more frequently when market conditions dictate. An Advisory Board meeting is held at least once a year where Advisory Board Members review the financial markets and the performance of the funds managed by Castalia Advisors. The information provided by the Advisory Board is non-binding.

Review Triggers

Market conditions trigger review or an additional meeting or conference call with Advisory Board members.

Client Referrals and Other Compensation

Incoming Referrals

Castalia Advisors has been fortunate to receive investor referrals over the years. The referrals came from current investors, lawyers, accountants, employees, personal friends of employees and other similar sources. The firm may compensate referring parties for these referrals.

Referrals Out

Castalia Advisors does not accept referral fees or any form of remuneration from other professionals when a prospect or investor is referred to them.

Custody

SEC "Custody"

Castalia Advisors may be considered to have custody for the assets it manages.

Account Statements/Net Worth Statements

All limited partners and investors are provided account valuation statements on a monthly basis by the Administrator of the funds it manages.

Performance Reports

Castalia Advisors provides a monthly performance letter to its limited partners and shareholders. Clients are urged to compare the account statements received directly from their custodians to the performance report statements provided by Castalia Advisors.

Investment Discretion

Discretionary Authority for Trading

Castalia Advisors accepts discretionary authority to manage securities accounts on behalf of clients. Castalia Advisors has the authority to determine, without obtaining specific client consent, the securities to be bought or sold, and the amount of the securities to be bought or sold.

Castalia Advisors does not receive any portion of the transaction fees or commissions paid by the funds to the custodian on certain trades.

Discretionary trading authority facilitates placing trades in the funds so that we may promptly implement investment policy as defined in Confidential Offering Memorandums.

Full Power of Attorney

A full power of attorney is a trading authorization given to the General Partner for this purpose. The General Partner has such power so that Castalia Advisors may execute the trades on behalf of the funds.

Voting Client Securities

Proxy Votes

Castalia Advisors votes proxies for securities over which it maintains discretionary authority consistent with its proxy voting policy. A copy of Castalia Advisors's proxy voting policy is available upon request.

Financial Information

Financial Condition

Castalia Advisors does not have any financial impairment that will preclude the firm from meeting contractual commitments to clients.

A balance sheet is not required to be provided because Castalia Advisors does not serve as a custodian for client funds or securities, and does not require prepayment of fees of more than \$1,200 per client, and six months or more in advance.

Business Continuity Plan

General

Castalia Advisors has a Business Continuity Plan in place that provides detailed steps to mitigate and recover from the loss of office space, communications, services or key people.

Disasters

The Business Continuity Plan covers natural disasters such as snow storms, hurricanes, tornados, and flooding. The Plan covers man-made disasters such as loss of electrical power, loss of water pressure, fire, bomb threat, nuclear emergency, chemical event, biological event, T-1 communications line outage, Internet outage, railway accident and aircraft accident. Electronic files are backed up daily and archived offsite.

Alternate Offices

Alternate offices are identified to support ongoing operations in the event the main office is unavailable. It is our intention to contact all clients within five days of a disaster that dictates moving our office to an alternate location.

Loss of Key Personnel

Castalia Advisors has policies in place with Administrators of the funds and through management agreements to support Castalia Advisors in the event of Jay Charles Goodgal's serious disability or death.

Information Security Program

Information Security

Castalia Advisors maintains an information security program to reduce the risk that confidential information may be breached.

Privacy Notice

Castalia Advisors is committed to maintaining the confidentiality, integrity and security of the personal information that is entrusted to us.

Privacy Policy

All providers of personal financial services are required by law to inform their clients of their policies regarding privacy of investor information. Castalia Advisors has a long-standing policy of protecting the confidentiality and security of information we collect about our clients. We will not share non-public information about you ("Information") without your consent, except for

the specific purposes described below. This notice describes the Information we may gather and the circumstances under which we may share it.

How we protect Information: -

We may disclose any Information as directed by our funds or when we believe it is necessary for the conduct of our business, or where law requires disclosure. Permitted disclosures include, for instance, providing Information to our employees, for audit purposes, to attorneys or other professionals, or to law enforcement and regulatory agencies, where required. We may also disclose certain Information to third party service providers: (i) to enable them to provide business services for us; (ii) to facilitate the processing of transactions effected for you; (iii) performing computer related or data maintenance or processing services for us. In all such situations, we stress the confidential nature of Information being shared. Except in those specific, limited situations, without your consent, we do not make disclosures of Information to other companies who may want to sell their products or services to you.

Protecting the confidentiality and security of current and former investors' Information: -

In order to guard the Information we maintain physical, electronic and procedural safeguards that comply with our professional standards.

We maintain a secure office to ensure that your information is not placed at unreasonable risk. We employ a firewall barrier, secure data encryption techniques and authentication procedures in our computer environment.

We do not provide personal information to mailing list vendors or solicitors. We require strict confidentiality in our agreements with unaffiliated third parties that require access to your personal information, including financial service companies, consultants, and auditors. Federal and state securities regulators may review our Company records and your personal records as permitted by law.

Personally identifiable information about limited partners and shareholders will be maintained while they are investors, and for the required period thereafter that records are required to be maintained by federal and state securities laws. After that time, information may be destroyed.

Brochure Supplement (Part 2B of Form ADV)

Education and Business Standards

Castalia Advisors requires that advisors in its employ have a bachelor's degree or higher and general experience in business. Additionally, advisors must have work experience that demonstrates their aptitude for investment management.

Jay Charles Goodgal

Jay Charles Goodgal, Date of Birth: 1/16/1956

B.A., The Johns Hopkins University 1974-1977

M.B.A., The University of Chicago Graduate School of Business, 1977-1979

Experience:

J.C. Goodgal, Inc., 1986 to Present, President

Castalia Capital Corp., 1992 to December 31, 2004, President

Castalia Partners Limited, 9/1995 to Present, Managing Director

C.P.L. Limited, 8/1992 to Present, Managing Director

Castalia Offshore Partners Limited, 8/1992 to September 30, 1998, Director

Castalia Partners (Bahamas) Limited, 9/1999 to December 31, 2004, Managing Director

Castalia Partners LLC, 7/2001 to Present, Partner

Castalia Advisors LLC, 8/2003 to Present, Partner

Castalia Straits L.P., 8/2003 to Present, Partner

Castalia Straits Limited, 8/2003 to Present, Director

Castalia Springs Limited, 10/2006 to Present, Director

Castalia Fund Management Limited, 7/2006 to Present, Director

Castalia Fund Management (UK) Limited, 8/2006 to Present, Director

Cavu Holdings LLC, 10/2010 to Present, Managing Partner

Greenshields Agri Limited, 5/2011 to Present, Director

Greenshields Shipping Holdings Limited, 11/2001 to Present, Non-Executive Director

Greenshields Shipping Limited, 1997 to Present, Non-Executive Director

Supervision:

Jay Charles Goodgal is the Managing Member of Castalia Advisors.

Arbitration Claims: None

Self-Regulatory Organization or Administrative Proceeding: None

Bankruptcy Petition: None