

BROCHURE OF
QUANTSOFT ADVISERS, LLC

A Florida Limited Liability Company registered with the Securities and Exchange
Commission as an Investment Adviser (IARD #145942)

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THIS BROCHURE PROVIDES INFORMATION ABOUT THE QUALIFICATIONS AND BUSINESS PRACTICES OF QUANTSOFT ADVISERS, LLC. IF YOU HAVE ANY QUESTIONS ABOUT THE CONTENTS OF THIS BROCHURE, PLEASE CONTACT US AT (954) 258-1597.

NEITHER THE U.S. SECURITIES AND EXCHANGE COMMISSION, NOR THE STATE OF FLORIDA, NOR ANY OTHER STATE SECURITIES AUTHORITY HAS PASSED UPON THE ADEQUACY OR ACCURACY OF THIS BROCHURE. REGISTRATION AS AN INVESTMENT ADVISER DOES NOT IMPLY A CERTAIN LEVEL OF SKILL OR TRAINING. ADDITIONAL INFORMATION ABOUT QUANTSOFT ADVISERS, LLC ALSO IS AVAILABLE ON THE SEC'S WEBSITE AT WWW.ADVISERINFO.SEC.GOV.

The Date of this Brochure is

February 1, 2012

The delivery of the brochure ("Brochure") at any time does not imply that the information contained herein is correct as of any time subsequent to the date shown above.

Material Changes to Brochure

There are material changes to report regarding our advisory business since our last annual amendment filing, dated March 25, 2011.

- Quantsoft Advisers, LLC's address is now 2400 East Commercial Boulevard, Suite 828, Fort Lauderdale, Florida 33308.
- Andrew Werner now serves as Quantsoft Advisers, LLC's Chief Compliance Officer. For more information about Mr. Werner, please refer to Part 2B of Form ADV.
- J.P. Morgan Clearing Corp. now serves as Quantsoft Equity Fund, LP's prime broker and custodian.

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I. Part 2A – DISCLOSURE ITEMS ABOUT FIRM

Item 4. Advisory Business:

- (A) **Operational and Organizational Information:** Quantsoft Advisers, LLC (“Quantsoft Advisers” or “Firm”) is a limited liability company formed under the laws of the State of Florida. Firm has been in business since June, 2008. The principal owners of Firm are Felipe Rene Anziani, Kevin Emery and Ricardo Lachman.
- (B) **Types of Advisory Services Offered:** Firm provides discretionary investment management services to separately managed accounts and private investment funds. Firm serves as the general partner of Quantsoft Equity Fund, LP, a Delaware limited partnership (the “Partnership”), currently Firm’s sole private investment fund client, and is responsible for the management of the Partnership’s affairs. The Partnership was formed to pool investment funds of its investors for the purpose of active, speculative and short-term trading of the most liquid securities listed on the U.S. stock exchanges using a proprietary mathematical model which attempts to identify short-term profit opportunities.

Note: for purposes of this Brochure, “client” may include the Partnership, investors in such Partnership, and/or separate account clients.

Firm uses a mathematical approach in both the design and execution of its trading strategies. Please review Firm’s investment guidelines, specified below under “Client Investment Guidelines and Parameters.”

- (C) **Client Investment Guidelines and Parameters:** Firm provides discretionary investment advisory services to clients in accordance with the terms and conditions of the relevant investment management agreement. Firm believes its competitive advantage is based on use of an automated “black box” trading model (“Trading Model”).

The Trading Model, designed as market-neutral, utilizes a proprietary mathematical model to seek to simultaneously derive profit and limit risk by exploiting short-term price movements in the securities market. The Trading Model, consisting of multiple computerized trading systems operated in parallel and diversified across methodologies, time frames and holding periods, executes

multiple sessions of trading, seeking to capture slight swings in the market to methodically build up small earnings into large returns.

The Trading Model is premised upon the concept that ideas can be expressed in a precise mathematical language. The Trading Model seeks to learn from and analyze a vast amount of information to detect patterns which suggest a future price move within a certain period of time. These pattern signatures are imperceptible without the application of the proprietary mathematical transformations of the black box Trading Model. The Trading Model takes these “triggers,” seeks to design low-risk portfolios, and sends this information to its resident execution model (“Execution Model”), which makes transactions in the open market.

The Trading Model relies on a proprietary in-house Execution Model which interacts with the FTEN RX, a risk management front end to the order management system offered by JP Morgan, the Partnership’s prime broker. The Execution Model communicates with FTEN RX to place orders in the open market. All information is sent to the client’s internal front-end display and manual override program in real-time, which is monitored by at least one member of Firm during market trading hours.

- (D) **Wrap Fee Programs:** Firm does not participate in wrap fee programs.
- (E) **Client Regulatory Assets Under Management:** *(rounded to the nearest \$100,000)*
 - (i) Discretionary: \$168,060,000 as of February 1, 2012.
 - (ii) Non-discretionary: **None.**

Item 5. Fees and Compensation:

- (A) **Generally:** All fees are individually negotiated. Circumstances considered when negotiating fees may include, without limitation, customary market rates, specialized guidelines, and other performance/incentive fee or allocation arrangements with the client.

Management fees for clients are calculated based on an annual percentage of the value of the assets under management.

In addition, Firm may collect incentive/performance fees or allocations based on the performance of investments. Please refer

to Item 6, below, for a more detailed description of performance/incentive fees or allocations, and related conflicts of interest.

- (B) **Payment of Fees:** Management fees are billed periodically (monthly or quarterly) as specified in the client's investment management agreement or offering memorandum.

Firm does not currently receive management fees in connection with advisory services provided to separate accounts. In consideration for its services to the Partnership, Firm receives a monthly management fee ("Management Fee") equal to 1/12th of 2.0% (approximately 2.0% annually) of each investor's share of the Partnership's net asset value. The Management Fee is payable monthly, in advance, and calculated as of the first day of each calendar month. A pro rata Management Fee is charged to investors on any amounts permitted to be invested during any calendar month. No part of the Management Fee is refunded in the event that an investor withdraws all or any of the value in the investor's capital account during a calendar month. Firm, in its sole discretion, may waive or reduce the Management Fee with respect to one or more investors for any period of time, or agree to apply a different Management Fee for that investor.

Please refer to Item 6 for a description of the terms associated with Firm's receipt of performance/incentive fees or allocations.

- (C) **Additional Fees and Expenses:**

Based on Firm's discretion, the Partnership may pay for its operating expenses, including, but not limited to, all accounting, auditing, tax preparation, legal, administration, research and trading costs. Firm pays for its own administrative and overhead expenses incurred in connection with providing services to the Partnership.

In addition, clients will incur brokerage and other transaction costs. Clients should review carefully Item 12, which discusses conflicts of interest related to brokerage practices. Brokerage commissions and/or transaction ticket fees charged by the custodian are billed directly to the client. Firm will not receive any portion of such commissions or fees from the custodian or client. In addition, clients may incur certain charges imposed by third parties other than Firm in connection with investments made through the account, including but not limited to, IRA and qualified retirement plan fees.

Separately managed account clients will also bear any agreed upon expenses as set forth in the relevant investment management agreement.

- (D) **Fees Paid in Advance:** As stated above in connection with the Partnership, the Management Fee is payable monthly, in advance, and calculated as of the first day of each calendar month.

Termination of Services: Termination terms are specified in the relevant offering documents or investment management agreement. In general, client may terminate its investment management agreement by giving Firm thirty days prior written, or otherwise as Firm may determine in its sole discretion.

- (E) **Additional Compensation of Supervised Persons:** No supervised person accepts compensation for the sale of securities or other investment products, including asset based sales charges or service fees from the sale of mutual funds.

1. Although this is not applicable to Firm, in the event that a supervised person were to accept additional compensation, as described above, such practice would present a conflict of interest and give Firm or its supervised persons an incentive to recommend investment products based on the compensation received, rather than on a particular client's needs. In such a scenario, lower fees for comparable services may be available from other sources. In addition, clients may be able to invest directly in the mutual funds in which Firm invests clients' accounts and thereby avoid the additional fees charged to client by Firm.
2. Although this is not applicable to Firm, in the event that a supervised person were to accept additional compensation, as described above, all clients should note that they would have the option to purchase investment products that Firm recommends through other brokers or agents that are not affiliated with Firm and/or not used by Firm.
3. If more than 50% of Firm's revenue from advisory clients results from commissions for the sale of investment products that Firm recommends to clients, disclose that commissions provide Firm's primary compensation. **Not applicable: Firm is not registered as a broker-dealer and is not compensated with commissions.**
4. If Firm charges advisory fees in addition to commissions or markups, disclose whether Firm reduces its advisory fees to

offset the commissions or markups. **Not applicable: Firm is not registered as a broker-dealer and is not compensated with commissions.**

Item 6. Performance Based Fees and Side-By Side Management:

Separate Accounts: In general, Firm receives from clients a mutually agreed upon annual performance fee/allocation (“Performance Fee”), which typically ranges from 20% to 30% of such client’s net income for the year in excess of any previously recovered net losses, subject to the terms and conditions of the relevant investment management agreement, although Firm reserves the right to modify such fees on a case by case basis.

Partnerships: In addition to the Management Fee, with respect to the interests of investors in the Partnership who are qualified clients, as such term is defined under federal securities laws, Firm receives an annual Performance Fee equal to 20% of the Partnership’s net profits attributable to an investor, but only to the extent that such profits are in excess of cumulative unrecovered losses carried forward from prior years based on a “high water mark” formula, as described below. Firm also receives the Performance Fee upon any withdrawal by an investor, whether voluntary or involuntary, and upon dissolution of the Partnership. The Performance Fee is in addition to the proportionate allocations of income and profits, or losses, to Firm and/or its affiliates based upon their capital accounts relative to the capital accounts of all investors. Firm, in its sole discretion, may waive or reduce the Performance Fee with respect to any investor for any period of time, or agree to apply a different Performance Fee for that investor. Firm may, in its discretion, reallocate a portion of the Performance Fee to certain investors.

The Performance Fee is subject to what is commonly known as a “high water mark” procedure. That is, if the Partnership has a net loss in any fiscal year, this loss will be carried forward as to each investor in the Partnership during such fiscal year to future fiscal years (such amount is referred to as the (“Loss Carryforward”). Whenever there is a Loss Carryforward for an investor with respect to a fiscal year, Firm will not receive the Performance Fee from such investor for future fiscal years until the Loss Carryforward amount for such investor has been recovered (i.e., when the Loss Carryforward amount has been exceeded by the cumulative profits allocable to such investor for the fiscal years following the Loss Carryforward). Once the Loss Carryforward has been recovered, the Performance Fee is based on the excess profits (over the Loss Carryforward amount) as to each investor, rather than on all profits. The “high water mark” procedure prevents Firm from receiving the Performance Fee as to profits that simply restore previous losses and is

intended to ensure that the Performance Fee is based on the long-term performance of an investment in the Partnership.

When an investor withdraws capital, any Loss Carryforward is adjusted downward in proportion to the withdrawal. Firm may agree with any investor to apply a different Loss Carryforward provision for such investor.

When an investor withdraws capital, any Loss Carryforward will be adjusted downward in proportion to the withdrawal. Firm may agree with any investor to apply a different Loss Carryforward provision for such investor.

Performance Fees will be structured and charged in a manner consistent with the requirements of applicable law, including the Advisers Act and ERISA. An incentive fee arrangement may create an incentive for Firm to make investments that are riskier or more speculative than would be the case in the absence of a Performance Fee. To the extent Firm values any such securities or instruments it has a conflict of interest as Firm will receive higher management fees and Performance Fees if it gives such securities and instruments a higher valuation. Firm does not represent that the amount of the Performance Fees or the manner of calculating the Performance Fees is consistent with other performance related fees charged by other investment advisers under the same or similar circumstances. The Performance Fees charged by Firm may be higher or lower than the Performance Fees charged by other investment advisers for the same or similar services. Firm does not favor accounts that pay Performance Fees.

Item 7. Types of Clients: Firm provides advisory services to private investment funds, currently the Partnership, and separate accounts.

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

(A) **Methods of Analysis, Investment Strategies, Generally:** As stated above, Firm attempts to identify short-term profit opportunities, specifically through the Trading Model, which is designed as market-neutral and utilizes a proprietary mathematical model to simultaneously seek to derive profit and limit risk by exploiting short-term price movements in the securities market. The Trading Model, consisting of multiple computerized trading systems operated in parallel and diversified across methodologies, time frames and holding periods, executes multiple sessions of trading, seeking to capture slight swings in the market to methodically build up small earnings into large returns. **Investing**

in securities involves risk of loss that clients should be prepared to bear.

(B) Risks Associated with Firm's Investment Strategies:

Dependence upon Computer Technology: The strategy used by Firm is proprietary. While the principals of Firm have access to back-tested and live operational trading data, no such audited data is available to the clients. It is important to note that the technology relied on by Firm could have unknown systemic flaws. While Firm believes that the developers of this technology are experienced in software design, development and testing, there are always risks that there could have been unanticipated by the developers of this technology.

Market Volatility: The profitability of the investments chosen by Firm substantially depend upon Firm correctly assessing the future price movements of stocks, bonds, options on stocks, and other securities and the movements of interest rates. Firm cannot guarantee that it will be successful in accurately predicting price and interest rate movements.

Risks Associated with Investing in Options and Derivatives: Firm may invest, from time to time, in options and derivative instruments, including buying and writing puts and calls on some of the securities held by client accounts in an attempt to supplement income derived from those securities. The prices of many derivative instruments, including many options and swaps, are highly volatile. The value of options and swap agreements depend primarily upon the price of the securities, indexes, commodities, currencies or other instruments underlying them. Price movements of options contracts and payments pursuant to swap agreements are also 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. The cost of options is related, in part, to the degree of volatility of the underlying securities, currencies or other assets. Accordingly, options on highly volatile securities, currencies or other assets may be more expensive than options on other investments.

Put options and call options typically have similar structural characteristics and operational mechanics regardless of the underlying instrument or asset on which they are purchased or sold. A put option gives the purchaser of the option, upon payment

of a premium, the right to sell, and the writer the obligation to buy, the underlying security, commodity, index, currency or other instrument or asset at the exercise price. A call option, upon payment of a premium, gives the purchaser of the option the right to buy, and the seller the obligation to sell, the underlying instrument at the exercise price.

If a put or call option purchased on behalf of a client account by Firm were permitted to expire without being sold or exercised, the client account would lose the entire premium it paid for the option. The risk involved in writing a put option is that there could be a decrease in the market value of the underlying instrument or asset caused by rising interest rates or other factors. If this occurred, the option could be exercised and the underlying instrument or asset would then be sold to Firm on behalf of the client account at a higher price than its current market value. The risk involved in writing a call option is that there could be an increase in the market value of the underlying instrument or asset caused by declining interest rates or other factors. If this occurred, the option could be exercised and the underlying instrument or asset would then be sold by Firm on behalf of the client account at a lower price than its current market value.

Purchasing and writing put and call options and, in particular, writing “uncovered” options are highly specialized activities and entail greater than ordinary investment risks. In particular, the writer of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying instrument or asset above the exercise price of the option. This risk is enhanced if the instrument or asset being sold short is highly volatile and there is a significant outstanding short interest. These conditions exist in the stocks of many companies. The instrument or asset necessary to satisfy the exercise of the call option may be unavailable for purchase except at much higher prices. Purchasing instruments or assets to satisfy the exercise of the call option can itself cause the price of the instruments or assets to rise further, sometimes by a significant amount, thereby exacerbating the loss. Accordingly, the sale of an uncovered call option could result in a loss by the client account of all or a substantial portion of its assets.

Swaps and certain options and other custom instruments are subject to the risk of non-performance by the counterparty, including risks relating to the financial soundness and creditworthiness of the counterparty.

Short Selling: When deemed appropriate by Firm, it will sell securities short on behalf of client accounts. Short selling involves the sale of a security that the client account does not own and must borrow in order to make delivery in the hope of purchasing the same security at a later date at a lower price. In order to make delivery to its purchaser, the client account must borrow securities from a third party lender. The client account subsequently returns the borrowed securities to the lender by delivering to the lender the securities it receives in the transaction or by purchasing securities in the open market. The client account must generally pledge cash with the lender equal to the market price of the borrowed securities. This deposit may be increased or decreased in accordance with changes in the market price of the borrowed securities. During the period in which the securities are borrowed, the lender typically retains its right to receive interest and dividends accruing to the securities.

Risks Associated with Leverage: In the event that Firm determines that leverage is appropriate in its investment program, Firm may use borrowed funds and/or investments in certain types of options, such as puts, calls and warrants, which may be purchased for a fraction of the price of the underlying securities while giving the purchaser the full benefit of movement in the market of those underlying securities. While such strategies and techniques increase the opportunity to achieve higher returns on the amounts invested, they also increase the risk of loss. To the extent Firm purchases securities for a client account with borrowed funds, its net assets will tend to increase or decrease at a greater rate than if borrowed funds are not used. The level of interest rates generally, and the rates at which such funds may be borrowed in particular, could affect the operating results of an account. If the interest expense on borrowings were to exceed the net return on the investments made with borrowed funds, Firm's use of leverage would result in a lower rate of return than if an account was not leveraged.

If the amount of borrowings outstanding for a client account at any one time is large in relation to such account's capital, fluctuations in the market value of the account will have disproportionately large effects in relation to the account's capital and the possibilities for profit and the risk of loss will therefore be increased. Any investment gains made with the additional monies borrowed will generally cause the net asset value of a client account to rise more rapidly than would otherwise be the case. Conversely, if the investment performance of the additional monies borrowed fails to cover their cost to a client account, the net asset value of the

account will generally decline faster than would otherwise be the case.

Certain of Firm's trading and investment activities may be subject to U.S. Federal Reserve Board ("FRB") margin requirements, which are computed daily by a self-clearing broker-dealer. At present, the FRB's Regulation T permits a broker to lend no more than 50% of the purchase price of "margin stock" bought by a client. When the market value of a particular open position changes to a point where the margin on deposit does not satisfy maintenance margin requirements, a "margin call" on the client is made. If the client does not deposit additional funds with the broker to meet the margin call within a reasonable time, the client's position may be closed out. In the event of a precipitous drop in the value of the assets managed by Firm, Firm might not be able to liquidate assets quickly enough to pay off the margin debt and might suffer mandatory liquidation of positions in a declining market at relatively low prices, incurring substantial losses. With respect to Firm's trading activities on behalf of a client account, the account, and not Firm, will be subject to margin calls.

Overall, the use of leverage, while providing the opportunity for a higher return on investments, also increases the volatility of such investments and the risk of loss. Clients should be aware that an investment program utilizing leverage is inherently more speculative, with a greater potential for losses, than a program that does not utilize leverage.

Risks Associated with Non-Diversification: Firm intends to hold diversified positions; however, Firm is not subject to any formal policies regarding diversification. Firm may sometimes concentrate holdings in industries, geographic regions or companies which, in light of investment considerations, market risks and other factors, Firm believes will provide the best opportunity for attractive risk-adjusted returns. The concentration of assets in a small number of issuers, in any one industry or a small number of industries, or in a single industry would subject clients to a greater degree of risk with respect to the failure of one or a few investments or with respect to economic variations in relation to such industry or industries.

(C) **Security-Specific Risks:** Please see the response to Item 8.(B), above.

Item 9. Disciplinary Information: All legal and disciplinary events in which Firm or any supervised persons have been involved that are material to a

client's or prospective client's evaluation of Firm's advisory business or management are listed below.

(A) A criminal or civil action in a domestic, foreign or military court of competent jurisdiction in which Firm or a management person:

1. Was convicted of, or pled guilty or nolo contendere ("no contest") to: (a) any felony; (b) a misdemeanor that involved investments or an investment-related business, fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, or extortion; or (c) a conspiracy to commit any of these offenses. **Not applicable**
2. Is the named subject of a pending criminal proceeding that involves an investment-related business, fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, extortion, or a conspiracy to commit any of these offenses. **Not applicable**
3. Was found to have been involved in a violation of an investment-related statute or regulation. **Not applicable**
4. Was the subject of any order, judgment, or decree permanently or temporarily enjoining, or otherwise limiting, your firm or a management person from engaging in any investment-related activity, or from violating any investment-related statute, rule, or order. **Not applicable**

(B) An administrative proceeding before the SEC, any other federal regulatory agency, any state regulatory agency, or any foreign financial regulatory authority in which Firm or a management person:

1. Was found to have caused an investment-related business to lose its authorization to do business. **Not applicable**
2. Was found to have been involved in a violation of an investment-related statute or regulation and was the subject of an order by the agency or authority:
 1. Denying, suspending, or revoking the authorization of Firm or a management person to act in an investment-related business. **Not applicable**

2. Barring or suspending Firm's or a management person's association with an investment-related business. **Not applicable**
3. Otherwise significantly limiting Firm's or a management person's investment-related activities. **Not applicable**
4. Imposing a civil money penalty of more than \$2,500 on Firm or a management person. **See Firm's response below:**

Firm inadvertently failed to submit to the Florida Office of Financial Regulation ("FOFR") its annual financial statements for the years 2008 and 2009. Upon notification of this oversight, Firm promptly delivered to FOFR all required financial statements in compliance with the Florida Administrative Code. Firm has resolved this matter with FOFR by paying an amount of \$3,000 to FOFR. Firm fully disclosed this matter promptly on its ADV Part 1.

- (C) A self-regulatory organization (SRO) proceeding in which Firm or a management person:
1. Was found to have caused an investment-related business to lose its authorization to do business. **Not applicable**
 2. Was found to have been involved in a violation of the SRO's rules and was: (i) barred or suspended from membership or from association with other members, or was expelled from membership; (ii) otherwise significantly limited from investment-related activities; or (iii) fined more than \$2,500. **Not applicable**

Item 10. Other Financial Industry Activities and Affiliations:

- (A) Neither Firm nor its management persons have any existing or pending affiliations with a broker-dealer or registered representative of a broker-dealer.
- (B) Neither Firm nor its management persons have any financial industry affiliations, such as with a broker-dealer, Futures Commission Merchant (FCM), Commodity Pool Operator (CPO), Commodity Trading Advisor (CTA) or other investment adviser.

(C) Firm and/or its management persons have a relationship or arrangement that is material to its advisory business or to its clients with the related persons as discussed below.

1. Broker-dealer, municipal securities dealer, or government securities dealer or broker. **Not applicable**
2. Investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or “hedge fund,” and offshore fund). **Not applicable, except as discussed at Item 4.(B).**
3. Other investment adviser or financial planner. **Not applicable**
4. Futures commission merchant, commodity pool operator, or commodity trading advisor. **Not applicable**
5. Banking or thrift institution. **Not applicable**
6. Accountant or accounting firm. **Not applicable**
7. Lawyer or law firm. **Not applicable**
8. Insurance company or agency. **Not applicable**
9. Pension consultant. **Not applicable**
10. Real estate broker or dealer. **Not applicable**
11. Sponsor or syndicator of limited partnerships. **Not applicable**

(D) Firm does not recommend or select other investment advisers for its clients and receive compensation from those advisers, or have any other business relationships with such advisers. Accordingly, there are no related conflicts of interest to disclose.

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

A copy of the code of ethics (“Code of Ethics”) is available upon request to clients or prospective clients and investors in the Partnership (collectively, “Clients”).

(A) **Code of Ethics:** The Code of Ethics is based upon the premise that all Firm personnel have a fiduciary responsibility to render professional, continuous and unbiased investment advisory service. The Code of Ethics requires all personnel to (1) comply with all applicable laws and regulations; (2) observe all fiduciary duties and put Client interests ahead of those of Firm; (3) observe Firm’s personal trading policies so as to avoid “front-running” and other conflicts of interests between Firm and its Clients; (4) ensure that all personnel have read the Code of Ethics, agreed to adhere to the Code of Ethics, and are aware that a record of all violations of the

Code of Ethics will be maintained by the Chief Compliance Officer and that personnel who violate the Code of Ethics are subject to sanctions by Firm, up to and including termination.

Participation or Interest in Client Transactions and Personal Trading: Firm recognizes that the personal securities transactions of its employees demand the application of a high code of ethics, and Firm requires that all such transactions be carried out in a way that does not endanger the interest of any client. At the same time, Firm believes that if investment goals are similar for clients and for employees of Firm, it is logical and even desirable that there be common ownership of some securities. Therefore, in order to address conflicts of interest, Firm has adopted a set of procedures, included in its Code of Ethics, with respect to transactions effected by its officers, directors and employees (hereafter, “Employees”) for their personal accounts. In order to monitor compliance with its personal trading policy, Firm has adopted a quarterly securities transaction reporting system for all of its Employees. For purposes of the policy, an Employee’s “personal account” generally includes any account (a) in the name of the Employee, his/her spouse, his/her minor children or other dependents residing in the same household, (b) for which the Employee is a trustee or executor, or (c) which the Employee controls, including Firm’s client accounts which the Employee controls and in which the Employee or a member of his/her household has a direct or indirect beneficial interest.

Associated persons of Firm may recommend to clients the purchase or sale of investment products in which it or a related person may have some financial interest (e.g., an investment in the Partnership), including but not limited to, the receipt of compensation. Records will be maintained of all securities bought and sold by associated persons and related persons.

Other Activities of Firm and its Affiliates: Neither Firm, nor any affiliate or employee, is required to manage client accounts as its sole and exclusive function. Each of them may engage in other business activities, including competing ventures and/or other unrelated employment. In addition to managing client accounts, Firm, and its respective affiliates or employees may provide investment advice to other parties and may manage other accounts in the future.

Trade Error Policy: Firm has internal controls in place to prevent trade errors from occurring. On those occasions when such an error nonetheless occurs, Firm will use reasonable efforts to correct

the error. If the error cannot be corrected, Firm does not intend to make any adjustment, regardless of whether the error works to the benefit or detriment of the Partnership or other client. Firm will endeavor to maintain a record of each trade error, including information about the trade and how such error was corrected or attempted to be corrected.

Privacy Policy: Firm has adopted a privacy policy that explains the manner in which Firm collects, utilizes and maintains nonpublic personal information about clients, as required under federal legislation.

Collection of Information and Disclosure of Nonpublic Personal Information: To provide clients with superior service, Firm may collect several types of nonpublic personal information about clients, including:

- Information from forms that clients may fill out, such as subscription forms, questionnaires and other information provided by clients in writing, in person, by telephone, electronically or by any other means. This information includes name, address, nationality, tax identification number, and financial and investment qualifications;
- Information clients may give orally;
- Information about transactions within Firm, including account balances, investments and withdrawals;
- Information about the amount clients have invested, such as initial investment and any additions to and withdrawals from an investment; and
- Information about any bank accounts clients may use for transfers to or from managed accounts.

Firm does not sell or rent client information. Firm uses this information to conduct business with its clients; to develop or enhance its products and services; to understand the financial needs of its clients so that Firm can provide such clients with quality products and superior service; and to protect and administer its clients' records, accounts and funds. Firm does not disclose nonpublic personal information about its clients to nonaffiliated third parties or to affiliated entities, except as permitted or required by law. For example, Firm may share nonpublic personal information in the following situations:

- To service providers in connection with the administration and servicing of Firm; this may include attorneys, accountants, auditors and other professionals. Firm may also share information in connection with the servicing or processing of client transactions;
- To affiliated companies in order to provide clients with ongoing personal advice and assistance with respect to the products and services clients have purchased through Firm and to introduce clients to other products and services that may be of value to such clients;
- To respond to a subpoena or court order, judicial process or regulatory authorities;
- To protect against fraud, unauthorized transactions (such as money laundering), claims or other liabilities; and
- Upon consent of a client to release such information, including authorization to disclose such information to persons acting in a fiduciary or representative capacity on behalf of the client.

Protection of Information: Firm's policy is to require that all employees, financial professionals and companies providing services on its behalf keep client information confidential.

Firm maintains safeguards that comply with federal standards to protect client information. Firm restricts access to the personal and account information of clients to those employees who need to know that information in the course of their job responsibilities. Third parties with whom Firm shares client information must agree to follow appropriate standards of security and confidentiality. Firm's privacy policy applies to both current and former clients. Firm may disclose nonpublic personal information about a former client to the same extent as for a current client. Please be advised that clients have the right to "opt out" of the information sharing as set forth above.

- (B)** From time to time, Firm may engage in rebalancing of cross trades. Please see our response to Item 12.(B) for information regarding rebalancing cross trades.
- (C)** Firm or a related person invests in the same securities (or related securities, e.g., warrants, options or futures) that Firm or a related

person recommends to clients. **See our response to Item 11.(A)-(B), above.**

- (D) Firm or a related person recommends securities to clients, or buys or sells securities for client accounts, at or about the same time that Firm or a related person buys or sells the same securities for its own (or the related person's own) account. **See our response to Item 11.(A)-(B), above.**

Item 12. Brokerage Practices:

The factors that Firm considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation are described below:

- (A) **Factors Considered in Selecting or Recommending Broker-Dealers:** Securities transactions for the Partnership are executed through brokers selected by Firm in its sole discretion and without the consent of the Partnership. Unless otherwise specified in the relevant investment management agreement, securities transactions for separately managed account clients are executed through brokers selected by Firm in its sole discretion and without the consent of the client. Separately managed account clients shall bear brokerage costs as set forth in the relevant investment management agreement. In placing portfolio transactions, Firm will seek to obtain the best execution for clients, taking into account the following factors: the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any); the operational efficiency with which transactions are effected and the efficiency of error resolution, taking into account the size of order and difficulty of execution; the financial strength, integrity and stability of the broker; special execution capabilities; clearance; settlement; reputation; on-line pricing; block trading and block positioning capabilities; willingness to execute related or unrelated difficult transactions in the future; order of call; on-line access to computerized data regarding clients' accounts; performance measurement data; the quality, comprehensiveness and frequency of available research and related services considered to be of value; the availability of stocks to borrow for short trades; and the competitiveness of commission rates in comparison with other brokers satisfying Firm's other selection criteria.

1. **"Soft Dollar" Policy:** The term "soft dollars" refers to the receipt by an investment manager of products and services provided by brokers, without any cash payment by the

investment manager, based on the volume of brokerage commission revenues generated from securities transactions executed through those brokers on behalf of the investment manager's clients.

Firm is authorized to pay higher prices for the purchase of securities from or accept lower prices for the sale of securities to brokerage firms that provide it with such investment and research information or to pay higher commissions to such firms if Firm determines such prices or commissions are reasonable in relation to the overall services provided. Research services furnished by brokers may include written information and analyses concerning specific securities, companies or sectors; market, financial and economic studies and forecasts; statistics and pricing or appraisal services; discussions with research personnel; and invitations to attend conferences or meetings with management or industry consultants. Firm is not required to weigh any of these factors equally. Information so received is in addition to and not in lieu of services required to be performed by Firm, and Firm's fee is not reduced as a consequence of the receipt of such supplemental research information. Research services provided by broker/dealers used by clients may be utilized by Firm or its affiliates (including other investment funds managed by such persons) in connection with other investment activities. Since commission rates in the United States are negotiable, selecting brokers on the basis of considerations which are not limited to applicable commission rates may at times result in higher transaction costs than would otherwise be obtainable.

In addition to research services, Firm may be offered other non-monetary soft dollar benefits by broker/dealers that it may engage to execute securities transactions on behalf of clients. These benefits may take the form of special execution capabilities, clearance, settlement, online pricing, block trading and block positioning capabilities, willingness to execute related or unrelated difficult transactions in the future, order of call, online access to computerized data regarding clients' accounts, performance measurement data, consultations, economic and market information, portfolio strategy advice, industry and company comments, technical data, recommendations, general reports, efficiency of execution and error resolution, the availability of stocks to borrow for short trades, custody, record keeping and similar services. These other services may also include payment of all or a portion of Firm's administrative costs and expenses of operation, such as

newswire and quotation equipment and services (e.g., Reuters, Bloomberg, etc.); data processing charges; computer equipment (e.g., computer hardware, software, PDAs, LANs, etc.) and related technical support, repair and maintenance; telephone and facsimile lines and charges and related equipment, installation, repair and maintenance costs; account record-keeping, administration and related clerical services; expenses incurred in connection with investigating and researching issuers of securities and attending research conferences (e.g., airfare, car rentals, taxi fares, conference fees and related expenses, hotel accommodations and meals); consulting services; legal and accounting fees; and other reasonable expenses as determined by Firm.

The foregoing benefits may be available for use by Firm in connection with transactions in which the client will not participate. The availability of these benefits may influence Firm to select one broker rather than another to perform services for the client. Nevertheless, Firm will attempt to assure either that the fees and costs for services provided to the client by brokers offering these benefits are reasonable in relation to the fees and costs charged by other equally capable brokers not offering such services or that the client also will benefit from the services.

Firm has the option to use “soft dollars” generated by the client to pay for the research and non-research related services described above. The products and services available from brokers include both internally generated items (such as research reports prepared by employees of the broker) as well as items acquired by the broker from third parties (such as quotation equipment). Section 28(e) of the Exchange Act provides a “safe harbor” to investment managers who use soft dollars generated by their advised accounts to obtain investment research and brokerage services that provide lawful and appropriate assistance to Firm in the performance of investment decision-making responsibilities.

In the event Firm elects to use its soft dollars for payment of all or a portion of Firm’s administrative costs and expenses of operation, as described above, such uses of soft dollars are not within the safe harbor afforded by Section 28(e) of the Exchange Act.

The use of brokerage commissions to obtain investment research services and to pay for the administrative costs and

expenses of Firm creates a conflict of interest among Firm, on one hand, and the client on the other, because the client pays for such products and services that are not exclusively for the benefit of the client and that may be primarily for the benefit of Firm or its affiliates. In addition, the availability of these non-monetary benefits may influence Firm to select one broker rather than another to perform services for the client.

Firm is responsible for all decisions related to commission allocations to brokerage accounts. The Chief Compliance Officer serves as the control point for all decisions relating to the documentation of soft dollar transactions and the products received and their uses, in addition to reviewing soft dollar arrangements and transactions on a monthly basis.

- (a) When Firm uses client brokerage commissions (or markups or markdowns) to obtain research or other products or services, Firm receives a benefit because Firm does not have to produce or pay for the research, products or services. **Please refer to Item 12.(A)(1).**
- (b) Firm may have an incentive to select or recommend a broker-dealer based on Firm's interest in receiving the research or other products or services, rather than on clients' interest in receiving most favorable execution. **Please refer to Item 12.(A)(1).**
- (c) Firm may cause clients to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for soft dollar benefits (known as paying-up). **Please refer to Item 12.(A)(1).**
- (d) Firm may use soft dollar benefits to service all clients. Firm seeks to allocate soft dollar benefits to clients proportionately to the soft dollar credits the accounts generate. **Please refer to Item 12.(A)(1).**
- (e) The types of products and services Firm or any related persons acquired with client brokerage commissions (or markups or markdowns) within Firm's last fiscal year were: **Please refer to Item 12.(A)(1).**

- (f) The procedures Firm used during its last fiscal year to direct transactions to a particular broker-dealer in return for soft dollar benefits Firm received were: **Please refer to Item 12.(A)(1).**

2. Brokerage for Client Referrals:

- (a) The procedures used during the last fiscal year to direct client transactions to a particular broker-dealer in return to client referrals were: **None.**
- (b) Firm reserves the right to pay a fee or commission, in its sole discretion, to brokers or other persons who introduce clients to Firm, provided that any such fee or commission will be paid solely by Firm or its affiliates and no portion thereof will be paid by clients. As a result, Firm may have an incentive to select or recommend a broker based on Firm's interest in receiving client referrals rather than on clients' interest in receiving most favorable execution. Because such referrals, if any, are likely to benefit Firm but will provide an insignificant (if any) benefit to clients, Firm will have a conflict of interest with clients when allocating client brokerage business to a broker who has referred investors to a client and/or the Partnership. To prevent client brokerage commissions from being used to pay referral fees, Firm will not allocate client brokerage business to a referring broker unless Firm determines in good faith that the commissions payable to such broker are not materially higher than those available from non-referring brokers offering services of substantially equal value to clients.

3. Directed Brokerage:

- (a) Firm does not recommend, request, or require a client to direct Firm to execute transactions through a specified broker-dealer.
- (b) Firm does not permit a client to direct Firm to execute transactions through a specified broker-dealer except, for a separately managed account client, if agreed to in the relevant investment management agreement.

- (B) **Aggregation of Orders:** Firm may aggregate purchase and sale orders of securities held by clients with similar orders being made simultaneously for other accounts or entities if, in Firm's reasonable judgment, such aggregation is reasonably likely to result in an overall economic benefit to clients based on an evaluation that clients will be benefited by relatively better purchase or sale prices, lower commission expenses or beneficial timing of transactions, or a combination of these and other factors. In many instances, the purchase or sale of securities for clients will be affected simultaneously with the purchase or sale of like securities for other accounts or entities. Such transactions may be made at slightly different prices, due to the volume of securities purchased or sold. In such event, the average price of all securities purchased or sold in such transactions may be determined, at Firm's sole discretion, and clients may be charged or credited, as the case may be, with the average transaction price.

Allocation of Trades: Firm may at times determine that certain securities will be suitable for acquisition by clients and by other accounts managed by Firm, possibly including Firm's own accounts or accounts of an affiliate. If that occurs, and Firm is not able to acquire the desired aggregate amount of such securities on terms and conditions which Firm deems advisable, Firm will endeavor in good faith to allocate the limited amount of such securities acquired among the various accounts for which Firm considers them to be suitable. Firm may make such allocations among the accounts in any manner which it considers to be fair under the circumstances, including but not limited to allocations based on relative account sizes, the degree of risk involved in the securities acquired, and the extent to which a position in such securities is consistent with the investment policies and strategies of the various accounts involved.

Rebalancing Cross Trades: A cross trade is a trade in which securities are sold or purchased directly between two of the Firm's advisory clients, as opposed to the clients purchasing the securities on the open market. The benefits of a cross trade to the clients are the elimination of brokerage costs. Also, clients may save on market impact costs or adverse movements in the stock due to the trade if it is a large block trade. Custody costs and transfer taxes may also be saved.

Periodically, the Firm may seek to adjust or rebalance investment accounts or portfolios in a manner consistent with investment objectives and strategy by effecting cross trades between or among investment accounts. Rebalancing of an account is usually

necessary as a result of cash inflows or outflows but can be necessitated by other factors, including but not limited to when two clients use the same trading strategy. In such cases, the Firm may use an omnibus account structure to implement the trading. The executions are allocated to the two-sub accounts based on a predetermined fixed ratio in a “pari passu” (i.e. average price) fashion. This predetermined ratio changes in proportion to the cash inflows and outflows from both accounts respectively. When the fixed ratio changes, the Firm rebalances positions in the two sub-accounts so that the new position amounts are consistent with the new allocation ratio.

In effecting such cross trades, the Firm seeks to reduce the transaction costs to its clients of such account adjustments. All such cross trades will be consistent with the investment objectives and policies of each investment account involved in the trades, and will be effected at the closing market price for the security for the day upon which the cross trade is executed. Investment accounts involved in such cross trades will not pay any brokerage commissions or mark ups in connection with the trades, but may pay customary transfer fees (i.e., aggregate ticket charges) that are assessed through any unaffiliated broker dealers through which the trades are affected.

The Firm does not receive any compensation, other than its advisory fees as a result of engaging in a cross trade. The Firm does not sell securities to clients nor does it purchase securities from clients.

Item 13. Review of Accounts:

- (A) Firm will review: (i) all transactions promptly upon completion to assure their accuracy; (ii) valuation information provided by the account custodian on no less than a monthly basis; and (iii) all portfolios for the purposes of rebalancing such portfolios on no less than an annual basis. In addition, all accounts are reviewed in light of emerging trends and developments as well as market volatility. Separate account clients are responsible for keeping Firm informed as to any changes in their personal financial condition. Firm cannot make any material changes to a client’s portfolio if it is not informed of the client’s particular developments.
- (B) The calendar is the main triggering factor of a review of an account, although more frequent reviews may also be triggered by changes in a client’s circumstances, client request, or unusual

market activity. Clients may be contacted periodically by Firm to discuss the management and performance of their Account.

- (C) Regarding the Partnership, monthly, quarterly and/or annual reports covering an account's holdings are sent to the investors, including: (i) annual financial statements of the Partnership audited by an independent certified public accounting firm prepared in accordance with GAAP, (ii) in the discretion of Firm, a periodic letter from Firm discussing the results of the Partnership, (iii) copies of such investor's Schedule K-1 to the Partnership's tax returns, and (iv) other reports as determined by Firm in its sole discretion.

Regarding, separate accounts, Firm shall provide, based on the terms and conditions of the relevant investment management agreements, any or all of the following: (i) real-time execution reports, (ii) transparency and/or "drops" concerning the account, net profits / net losses and other performance data or information reasonably requested, and (iii) other reports as determined by the parties. Firm may provide additional information periodically based on the terms and conditions of the relevant separate account investment management agreements.

All clients are urged to compare account statements they receive directly from custodian brokers with those that they receive from Firm. In the event of any discrepancies between Firm's records and reports for the same periods of custodian brokers, the parties shall promptly endeavor together to reconcile the same and correct any inaccuracies, as appropriate. Firm shall maintain all supporting documentation necessary to conduct a proper reconciliation.

Item 14. Client Referrals and Other Compensation:

- (A) Firm does not receive, from any non-client, any economic benefit associated with advising clients.
- (B) Firm sells interests of the Partnership through broker-dealers, placement agents and other persons and pay a marketing fee or commission in connection with such activities, including ongoing payments, at Firm's own expense (except in circumstances involving directed brokerage). In general, subject to the terms and conditions of the referral agreement, Firm pays the placement agent a portion of the fees that Firm receives from such referred investor. Firm may enter into similar referral arrangements for referrals of separate account clients.

In certain cases, Firm reserves the right to deduct a percentage of the amount invested by an investor in the Partnership to pay sales fees or charges, on a fully disclosed basis, to a broker-dealer or placement agent based upon the capital contribution of the investor introduced to the Partnership by such broker-dealer or agent. Any such sales fees or charges would be assessed against the referred investor and would reduce the amount actually invested by the investor in the Partnership.

Item 15. Custody: Firm maintains client funds and securities at a qualified custodian. As stated above in Item 13, Review of Accounts, custodian will send periodic account statements directly to clients which clients should carefully review. Clients are urged to compare statements that are received from the custodian to statements received directly from Firm. The Partnership's auditor sends annual audited financial statements, prepared in compliance with GAAP, to investors in the Partnership within 120 days after the Partnership's calendar year end.

Item 16. Investment Discretion: Firm has discretionary investment authority over client assets that are managed by Firm. Please refer to Items 4.(C) and 8.(A) for additional information related to Firm's investment guidelines.

Item 17. Voting Client Securities – Proxy Policy:

(A) Firm uses reasonable judgment to vote proxies in a manner it determines is in the best interest of its clients. Firm monitors corporate actions of those securities it has purchased on behalf of its clients. Receipt of proxy materials is logged into a proxy control sheet. Proxy votes will generally be submitted electronically but may be submitted by mail. A record of the proxy votes cast will be made and retained by Firm. Investors in the Partnership can obtain information on how the proxies were voted and a detailed description of Firm's policies and procedures regarding proxy voting by requesting such information from the Chief Compliance Officer.

(B) Firm intends to follow the proxy described in Item 17.(A), above.

Item 18. Financial Information:

(A) Firm does not solicit prepayment of more than \$1200 in fees per client, six months or more in advance.

- (B) Because Firm has discretionary authority over and/or custody of client funds or securities, Firm has disclosed, as follows, any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients: **None.**
- (C) Firm has not been the subject of a bankruptcy petition during the past ten years.

Item 19. Requirements for State-Registered Advisers: Not applicable