



## **CARTICA MANAGEMENT, LLC**

1775 Eye Street, N.W., Suite 800

Washington, DC 20006

(202) 741-3677

[www.carticacapital.com](http://www.carticacapital.com)

**This brochure provides information about the qualifications and business practices of Cartica Management, LLC. If you have any questions about the contents of this brochure, please contact C. Brian Coad, CCO at [bcoad@carticacapital.com](mailto:bcoad@carticacapital.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

**Additional information about Cartica Management, LLC, also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

Date: December 11, 2012

## Table of Contents

I.	Advisory Business .....	1
II.	Fees and Compensation .....	2
III.	Performance-Based Fees and Side-By-Side Management .....	3
IV.	Types of Clients .....	3
V.	Methods of Analysis, Investment Strategies and Risk of Loss.....	4
VI.	Disciplinary Information.....	20
VII.	Other Financial Industry Activities and Affiliations.....	20
VIII.	Code of Ethics, Participation in Client Transactions and Personal Trading .....	21
IX.	Brokerage Practices .....	22
X.	Review of Accounts .....	24
XI.	Client Referrals and Other Compensation .....	24
XII.	Custody .....	24
XIII.	Investment Discretion .....	24
XIV.	Voting Client Securities .....	25
XV.	Financial Information.....	25

## I. Advisory Business

Cartica Management, LLC (the “Adviser”) is a Delaware limited liability company that has been in the investment management business since 2009. The Adviser is owned in equal parts by Teresa C. Barger and Steven J. Quamme.

The Adviser provides investment supervisory services to private investment funds which are offered exclusively to sophisticated investors, and may provide investment supervisory services for separately managed accounts for sophisticated institutional and high net worth investors. Each of these funds has the same strategy of investing in companies located or domiciled in certain EM countries and in companies that might benefit from improvements in corporate governance. The private investment funds managed by the Adviser generally are each referred to as a “Fund” and collectively as the “Funds.” The Adviser has complete discretion with respect to all investment decisions made for the Funds, and also with respect to the selection of brokers, dealers and other counterparties for such transactions, and the amount of commissions or other compensation to be paid by the Funds. The Adviser provides investment advisory services to the Funds, based on the particular investment objectives and strategies described in the applicable Fund’s offering documents.

The Adviser has imposed certain investment guidelines with respect to the Fund. It may not (1) invest more than 20% of AUM in any one issuer, (2) invest more than 10% of AUM in a private (i.e., non-listed company), or (3) invest in any company whose principal place of business is not in a country that is not part of either the FTSE Advanced Emerging Countries and FTSE Secondary Emerging Countries lists (as they change from time to time).

In the future the Adviser may in its discretion manage other funds or accounts with different objectives, higher or lower fees, and different fee structures than the Funds. These services may be provided on a discretionary or non-discretionary basis, as set forth in a written investment advisory agreement. These services may involve any or all of the following, as set forth in the applicable contract: discretionary purchases and sales of securities and other financial instruments; recommendations of specific securities for purchase or sale by the account consistent with the particular client’s investment objectives and strategies; placing orders for the purchase or sale of investment instruments with brokers, dealers and other counterparties selected by the Adviser or the client; and reports and commentary on the market and the performance of the client’s account.

Funds and separately managed accounts are sometimes referred to together as “Clients.”

**All discussions of the Funds in this brochure, including but not limited to their investments, the strategies used in managing the Funds, the fees and other costs associated with an investment in the Funds, and conflicts of interest faced by the Adviser and its affiliates in connection with management of the Funds are qualified in their entirety by reference to each Fund’s respective confidential offering memorandum (if any) and governing documents (referred to collectively as “offering documents”).**

We manage each product with one strategy of investing. Each fund has the same strategy of investing in companies located or domiciled in certain EM countries and in companies that might benefit from improvements in corporate governance.

As of January 31, 2012, the Adviser had approximately \$367 million of assets under management managed on a discretionary basis and approximately no assets under management managed on a non-discretionary basis.

## **II. Fees and Compensation**

The fees and expenses associated with an investment in the Funds are described in detail in each Fund's offering documents. In the future we may, in our discretion, manage other funds or accounts with higher or lower fees, different fee structures, and different expense payment arrangements, than the Funds. The fees we charge for managing separately managed accounts are negotiable, and will be described in each Client's investment advisory agreement with us.

The Adviser offers investment advisory services to the Funds for a percentage of assets under management. The Adviser receives an annual management fee equal to 1.5% of assets under management, paid quarterly in advance plus an incentive fee based upon performance over the index. The management fee paid on the capital account of a particular investor may be reduced in exchange for very large capital commitments. In addition, an affiliate of the Adviser may receive an incentive allocation fee from the Funds equal to 20% of increase in net asset value to the extent the increase exceeded performance of the FTSE benchmark (or for certain funds, the MSCI EM benchmark) for the Funds. Incentive allocation fees are measured as of December 31 of each year, paid annually, and generally not negotiable.

Each Fund is responsible for all direct expenses related to its respective operations and activities, including all expenses associated with its investment portfolio. Each Fund pays its expenses directly or reimburses the Adviser or its affiliates, as instructed, for expenses paid on its behalf. The direct expenses incurred by each Fund vary depending on the nature of the operations and activities of such entity and are described in detail in each Fund's offering documents.

The Funds will incur brokerage and other transaction costs. Section IX further describes the factors that we consider in selecting or recommending broker-dealers for Client transactions and determining the reasonableness of their compensation (e.g., commissions).

Each Fund's asset value, as of any date of determination, is the value of its assets minus its liabilities as determined by the Adviser in accordance with the Fund's governing documents and generally accepted accounting principles, but is not reduced by any incentive allocation accrued but not yet made. The Adviser is responsible for determining the fair market value of each Fund's investment instruments. In doing so, the Adviser has considerable discretion in valuing certain privately-placed and less liquid investment instruments. The Adviser has adopted pricing methodologies for the valuation of the Funds' investment instruments as described in each

Fund's governing documents. Valuation determinations will affect a Fund's performance reporting and fee calculations. The Adviser generally will face a conflict of interest involving valuation of investment instruments because these values generally will affect its compensation. The Funds may retain third parties to verify the Adviser's methodology for determining fair market values and to conduct independent price verification exercises.

No person receives compensation for the sale of securities.

### **III. Performance-Based Fees and Side-By-Side Management**

The Adviser receives an incentive allocation from each Fund as described above. The incentive allocation is not subject to the requirements of Section 205(a)(1) of the Investment Advisers Act of 1940 ("Advisers Act") or Rule 205-3 there under due to the nature of the Funds and their investors. The specific terms governing the calculation and use of the incentive allocation are described in detail in the offering documents applicable to each Fund. The capital accounts or shares of certain investors, which may include the Adviser, its affiliates and their personnel, may not be charged an incentive allocation. The incentive allocation generally may give the Adviser an incentive to engage in more speculative investment strategies in an effort to maximize a Fund's gross profits and receive greater compensation. If the Adviser manages other accounts in the future that do not pay incentive allocations, such fee arrangements may create an incentive to favor higher fee paying accounts over those accounts in the allocation of investment opportunities. The Adviser has procedures designed and implemented to ensure that all clients are treated fairly and equally, and to prevent this conflict from influencing the allocation of investment opportunities among clients.

All members of the senior investment team share in the incentive fees, if any.

### **IV. Types of Clients**

The Adviser provides investment advisory services to the Funds, and may in the future provide services to other private investment funds, individuals, and pension and profit sharing plans. The minimum capital commitment of an investor in Funds is \$10 million, although the funds' general partner or board of directors may, in their sole and absolute discretion, accept subscriptions for capital commitments of lesser amounts (subject always to a minimum amount of not less than \$100,000).

## V. Methods of Analysis, Investment Strategies and Risk of Loss

The Adviser's security analysis methods include fundamental and technical methods. The main sources of information the Adviser uses include financial news and data providers, inspections of corporate activities, research materials prepared by others; annual reports, prospectuses, filings with the local regulatory authorities; and company press releases. The investment strategies used to implement any investment advice given to clients include long-term purchases (securities held at least a year) and short-term purchases (securities sold within a year). Investing in securities involves risk of loss that clients should be prepared to bear.

The Adviser's research team conducts continual reviews of market and other conditions within emerging markets. Using the results of such reviews, the Adviser's senior management selects those target markets and sectors that it judges at any point in time to be more likely to generate the best investment prospects for the Funds' strategy. The Adviser maintains a short list of focus countries, the composition of which will change from time to time as market conditions vary. Notwithstanding the maintenance of the Adviser's focus list of countries, investment ideas from non-target markets will likely be presented to the Funds frequently. Such ideas will arise as a natural spill-over of research and contacts in the focus countries, the broad scope of the Adviser's network, and the Adviser team's sectoral research efforts. All investment ideas consistent with the Adviser's strategy will be considered, regardless of whether they originate from a current target market. The Adviser's company-specific research and financial models will be documented and shared among all professionals of the Adviser. Careful archiving of investment updates and memoranda on the Adviser's intranet allows all of its staff instant access to the firm's latest views on market, company and sector developments and creates a more seamless research process as the investment staff expands in the future.

The Adviser's approach is to identify value investment opportunities with both a top-down research approach and a bottom-up market intelligence approach and the actions the Adviser's team will take to restore or enhance value in those companies in which the Funds invest. The Adviser's initial analysis, which continually deepens over the course of an investment, consists of two parts: (1) fundamental/financial analysis; and (2) value addition and corporate governance scrutiny.

*Investments in the strategies managed by the Adviser entail significant risks and are suitable only for sophisticated individuals and institutions for whom such investments do not represent a complete investment program and who fully understand and are capable of bearing the risks of such investments. Prospective investors and client should carefully consider the following risk factors.. Risks include, but are not limited to, the following:*

### **General**

#### ***No Assurance of Investment Return***

An investment in the Funds requires a long term commitment with no certainty of return. The Funds' task of identifying and evaluating investment opportunities, managing such

investments and realizing a significant return for investors is difficult. Many organizations operated by persons of competence and integrity have been unable to make, manage and realize on such investments successfully. There is no assurance that the Funds will be able to generate returns for its investors or that the returns will be commensurate with the risks of investing in the type of companies and transactions described herein. An investment in the Funds should only be considered by persons who can afford a loss of their entire investment. Any past performance of persons or investment entities associated with the Funds' investment adviser and its affiliates is not necessarily indicative of the Funds' future results and may not be construed as an indication of future results of an investment in the Funds. The equity investments that the Funds intend to make and the investment strategy that the Funds intend to pursue are different in significant respects from the investments previously made by certain members of the Funds' investment adviser and the investment strategies they have previously pursued. There can be no assurance that projected or targeted returns for the Funds will be achieved.

### ***“Master-Feeder” Fund Structure***

The Funds may invest in whole or in part through a “master-feeder” structure. The “master—feeder” fund structure presents certain risks to investors. In such case, the Funds will not own its portfolio investments directly but will be an investor in such Master Fund, managed by the Funds' investment adviser, which will make portfolio investments. The Funds will not control any Master Fund. The Master Fund would incur expenses and liabilities that would be paid by the Funds prior to making distributions to the Funds. In the event a “master-feeder” structure were used, the Funds might be materially affected by the actions of other feeder funds investing in such Master Fund. A Master Fund might be a single entity and its creditors might enforce claims against all assets of such Master Fund. In addition, to the extent the Funds' assets are invested in a Master Fund, certain conflicts of interest may exist due to different tax considerations applicable to the Funds and other feeder funds.

### ***IRS Challenge***

Although none are anticipated, the Funds may, from time to time, take tax positions that may be subject to challenge by the Internal Revenue Service (the “IRS”). If the IRS does challenge such a position and is successful, there may be substantial retroactive taxes, plus interest and possibly penalties.

### ***Relational Investing Strategy; Risks of the Partnership's Investment Strategy***

The success of the Funds' relational investing approach may require, among other things: (i) that Adviser properly identify companies whose equity prices can be improved through improvements in corporate governance; (ii) a positive response by majority shareholders and management to Adviser's relational investing approach and engagement on corporate governance issues; and (iii) constructive cooperation among majority shareholders, other shareholders, management and others to successfully implement the

corporate governance improvements sought by the Funds; and (iv) a positive response by the markets to any actions taken by portfolio companies to improve their corporate governance in response to the Adviser's engagement. None of the foregoing elements can be guaranteed to succeed. Majority shareholders, other shareholder, management and others may take steps to resist governance improvements which may have the effect of eroding, rather than enhancing, shareholder value.

### ***Long-Term Investment and Illiquid Securities***

Capital and profits, if any, from an investment of the Funds generally will only be realized upon the partial or complete disposition of that investment. While an investment may be sold at any time, the Adviser expects to hold investments for a period of years. In addition, in some cases the Funds may be prohibited by contract from selling certain securities for a period of time. It is unlikely that there will be public markets for some of the securities held by the Funds at the time of their acquisition by the Funds. In addition, organized securities markets in many Emerging markets are still in an early stage of development, and there can be no assurance that secondary markets will develop to the point that they provide liquidity for the Funds' investments. Reduced secondary market liquidity may impede the Funds, the general partner or the Adviser's ability to value the Funds' investments or to sell them at desirable prices.

### ***Concentration of Interests; Withdrawal by CalPERS***

Interests in the funds may be held by a relatively small number of investors, including CalPERS, who has made a substantial commitment to the CalPERS Funds. As a result, it may be possible for CalPERS or a small group of investors to heavily influence or control any vote of investors or the Advisory Committee. In addition, if CalPERS withdraws its investment in the CalPERS Funds, the Funds may not be able to replace that capital which may affect the Funds' and the Adviser's ability to locate investments that are consistent with the Funds' investment strategy or criteria.

### ***Minority and Non-Controlling Investments***

The Funds intend to invest in minority non-controlling positions of portfolio companies. As a result, the Funds typically will have a limited ability to exert significant influence over its portfolio companies. In such cases, the Funds will be significantly reliant on the existing management and board of directors of such companies, which may include representation of other investors with whom the Funds are not affiliated and whose interests may conflict with the interests of the Funds. Because the Funds generally will hold non-controlling interests in portfolio companies, the Funds will have a limited ability to create additional value in portfolio companies by effecting changes in the strategy and operations of these companies or to protect its positions in such portfolio companies.



***Availability of Suitable Investments***

There can be no assurance that investments will be available for the Funds' investment activities or that available investments will meet the Funds' investment criteria. Changes in various factors (including, among others, general economic conditions, general political conditions, securities markets conditions, tax burdens or domestic or foreign instability) may also adversely affect the availability of suitable and attractive investment opportunities. Accordingly, no assurance can be given that the Funds will be able to locate suitable investment opportunities in which to deploy the Funds' capital. The activity of identifying, completing and successfully disposing of attractive strategic minority investments is competitive and involves a high degree of uncertainty.

Furthermore, the Adviser cannot provide assurance that it will be able to choose, make and realize investments in any particular company or portfolio of companies. Purchasers of interests or shares will not have an opportunity to evaluate for themselves the relevant economic, financial and other information regarding the investments to be made by the Funds and, accordingly, will be dependent upon the judgment and ability of the Funds and the Adviser to identify suitable investments. The Funds may make investments which the Funds' general partner or board of directors ultimately determines would not benefit from the application of the relational investing approach, and thus there can be no assurance that the Adviser will implement the Funds' intended investment strategy with respect to any portfolio investment.

***Headline; Reputational Risk***

The Funds expect to take significant minority positions in some publicly traded companies. The Funds and the general partner may not always be successful in effecting corporate governance changes in such companies. As a result, the Funds may become associated publicly, in newspaper headlines or elsewhere, with companies that continue to have poor corporate governance or that permit related-party transactions or other conflict of interest transactions that may be the subject of negative publicity. Because of a significant holding in such a company, the Funds or the Adviser may also become the subject of negative publicity. Any such negative publicity could adversely affect the Funds' ability to secure additional investment opportunities or work effectively with other companies.

***Dependence on General Partner, Advisor, Key Principals and other Personnel***

The success of the Funds will be highly dependent on the expertise of the general partner, the Adviser, its key principals and other personnel. Subjective decisions made by such parties on behalf of the Funds may cause the Funds to incur losses or to miss profit opportunities on which it may otherwise have capitalized. Moreover, the loss of one or more key principals or other personnel of the general partner or the Adviser could have a material adverse effect on the performance of the Funds. Certain of the Funds' investments may be structured on terms negotiated by the general partner, the Adviser or its key principals. If the general partner, Adviser or the key principal involved with a particular investment resigns or is otherwise no longer affiliated with the Funds, such

investment might be terminated, which may have an adverse impact on the Funds' investment performance. In addition, some of these persons may devote substantial amounts of business time to other funds managed by the Adviser or business activities of affiliates of the Adviser.

***Unspecified Investments; Reliance on the General Partner and Advisor; Modification of Investment Approach***

A purchaser of interests or shares must rely upon the ability of the general partner or Adviser to identify investments consistent with the Funds' investment objectives and policies. The general partner and the Adviser will have exclusive responsibility for the Funds' activities, and, other than as may be set forth herein and in the Funds' offering documents or agreements, investors will not be able to make investment or any other decisions in the management of the Funds. Investors will be relying on the ability of the Adviser to select the investments to be made using the capital available to the Funds. While the Adviser intends generally to apply the investment strategy and investment process described herein to the Funds' portfolio investments, the Funds may pursue a wide variety of public equity investment strategies and may modify or depart from their investment process, approach, techniques and procedures as they determine appropriate to accomplish the Funds' investment objectives. In addition, the Funds may deviate from the primary strategy described herein in limited situations where the Adviser believes such deviation is necessary to preserve existing or remaining value in the Funds' portfolio.

***Mandatory Withdrawals***

The Funds' general partner or board of directors may cause the withdrawal of all or any part of the shares or interests of any investor from the Funds at any time. In such cases the investor could receive substantially less than the amount of its capital contribution.

***Distributions in Kind***

The Funds may, in the discretion of the Funds' general partner or board of directors, distribute to investors securities and other Funds assets in kind from the investments attributable to the interests or shares. These securities and assets may be illiquid, and there can be no assurance that investors will be able to dispose of such investments or that the value of such investments as determined by the Funds for the purpose of the calculations of distributions ultimately will be realized. Occasionally, an investor's ability to receive distributions in kind may be limited or prohibited by ERISA.

***Hedging Policies/Risks***

The Funds may, directly or indirectly, in some circumstances employ hedging techniques designed to reduce the risks of adverse movements in currency exchange and other factors (including risks associated with the use of derivative instruments). While such transactions may reduce certain risks, such transactions themselves may entail certain

other risks. Thus, while the Funds may benefit from the use of these hedging mechanisms, unanticipated changes in interest rates, securities prices, currency exchange rates and other factors may result in a poorer overall performance for the Funds than if they had not entered into such hedging transactions.

***Risks associated with the use of an Index***

The incentive allocation paid to an affiliate of the Adviser will be tied to either the FTSE All World Emerging Index (the “FTSE Index”) or the MSCI EM Index, as the case may be. Consequently, the Funds may have an incentive to take on different or greater risk in order to surpass the FTSE Index and ensure payment of the incentive allocation. The FTSE Index and the MSCI Index are float-adjusted indices that take into account the currencies of approximately 25 emerging markets. Nonetheless, there is no guaranty that either Index will be sufficiently correlated to the returns of the Funds’ investments to provide a proper form of comparison, which could lead to payment of a disproportionately larger incentive allocation at times.

***Risks Arising from Provision of Managerial Assistance***

The Funds may designate one or more directors to serve on the board of directors of a portfolio company as to which it obtains such rights. The designation of directors and other measures of attempting to exert influence over a portfolio company could expose the assets of the Funds to claims by a portfolio company, its security holders and its creditors.

***Funds Borrowings and Portfolio Company Leverage***

The Funds may borrow money for cash management purposes. The interest expense and other costs incurred in connection with such borrowing may not be recovered by appreciation in the investments purchased or carried. If investment results fail to cover the cost of borrowings, the Funds’ net asset value could decrease faster than if there had been no borrowings. In addition, the Funds’ portfolio companies may have capital structures with significant leverage. Consequently the leveraged capital structure of such portfolio companies will increase their exposure to adverse factors such as rising interest rates, downturns in the economy or deterioration in the business of a portfolio company or its industry, and may impair such companies’ ability to meet their debt obligations.

***Diversification; Concentration***

The Funds’ portfolios could become significantly concentrated in any one issuer, industry, sector, country or geographic region, and such concentration of risk may increase the losses suffered by the Funds. This limited diversity could expose the Funds to losses disproportionate to general market movements if there are disproportionately greater adverse price movements in such industry, sector, country or geographic region.

***Investment in Undervalued Securities***

One of the primary objectives of the Funds will be to invest in the securities of underperforming companies. The identification of investment opportunities in the securities of underperforming companies is a difficult task, and there can be no assurance that such investment opportunities will be successfully recognized or acquired. While investments in the securities of underperforming companies offer the opportunity for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses. Returns generated from the Funds' investments may not adequately compensate investors for the business and financial risks assumed. A prospective investor should be aware that it may lose all or part of its investment in the Funds because the Funds may be forced to sell, at a substantial loss, the securities of underperforming companies that have not achieved projected value. In addition, the Funds may be required to hold such securities for a substantial period of time before realizing their anticipated value. During this period, a portion of the Funds' funds would be committed to the securities purchased, thus possibly preventing the Funds from investing in other opportunities. In addition, the Funds may finance such purchases with borrowed funds and thus will have to pay interest on such funds during such waiting periods.

***Risk Arbitrage***

Some portfolio companies in which the Funds invests may be the subject of mergers, takeovers, bankruptcies, reorganizations, spin-offs, or other special investors. Substantial transactions failure risks are involved in these situations. Certain transactions are dependent on one or more factors to become effective, such as market conditions, shareholder approval, regulatory and other factors. No assurance can be given that the investments in such portfolio companies or proposed transactions will result in profitable investments for the Funds or that the Funds will not incur substantial losses as a result of such investments.

***Risks Relating to Investments in Emerging Markets******Global Economic Conditions and Recent Events***

Various sectors of the global financial markets have been experiencing an extended period of adverse conditions. These conditions have resulted in reduced liquidity, greater volatility, general widening of credit spreads and a lack of price transparency. These difficult global market conditions have adversely affected the market values of equity and other financial assets and these circumstances may continue or even deteriorate further. The short- and long-term impact of these events is uncertain, but could have a material effect on general economic conditions, consumer and business confidence and market liquidity. In light of such recent market turmoil, the Funds or their investments may be adversely affected.

***Emerging Market Investments***

The Funds' portfolios will be invested in securities of emerging markets issuers. Investments in Emerging markets pose currency exchange risks (including blockage, devaluation and non-exchangeability) as well as a range of other potential risks which could include, depending on the country involved, expropriation, confiscatory taxation, political or social instability, illiquidity, price volatility and market manipulation. In addition, less information may be available regarding Emerging markets issuers and emerging market companies may not be subject to accounting, auditing and financial reporting standards and requirements comparable to or as uniform as those of United States companies. Further, emerging market securities markets may not be as liquid as more established markets, such as those in the United States and Western Europe. Transaction costs of investing in emerging markets are generally higher than in established markets. Higher costs result because of the cost of converting a non-US currency to dollars, the payment of fixed brokerage commissions on some emerging market exchanges and the imposition of transfer taxes or transaction charges by emerging markets exchanges. There is generally less government supervision and regulation of exchanges, brokers and issuers than there is in established countries. The Funds might have greater difficulty taking appropriate legal action emerging market courts. Emerging markets may also have different clearance and settlement procedures which in some markets have at times failed to keep pace with the volume of transactions, thereby creating substantial delays and settlement failures that could adversely affect the Funds' performance, which could in turn adversely affect the performance of the Funds. Finally, special investments are also more difficult than in more established markets and have the additional risks described above.

***Political Risks***

The political systems of many countries in the emerging markets have been undergoing a variety of transitions to more representative forms of government. The developing political systems of emerging markets countries are susceptible to civil and ethnic unrest and wars, popular dissatisfaction with privatization efforts, abrupt changes in political and economic power, and changes in government institutions and policies, any of which could adversely affect private investors. The process of political development is ongoing, and investors should bear in mind that the final outcome is unpredictable.

Actions in the future of one or more of the governments of the countries in the Emerging Markets could have a significant effect on the economy of such country, which could in turn adversely affect private sector companies, market conditions, and prices and yields of securities in the Funds' portfolios. Political and economic instability in emerging markets could adversely affect the Funds' Investments. An investment in the Funds is speculative and involves the potential loss by an investor of the entire amount invested in the Funds. The Funds do not intend to obtain political risk insurance.

***Economic Risks***

The economies of the countries in certain emerging markets are experiencing a transition from central planning to market systems. The extent of the success of economic reform is difficult to evaluate. Information relating to these economies is often incomplete, contradictory, or absent. Abrupt changes of policy with regard to taxation, the governments' fiscal and monetary policies, currency repatriation, and other economic regulations are also possible, including expropriation, nationalization, confiscation of assets, or changes in legislation regarding the permissible share of foreign ownership of local enterprises. Such changes could have an adverse effect on the Funds' investments.

Many businesses in emerging markets have only a very recent history of operating within a market-oriented economy. Relative to companies operating in more highly developed economies, companies in emerging markets are characterized by a lack of (i) experienced management, (ii) modern technology, and (iii) a sufficient capital base with which to develop and expand their operations. It is unclear what will be the effects, if any, on local companies as the countries in emerging markets attempt to move toward a more market-oriented economy.

***Legal / Regulatory Risk; Securities Market Regulation***

Countries in the emerging markets often lack a fully developed legal system and the body of commercial law and practice normally found in countries with more sophisticated market economies. Local laws affecting foreign investment and business continue to evolve, with respect to substance as well as interpretation - at times in an uncertain and even arbitrary manner which may not coincide with accepted practices in developed countries. Laws and regulations, in particular those concerning foreign investment and taxation, may change quickly and unpredictably. Inconsistencies and discrepancies among the vast number of local, regional, and national laws; the lack of judicial or legislative guidance on unclear or conflicting laws; and broad discretion on the part of government authorities implementing the laws produce additional legal uncertainties. There can be no assurance that the Funds will be able to operate in a stable regulatory environment. The burden of complying with conflicting and capricious laws may have a material adverse impact on the operations of the Funds.

Even where substantial revisions have been made to commercial laws in emerging market countries, the judicial and administrative procedures have not always been efficient. Courts in emerging markets lack experience in commercial dispute resolution, and many of the procedural remedies for enforcement and protection of legal rights typically found in more developed jurisdictions are not available in such countries. The extent to which local parties and entities, including local governmental agencies, will recognize the contractual and other rights of the parties with which they deal is uncertain. The Funds may therefore be unable to protect and enforce its rights against local governmental and private entities. The Funds may also encounter difficulties enforcing judgments of foreign courts in emerging markets, or courts of emerging markets in foreign

jurisdictions. Further situations may arise in which legal actions are pursued in multiple jurisdictions.

Due to differing regulations, public disclosure and reporting requirements, accounting, auditing and financial reporting standards, and government supervision and regulation of securities exchanges, brokers, and issuers may be less rigorous, and less information about an issuer may be available, than in an Investor's home country. As a result, market prices for securities may be subject to manipulation to a greater extent than in an Investor's home country.

The securities markets in many of the emerging markets in which the Funds invest may be in the early stages of development and government supervision and regulation of the securities markets may be significantly less well developed than in many free market economies. As a result, the risks of fraudulent market practices are higher than those in more highly regulated markets. In addition, regulatory controls and corporate governance of companies in Emerging Markets confer little protection on minority shareholders. Anti-fraud and anti-insider trading legislation is often rudimentary. The concept of fiduciary duty to shareholders by officers and directors is also limited when compared to such concepts in developed markets. In certain instances management may take significant actions without the consent of shareholders and anti-dilution protection also may be limited. No assurance can be given that regulations addressing such risks will be adopted or, if adopted, will be effectively implemented or enforced.

#### ***Market Risks; Illiquidity; Volatility***

The securities markets in emerging markets are generally characterized by a small number of issuers, heavy concentration of trading in a few equity securities of domestic issuers and/or in a few debt securities issued by the respective ministry of finance or other governmental agencies of such emerging market and trading only in the over-the-counter market in the cases of certain securities and, in many cases, may be susceptible to being influenced by large investors trading significant blocks of securities.

Emerging markets are more likely than developed markets to experience periods of extreme volatility. Such volatility could result in substantial losses for the Funds.

#### ***Costs of Emerging Markets Investments***

Trading and trading-related costs, such as bid-offer spreads, commissions and price sensitivity to trading volume, in emerging markets are generally higher as compared to such costs in developed markets.

#### ***Investment Controls***

Restrictions or controls may at times limit or preclude foreign investment in certain emerging markets and increase the costs and expenses of the Funds. Certain emerging markets require governmental approval prior to investments by foreign persons, limit the

amount of investment by foreign persons in a particular issuer, limit the investment by foreign persons only to a specific class of securities of an issuer that may have less advantageous rights than the classes available for purchase by those domiciled in such countries and/or impose additional taxes on foreign investors. Certain emerging markets may also restrict investment opportunities in issuers in industries deemed important to national interests. Investments in emerging markets may require governmental approval for the repatriation of investment income, capital or the proceeds of sales of securities by foreign investors. In addition, if a deterioration occurs in an emerging market country's balance of payments, the country could impose temporary restrictions on foreign capital remittances. Portfolio companies could be adversely affected by delays in, or a refusal to grant, any required governmental approval for repatriation of capital, as well as by the application to portfolio companies of any restrictions on investments. Investing in emerging markets may require portfolio companies to adopt special procedures, seek local government approvals or take other actions, each of which may involve additional costs.

### ***Necessity for Counterparty Trading Relationships***

The Funds may establish relationships to obtain prime brokerage services that permit the Funds to trade in any variety of markets or asset classes over time; however, there can be no assurance that the Funds will be able to establish or maintain such relationships. An inability to establish or maintain such relationships could limit the Funds' trading activities, could create losses, preclude the Funds from engaging in certain transactions and prime brokerage services and could prevent the Funds from trading at optimal rates and terms. Moreover, a disruption in the prime brokerage services provided by any such relationships before the Funds establish additional relationships could have a significant impact on the Funds' business due to the Funds' reliance on such counterparties.

### ***Emerging Markets Counterparty Risks***

Custodial, settlement and clearing services in many emerging markets are also not as highly developed as those that exist in more developed countries, and the banking institutions that fulfill custodial roles are not subject to as high a degree of supervision, or supervision by as highly trained personnel, as are their counterparts in the United States and Western European countries. Delays in transfers by banks may result as may liquidity crises and other problems arising as a result of the under-capitalization of the banking sector as a whole. A general banking crisis in any of the emerging markets in which the Funds invests would have a material adverse effect on the Fund.

In addition, fewer institutions enter into transactions in the emerging markets than in developed international financial markets. Many of those institutions are themselves located in the emerging markets and/or are below investment grade. The Funds may enter into transactions to purchase and/or sell emerging market investments with many such institutions. In addition, the period between the commitment to a transaction and the settlement of a transaction in emerging markets is often substantially longer than the period for the settlement of a transaction in other types of investments, and the



documentation involved is often substantially more complex. Therefore, the Funds' exposure to loss in the event of default by its counterparty or counterparties in such transactions may be highly concentrated and significant.

### ***Crime and Corruption***

Organized crime and corruption at official levels, including extortion and fraud, remain common in emerging markets. Property and employees of the Funds may be targeted as potential victims of theft, violence, or extortion. Threats or incidents of crime may cause or force the Funds to cease or alter certain activities or liquidate certain investments, which may cause losses or otherwise have a material adverse effect on the Funds.

### ***Environmental Risks***

The Funds may face a significant environmental liability in connection with their investments in companies in emerging markets. The poor enforcement of environmental regulation in some emerging markets has led to widespread pollution of air, ground, and water resources. The legislative framework for environmental liability has not been fully established or implemented. The extent of the responsibility, if any, for the costs of abating environmental hazards may be unclear when the Funds are considering an investment. The Funds may experience material losses due to these risks.

There can be no assurance that the countries in emerging markets will not impose additional regulations through enactment of new legislation, promulgation of new regulations, or interpretative enforcement actions which would require additional expenditures on environmental matters.

### ***Restrictions on Trade***

Compliance with trade restrictions, including but not limited to quotas, tariffs, customs duties, and other assessments, may significantly increase the cost to portfolio companies of obtaining goods and ultimately reduce the amount that is realized upon the sale of Investments. In addition, delays in obtaining licenses, approvals, and authorizations are common and may adversely affect the operations of portfolio companies.

### ***Uncertain Registration, Settlement, Clearing and Custodial Systems***

From time to time, certain securities markets have experienced operational clearance, settlement, and custody problems which have resulted in failed trades. To the extent such problems occur, the Funds could miss attractive investment opportunities in the event it were unable to consummate securities purchases. Moreover, in the event the Funds were a seller in a trade situation, the market price of the security, which was the subject of the failed trade, could decline after the time the trade was entered into and, if the Funds had entered into a contract with the purchaser of the security, the Funds could have a liability to that purchaser.

In addition, delays and inefficiencies of the local postal, transport, and banking systems could result in missed rights and entitlements, the loss of funds (including dividends), and exposure to currency fluctuations.

### ***Local Intermediary Risk***

Certain of the Funds' transactions may be undertaken through local brokers, banks, or other organizations and the Funds will be subject to the risk of the default, insolvency, or fraud of such organizations. There can be no assurance that any money advanced to such organizations will be repaid or that the Funds would have any recourse in the event of default. The collection, transfer, and deposit of bearer securities and cash expose the Funds to a variety of risks including theft, loss, and destruction. Finally, the Funds will be dependent upon the general soundness of the banking systems in various emerging markets.

### ***Accounting Standards; Limited Availability of Information; Due Diligence***

Accounting standards in emerging markets do not generally correspond to international accounting standards, and national accounting, auditing and financial reporting standards are not consistently employed. The financial information appearing on the financial statements of a company in an emerging market may not reflect its financial position or results of operations in the way they would be reflected if the financial statements had been prepared in accordance with generally accepted international accounting principles. Investors in emerging markets generally have less access to reliable and detailed information than investors in more economically sophisticated countries, including both general economic and commercial information, and information concerning the operations, financial results, capitalization, financial obligations, earnings, and securities of specific enterprises. Western-style business plans, financial projections, and market analyses are usually not available. In addition, the scope and nature of the Funds' due diligence activities in connection with portfolio investments will be more limited than due diligence reviews conducted in more developed economies because, among the other factors listed in this section, (i) certain information is unavailable or prohibitively costly to obtain and/or (ii) the information that is available is generally less reliable and less detailed than financial information that is typically available to investors in Western countries. The lower quality of information in emerging markets increases the likelihood of material losses on Investments. While the Funds and the Adviser will endeavor to conduct appropriate due diligence in connection with each investment, no assurance can be given that they will obtain the information or assurances that an investor in a more sophisticated economy would obtain before proceeding with an investment.

### ***Valuation Constraints***

The Funds may invest in securities that are subject to legal or other restrictions on transfer or for which no liquid market exists. The market prices, if any, for such securities tend to be volatile and the Funds may not be able to sell them when it desires to do so or to realize what it perceives to be their fair value in the event of a sale. The sale

of restricted and illiquid securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets. Restricted securities may sell at a price lower than similar securities that are not subject to restrictions on resale. Because the markets for such securities are still evolving, liquidity in these securities is limited and liquidity with respect to lower-rated and unrated subordinated classes may be even more limited. As a result, calculating the fair market value of the Funds' holdings may be difficult and there can be no assurance that the Adviser's valuation will accurately reflect the value that will be realized by the Funds upon the eventual disposition of such investment. Disposition of such illiquid investments may also result in distributions in-kind to the investors. The Adviser may not necessarily aggregate illiquid investments in classes, and may use valuation methodologies for such assets involving subjective determinations.

### ***Weak Financial Systems; Banking System Risks***

The banking systems of some emerging market countries are subject to three main risks: first, the insolvency of a bank due to concentrated debtor risk; second, a general lack of commercially profitable lines of business that are not dependent on inefficiencies in the local economies; and third, the effect of inefficiency and fraud on bank transfers. In addition, banks have not developed the infrastructure to channel domestic savings to companies in need of finance, which can, as a result, experience difficulty in obtaining working capital.

### ***Foreign Currency and Exchange Rate Risks***

To the extent that the Funds directly or indirectly hold assets in local currencies, the Funds will be exposed to risks of inflation, potential shortages in the supply of hard currency for exchange, and the unpredictability of government policies regarding monetary supply, which may have a material adverse effect on the value of the Funds' investments.

Substantially all investments made by the Funds, and all income and gains received by it, will be denominated in foreign currencies. Changes in foreign currency exchange rates may affect the value of securities in the portfolio, and various emerging markets may employ a managed exchange rate regime. However, while there is evidence in previous crises that certain structural economic policies implemented by governments have at times enabled currencies to recover, there is no certainty that such economic policies will always be implemented nor that they will cause a particular currency to recover.

In addition, the Funds will incur costs in connection with conversions between various currencies. The Funds will conduct their foreign currency exchange transactions in anticipation of funding investment commitments or receiving proceeds upon dispositions, but ordinarily will not attempt to hedge currency risks over the long term.

Repatriation of investment income, capital, and the proceeds from sales of securities by foreign investors, such as the Funds, may require governmental registration and approval in various emerging markets. The Funds could be adversely affected by delays in or a refusal to grant required governmental registration or approval for any such proposed repatriation.

### ***Restrictions on Repatriation of Capital and Profits***

The governments of emerging market countries may control, in varying degrees, the repatriation of investment income, capital and profits that result from foreign investment. Capital markets continue to be highly regulated, and often not transparent and will likely be subject to continuing government restrictions. There can be no assurance that the Funds will be permitted to repatriate capital or profits, if any, over the life of its activities. If governmental registration and approval is required, the Funds could be adversely affected by delays in or a refusal to grant required governmental registration or approval for any such proposed repatriation.

### ***Tax Risks***

The tax law and practice of the countries in emerging markets are not as clearly established as those of developed nations. It is possible, therefore, that the current interpretation of the law or understanding of practice may change or, indeed, that the law may be changed with retrospective effect, including with respect to taxation treaties (or their interpretation) to which countries in the emerging markets are party. Accordingly, it is possible that the Funds and their investors could become subject to taxation in jurisdictions in which portfolio companies are organized, operate, or invest, including taxation that is not anticipated either at the date of this Memorandum or when investments are made, valued, or disposed of. In addition, the local tax burden may be high and the discretion of local authorities to create new forms of taxation may result in a proliferation of taxes, in some cases imposed or interpreted retrospectively.

### ***Other Risks***

#### ***Tax Consequences***

The Internal Revenue Service may audit the Funds and challenge any of the positions taken in regard to its formation, its investments or operations, and such audit may result in an audit of an investor's own tax returns and possibly adjustments to the tax liability reflected thereon.

#### ***Failure to Make Capital Contributions***

If an investor fails to make its required capital contribution or fails to pay when due installments of its commitment to purchase shares of the Funds, and the capital contributions or contributions made by non-defaulting investors and borrowings by the Funds are inadequate to cover the defaulted capital contribution, the Funds may be unable to pay its

obligations when due. As a result, the Funds may be subjected to significant penalties that could materially adversely affect the returns to the investors (including non-defaulting investors). If an investor defaults, it may be subject to various remedies as provided in the subscription documents and agreements, including, without limitation, reductions in the capital account balance or mandatory withdrawal or reductions in the new asset value of the shares, forfeiture or compulsory redemption of some or all of its shares.

### ***Effect of Substantial Withdrawals***

If there are substantial withdrawals from the Funds, in order to provide sufficient funds to pay withdrawals, the general partner or the Fund's board of directors might be required to liquidate positions at an inappropriate time or on unfavorable terms, and the liquidation of a portion of a position may have an adverse effect on the market price of the remaining position. If there are substantial withdrawals on any date, the general partner or the Fund's board of directors may be impaired in its ability to pursue its investment strategies due to the reduced amounts of assets under management. For example, withdrawals may impair the Funds' ability to exert influence over portfolio companies or effectively exercise shareholder rights.

### ***Indemnification; Limitations on Liability of Adviser***

The Funds have been organized as a limited partnership and as a corporation, and any Master Fund will be, organized as a limited partnership. Accordingly, an investor in the Funds or any Master Fund will not be personally liable for the debts of the Funds or such Master Fund, respectively, except that the investors may, under applicable law, be obligated to repay amounts previously received by them to the extent such amounts are deemed to have been wrongfully distributed to them.

The subscription documents contain broad indemnification and exculpation provisions that limit the right of the investors to maintain an action against the general partner or the Fund's board of directors to recover losses or costs incurred by the Funds as a result of actions or failure to act of the general partner or the Fund's board of directors.

### ***Operational Risks***

Operational risks arising from mistakes made in the confirmation or settlement of transactions, from transactions not being properly booked, evaluated or accounted for or other similar disruption in the Funds' operations may cause the Funds to suffer financial loss, the disruption of its business, liability to clients or third parties, regulatory intervention or reputational damage. The Adviser relies heavily on its own (as well as those of its administrators', custodians' and prime brokers') financial, accounting and other data processing systems.

***Systems Risk***

The Funds may rely on computer programs and systems to trade, clear and settle securities transactions, to evaluate certain securities based on real-time trading information, to monitor its portfolio and net capital, and to generate risk management and other reports that are critical to oversight of the Funds' activities. In addition, certain of the Funds' and the Adviser's operations interface with or depend on systems operated by third parties including its custodians, administrators, prime brokers and market counterparties and their sub-custodians and other service providers, and the Funds or Adviser may not be in a position to verify the risks or reliability of such third party systems. These programs or systems may be subject to certain defects, failures or interruptions, including, but not limited to, those caused by worms, viruses and power failures. Any such defect or failure could have a material adverse effect on the Funds. For example, such failures could cause settlement trades to fail, lead to inaccurate accounting, recording or processing of trades, and cause inaccurate reports, which may affect the Funds' ability to monitor its investment portfolio and its risks.

***Side Letters and Other Agreements with Investors***

The Funds or the general partner may enter into separate agreements with certain investors in the Funds, such as those affiliated with the Adviser or those deemed to involve a significant or strategic relationship, to waive certain terms, or allow such investors to invest on different terms than those specifically described in this Memorandum, including, without limitation, with respect to fees, liquidity or depth of information provided to such investors concerning the Funds. Under certain circumstances, these agreements could create preferences or priorities for such investors with respect to other investors in the Funds. To the extent that compliance with any of the provisions of any side letter agreements would cause the Funds, the Adviser or any of their respective affiliates to violate their respective duties or obligations or to violate any applicable laws, any non-compliance with any such provision will not be deemed to be a breach of such written agreements.

**VI. Disciplinary Information**

Information required by this section is not applicable to the Adviser.

**VII. Other Financial Industry Activities and Affiliations**

Information required by this section is not applicable to the Adviser.

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

Cartica has developed a comprehensive code of ethics and will provide a copy of it to any client or prospective client upon request.

The Adviser's research team applies a series of threshold financial screens to identify companies in target markets and sectors that are trading at a substantial discount to their respective peer groups and are also underperforming their peers in other quantitative performance measures (including, for example, return on invested capital, return on assets, return on equity or multiples of EBITDA, tangible net worth, book value, EV/EBITDA, free cash flow, trends in unit price, profit per employee, margin growth or tightening). While the Adviser carefully considers a potential portfolio company's reported earnings, it places even greater emphasis on the company's balance sheet and free cash flow. The Adviser seeks to develop its own view of underlying asset values and asset impairments, and reviews current uses of cash and likely pressures on future cash availability. The Adviser's team also carefully examines the business strategy being pursued by management, the structure of the balance sheet, the use of cash and other issues as described above.

The second part of prospective investment identification involves scrutiny of the sources of undervaluation in investment prospects first identified through fundamental financial analysis. The Adviser team has experience in analyzing multifarious causes of market disfavor. In the case of governance, the Adviser has developed a proprietary process to analyze the relevant characteristics of companies in the Emerging Markets from available data. In the course of such evaluation, the Adviser's team examines data that in its experience may indicate governance shortcomings that are causing operational underperformance and low enterprise valuations. The Adviser scrutinizes company-specific information to identify those undervalued firms that could potentially increase their valuations significantly by implementing governance enhancements tailored to the specific circumstances of the company and its financial market.

The Adviser has in place a comprehensive code of ethics and will provide a copy of it to any client or prospective client upon request. The code's guiding principles are that the Adviser owes a fiduciary duty to its clients and that the Adviser's officers and employees must act always with competence and integrity in dealings with clients and other parties, in particular avoiding activities, interests and relationships that run counter to the best interests of its clients. Drawing from these guiding principles, the code includes specific requirements for the Adviser's officers and employees with respect to, *inter alia*, the following: transactions in securities for their own account; prohibition on trading on material non-public information; outside business activities; business opportunities; loans; dealings with government and industry regulators; political and charitable contributions; use of company property; gifts and entertainment; and recordkeeping.

In addition to its code of ethics, the Adviser has developed the Cartica Principles of Ethical Conduct, which are supplemental to the code of ethics. These Principles of Ethical Conduct recognize the special nature of the Adviser's business, which involves operations across many jurisdictions, markets and business environments. They stress that the Adviser's standards of ethical conduct apply equally across all countries and markets, regardless of possible gaps in

local legislation or practice. In addition, The Principles of Ethical Conduct require the Adviser's officers and employees to always put client interests first, demonstrate respect for other persons and institutions, deal fairly with all counterparties, protect the firm's reputation for integrity and fair dealing, maintain confidentiality, recognize potential conflicts of interest and always conduct themselves in professional manner.

## **IX. Brokerage Practices**

We have complete discretion to determine, subject to each Fund's disclosed investment objectives, policies and strategies, the securities to be purchased or sold and in what amounts, the broker-dealers and other financial intermediaries to use in effecting transactions for the Funds, and the commission rates to be paid for such transactions. A more detailed discussion of how we make use of this authority follows. For other Clients, our discretion to make investment decisions or to select brokers, dealers and other counterparties may be limited by contract.

### ***Brokerage***

The Adviser selects the broker-dealers and intermediaries used to effect transactions on behalf of the Funds, and may select or recommend the selection of broker-dealers as provided in contracts with future Clients. In selecting or recommending broker-dealers to effect portfolio transactions, we may cause a Client to enter into arrangements pursuant to which the Client pays transaction costs in an amount greater than would be incurred if another broker-dealer were used. We are not required to solicit competitive bids or seek the lowest available commission or transaction costs.

The transactions executed by the Clients may be cleared through, and the Clients' investment instruments may be held by, a number of financial institutions selected by the Adviser on terms negotiated with each such financial institution individually. Subject to the terms of the Adviser's agreement with each Client, the Adviser may use a variety of financial institutions both to take advantage of differing expertise and capabilities and to avoid, due to credit as well as confidentiality considerations, having all investment instruments concentrated at one or only a few firms.

### ***Use of Soft Dollars to Obtain Research***

We do not receive any "soft dollar" benefits from any party.

### ***Allocation of Investment Opportunities***

In the event that we have multiple Clients with similar investment objections, we will use reasonable efforts to allocate investment opportunities (including initial public offerings in equity securities) among the Clients in a manner which we deem equitable over time, but there can be no assurance that any Client will participate in any particular investment opportunity on an equal or *pro rata* basis with other Clients. We will consider factors we deem relevant in determining how to allocate investment opportunities among any such Clients, which may



include investment objectives, time horizons, investment strategies, current portfolio holdings and weightings, tax issues, regulatory implications, working capital, risk levels, commissions paid, and other considerations. Certain Clients may be given priority access to certain positions. For certain types of investment products, we may establish pre-defined allocations. As a result, we may determine that certain investments should be made by some and not by other Clients. We may cause certain Clients to participate in the same investments in a different manner from other Clients. Due to the different manner in which they participate, there are different economic consequences to different Clients participating in the same investment opportunity. We may have an incentive to cause investments to be made, managed or realized to advance the interests of a particular Client.

Due to regulatory restrictions, certain Fund investors generally may not be permitted to participate in certain increases and decreases in a Fund's asset value. Consequently, such increases and decreases generally will be allocated entirely to the other investors' capital accounts. As a result of such non-*pro rata* allocations, it is possible that losses attributable to capital accounts that have been reduced to \$0 will deplete other capital accounts.

### ***Aggregation of Trade Orders***

It is possible in the future that we may aggregate the orders of different Clients by executing a single transaction and allocating portions of the resulting position among multiple Clients. We will determine the aggregation and allocation methodologies used. We will also determine whether to aggregate a Client's orders with the orders for other Clients. Although we anticipate that the aggregation of an order would benefit each Client for which the order is aggregated overall, aggregating orders may disadvantage a particular Client. Conversely, not aggregating orders may disadvantage a Client. These allocations will be made so that all Clients and other accounts are treated reasonably and non-preferentially over time. Due to confidentiality concerns, investors and Clients generally will not be permitted to review such allocations.

Clients participating in an aggregated order generally will receive the average price of any transactions executed pursuant to an aggregated order. Aggregated orders and the transaction costs associated with aggregated orders generally are allocated *pro rata* among all participating Clients in accordance with the level of their participation in the order, determined as described in the above section Allocation of Investment Opportunities, but adjustments may be made to such allocations, such as to avoid excessively small allocations, and different allocation methods may be used.

### ***Trading Errors***

In the course of carrying out activities on behalf of a Client, errors in executing specific trading instructions may occur. Examples of trading errors include: (i) buying or selling an investment instrument at a price or quantity that is inconsistent with the specific trading instructions generated by a particular strategy; or (ii) buying rather than selling a particular investment instrument (and vice versa). We will (unless it otherwise determines) treat all trading errors (including those which result in losses and those which result in gains) as for the account of the

Client, except as set forth in a Fund's offering documents or a non-Fund Client's contract with the Adviser.

We purchase securities pro rata for each of our clients. We generally aggregate our purchase and sales of securities and then allocate to each client on a pro rata basis.

## **X. Review of Accounts**

One or more senior members of the Adviser's staff is primarily responsible for reviewing Client investment portfolios and do so periodically either individually or in a group depending upon each Client's needs and the conditions of each market. Portfolio managers perform daily, weekly or monthly reviews of all positions as they deem appropriate, or otherwise as they feel is needed. Reviews may be undertaken because of, among other reasons: changes in market conditions; changes in security positions; or changes in the Adviser's strategy. Performance in connection with investment objectives, security positions and other investment opportunities are among the matters that may be discussed.

The Funds provide in writing to investors audited annual financial statements, periodic unaudited performance reports, and all tax information relating to investments in the Fund necessary for U.S. federal income tax purposes. Other information may be provided as agreed upon with the Client.

## **XI. Client Referrals and Other Compensation**

The Adviser has retained XT Capital to refer certain US-based institutional clients to its funds, subject to a \$10 million minimum. If successful, XT Capital will receive 20% of the fees earned by the Adviser on account of such referral.

## **XII. Custody**

The Funds' funds and securities are held by qualified custodians. As noted in Section X, above, Fund investors receive annual financial statements audited by an independent public accounting firm for the Funds in which they have invested. Fund investors are urged to carefully review such statements. We also receive monthly and annual statements directly from the fund's third party administrators. All client reports come directly from third parties.

## **XIII. Investment Discretion**

We exercise discretion in managing the investments of each Fund, based on the Fund's particular investment objectives, policies and strategies disclosed in its private offering documents.

#### **XIV. Voting Client Securities**

The Adviser is responsible for voting proxies in a timely manner and for the exclusive purpose of providing benefits to the applicable Fund(s). In this regard, the Adviser generally will, consistent with its fiduciary role, seek to enhance the value of the affected Funds portfolio by voting each company proxy in a manner that is designed to maximize the company's stock price.

A copy of the Adviser's proxy voting policies and procedures, as well as, information with respect to how the Adviser voted specific proxies is available upon request. Such request should be sent to the attention of Mike Lubrano, Managing Director, Corporate Governance at [mlubrano@carticacapital.com](mailto:mlubrano@carticacapital.com)

#### **XV. Financial Information**

Information required by this section is not applicable to the Adviser.