

# Disclosure Brochure

March 14, 2012

## **Bronte Capital Management Pty Ltd**

*a Registered Investment Adviser*

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This brochure provides information about the qualifications and business practices of Bronte Capital Management Pty Ltd (hereinafter "Bronte" or "the Firm"). If you have any questions about the contents of this brochure, please contact Simon Maher at +61 2 9389 3293. 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 Bronte Capital Management Pty Ltd is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Bronte Capital Management Pty Ltd is an SEC registered investment adviser. Registration does not imply any level of skill or training.

## Item 2. Material Changes

This Item discusses only the material changes that have occurred to this brochure since Bronte's last annual update dated November 23, 2011. Bronte does not have any material changes to disclose in this Item.

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### Supervised Person Brochure Supplements

## Item 4. Advisory Business

Founded in 2008 by its Directors, Simon D. Maher and John L. Hempton, Bronte is an SEC registered investment adviser providing investment management services to investment limited partnerships and individually managed accounts. The Phelbe Pty Ltd atf Rock Valley Family Trust and Crikey Creek Pty Ltd atf BFWSK Family Trust are the principal owners of Bronte.

Bronte has \$17,600,000 of assets under management as of November 1, 2011, all of which are managed on a discretionary basis.

This Disclosure Brochure describes the business of Bronte. Certain sections will also describe the activities of *Supervised Persons*. *Supervised Persons* are any of Bronte's officers, partners, directors (or other persons occupying a similar status or performing similar functions), or employees, or any other person who provides investment advice on Bronte's behalf and is subject to Bronte's supervision or control.

### Investment Management Services

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Bronte generally provides its discretionary investment management services to the Bronte Capital Callisto Fund LP and the Bronte Cayman Master Fund Ltd. (the "*Private Funds*"), as well as to individually managed accounts on a limited basis. While the *Private Funds* may be referred to as Bronte's client, the term "client(s)" sometimes refers to the investors in the *Private Funds* as well.

The *Private Funds* is a limited partnership engaged primarily in the business of investing and trading in securities. Bronte's affiliates serve as the general partners of the *Private Funds*. Interests in the *Private Funds* are privately offered pursuant to Regulation D under the Securities Act of 1933, as amended. The *Private Funds* currently rely on an exemption from registration under the Investment Company Act of 1940, as amended. Bronte's affiliate has discretionary authority to determine the broker or dealer to be used by the *Private Funds*.

Participation as an investor in the *Private Funds* is restricted to investors that are qualified clients pursuant to the requirements under Rule 205-3 under the Investment Advisers Act of 1940, as well as are "accredited investors" as defined under Rule 501 of the Securities Act of 1933, as amended.

To the extent certain of Bronte's individual advisory clients qualify, they will be eligible to participate as limited partners of the *Private Funds*. Investment in the *Private Funds* involves a significant degree of risk. All relevant information, terms and conditions relative to the *Private Funds*, including the investment strategies, compensation received by Bronte or any affiliate as the general partner and/or investment manager, suitability, risk factors, and potential conflicts of interest, are set forth in the Confidential Private Offering Memorandum (the "*Memorandum*"), Limited Partnership Agreement (the "*Agreement*"), and Subscription Agreement (or comparable documents relevant to non USA jurisdictions) (together, the

"*Offering Documents*"), which each investor is required to receive and/or execute prior to being accepted as an investor in the *Private Funds*.

Bronte will devote its best efforts with respect to its management of both the *Private Funds* and its individual client accounts. Bronte may give advice or take action with respect to the *Private Funds* that differs from that for individual client accounts. To the extent that a particular investment is suitable for both the *Private Funds* and certain individual client accounts, such investments will be allocated between the *Private Funds* and the individual client accounts pro rata based on the assets under management or in some other manner which Bronte determines is fair and equitable under the circumstances to all of its clients.

Bronte ensures that clients' investments are suitable for their investment needs, goals, objectives and risk tolerance. Clients are advised to promptly notify Bronte if there are changes in their financial situation or investment objectives. Prior to engaging Bronte to provide such services, clients will be required to enter into a written agreement with Bronte setting forth the terms and conditions under which Bronte will render its services.

## Item 5. Fees and Compensation

### Investment Management Fee and Performance Fee

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Bronte generally charges the *Private Funds* and individual *qualified clients* a fee based upon a percentage of the market value of the assets being managed by Bronte ("*base fee*"), as well as a performance-based fee ("*performance fee*") in accordance with the requirements set forth in applicable laws, rules, and regulations.

For the *Private Funds*, Bronte's annual *base fee* is 1.50%, which is generally charged quarterly, in advance. The Firm also charges the *Private Funds* a *performance fee* of up to twenty percent (20%) of the net performance subject to a high water mark. The *performance fee* is charged annually, in arrears. As discussed above in Item 4, all relevant information, terms and conditions related to the compensation received by Bronte or an affiliate for providing investment management services to the *Private Funds* are set forth in the *Offering Documents*.

For individually managed accounts, the *base fee* is 1.50% which is generally calculated and charged daily through Interactive Brokers Group, Inc. ("*IB*"). These clients may also be charged a *performance fee* of up to 20% of the net profits (which includes both realized and unrealized gains and losses). The performance fee is charged annually, in arrears.

Bronte's fees are exclusive of, and in addition to brokerage commissions, transaction fees, and other related costs and expenses which are incurred by the client. Bronte does not, however, receive any portion of these commissions, fees, and costs.

Bronte, in its sole discretion, may negotiate to charge a lesser management fee based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, *pro bono* activities, etc.).

### Fees Charged by Financial Institutions

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As further discussed in response to Item 12 (below), Bronte generally recommends that clients utilize the brokerage and clearing services of *IB* for investment management accounts.

Bronte may only implement its investment management recommendations after the client has arranged for and furnished Bronte with all information and authorization regarding accounts with appropriate financial institutions. Financial institutions include, but are not limited to, *IB*, any other broker-dealer recommended by Bronte, broker-dealer directed by the client, trust companies, banks etc. (collectively referred to herein as the "*Financial Institutions*").

Clients may incur certain charges imposed by the *Financial Institutions* and other third parties such as custodial fees, charges imposed directly by a mutual fund or exchange-traded fund in the account, which are disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Additionally, clients may incur brokerage commissions and transaction fees. Such charges, fees and commissions are exclusive of and in addition to Bronte's fee.

Bronte's *Agreement* and the separate agreement with any *Financial Institution(s)* authorize Bronte to debit the client's account for the amount of Bronte's fee and to directly remit that management fee to Bronte. Any *Financial Institutions* recommended by Bronte have agreed to send a statement to the individually managed clients, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to Bronte. Clients may not elect to have the Firm send an invoice to them for payment.

### **Fees for Management During Partial Quarters of Service**

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For the initial period of investment management services, the fees are calculated on a *pro rata* basis.

The *Agreement* between Bronte and the client will continue in effect until terminated by either party pursuant to the terms of the *Agreement*. Bronte's fees are prorated through the date of termination and any remaining balance is charged or refunded to the client, as appropriate.

Clients may make additions to and withdrawals from their account at any time, subject to Bronte's right to terminate an account. Additions may be in cash or securities provided that Bronte reserves the right to liquidate any transferred securities or decline to accept particular securities into a client's account. Clients may withdraw account assets on notice to Bronte, subject to the usual and customary securities settlement procedures. However, Bronte designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives. Bronte may consult with its clients about the options and ramifications of transferring securities. However, clients are advised that when transferred securities are liquidated, they are subject to transaction fees, fees assessed at the mutual fund level (i.e. contingent deferred sales charge) and/or tax ramifications.

## Item 6. Performance-Based Fees and Side-by-Side Management

As discussed in response to Item 5, above, Bronte generally renders investment management services to *qualified clients* and the *Private Funds* for a performance-based fee. This fee arrangement raises conflicts of interest. The performance fee may be an incentive for Bronte to make investments that are riskier or more speculative than would be the case absent a performance fee arrangement. In addition, in the event Bronte charges performance-based fees and also provides similar services to accounts not being charged performance-based fees, there may be an incentive to favor accounts paying a performance-based fee.

Notwithstanding this fact, Bronte has procedures in place to ensure that any recommendations made are in the best interest of clients regardless of whether the client is paying a performance-based fee or different type of fee.



## Item 7. Types of Clients

Bronte generally provides its services to investment limited partnerships and individuals. The Firm may also provide advice to pension and profit-sharing plans, trusts, estates and charitable organizations.

### **Minimum Investment or Minimum Fee**

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Bronte generally does not impose a minimum portfolio size or minimum annual fee. However, there is a minimum investment of \$500,000 for participation in the *Private Funds*. Bronte, in its sole discretion, may accept smaller investments. A description of the minimum investment of the *Private Funds* is described in the *Offering Documents*.

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

### Methods of Analysis

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Bronte's primary methods of analysis are fundamental and cyclical analysis.

*Fundamental analysis* involves the fundamental financial condition and competitive position of a company. Bronte will analyze the financial condition, capabilities of management, earnings, new products and services, as well as the company's markets and position amongst its competitors in order to determine the recommendations made to clients. The primary risk in using fundamental analysis is that while the overall health and position of a company may be good, market conditions may negatively impact the security.

Cyclical analysis is similar to technical analysis in that it involves the analysis of market conditions at a macro (entire market/economy) or micro (company specific) level, rather than the overall fundamental analysis of the health of the particular company that Bronte is recommending. The risks with cyclical analysis are similar to those of technical analysis.

### Investment Strategies

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#### Philosophy

Bronte aims to invest as if it were a talented and wealthy individual (with a team) who can only invest in quoted financial markets and for whom that investment pool represents all of his assets. Bronte is a fundamental investor, not a "trader." The Firm's job is to analyze businesses and invest based on business prospects.

Portfolios are constructed in an effort to avoid catastrophic losses. While losses may occur, the intention is to avoid risks that prejudice ongoing survival. As detailed below, Bronte's philosophy and internal disciplines are intended to generate relative outperformance over the medium to longer-term while preserving capital via long/short portfolio construction and avoiding catastrophic risk.

#### Portfolio Construction

Bronte does not utilize model portfolios. If markets are dramatically expensive, Bronte may double the normal, short positions. If another foreign market is particularly inexpensive, the portfolio may be weighted disproportionately to that foreign market.

#### Stock Selection Process

Bronte's process is a mix of opportunistic investing and systemized stock selection. The largest positions are usually found opportunistically, but the Firm is not averse to systematic methods of generating investment ideas.

Bronte is generally better at systemizing shorts. Systematization is necessary because the Firm tends to have a large number of small, short positions, as described below.

## Long Investments

Bronte currently expects its clients' portfolios to have long ideas that generally fall into two categories:

- Long-term investments – five to eight positions, each with a benchmark of 10% of the portfolio. The Firm strongly believes that despite its extensive involvement in shorting stocks, identifying core long positions will potentially generate the greatest long-term returns.
- Speculative investments – up to five positions, uncorrelated and with a typical maximum position size of 3%.

## Short Investments

Bronte currently expects its clients' portfolios to have short investments that generally fall into three broad categories:

- Fraud shorts – expected to be up to approximately 15% of the portfolio. These positions will likely be small (typically about 1% each, but often as low as 0.25%). Frauds tend to use the same accountants or promoters. Bronte automates searching for stocks in which these individuals are involved. This can be extraordinarily profitable, although Bronte believes it is not prudent to take large positions.
- Valuation shorts – expected to be up to 10% of the portfolio.
- Business obsolescence shorts – where a business is being destroyed, typically by technological change.

The foregoing numeric guidelines for the likely long and short investments are only general parameters that will change over time. The portfolio construction may be entirely different at any given time depending on the individual needs of the client, and/or based upon what the Firm believes is in the best interests of its clients.

## Other Matters

The investment strategies summarized above represents Bronte's current intentions, but are not intended to be exhaustive. In addition, the Firm may provide advice about other types of securities not mentioned above, as necessary. Additionally, there are inherent limitations in describing any investment strategy due to its complexity, confidentiality and indefinite nature. Depending on conditions and trends in securities markets and the economy in general, Bronte may pursue other objectives or use other techniques that it considers appropriate and to be in its clients' best interests. Furthermore, many of the

investment techniques and activities described above are high-risk activities that could result in substantial losses.

In addition, as stated above, all relevant information, terms and conditions relative to the *Private Funds*, including the investment strategies and risk factors are set forth in the *Offering Documents*.

## Risks of Loss

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### *Exchange Traded Funds (ETFs)*

An investment in an ETF involves risk, including the loss of principal. ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any capital gains, as ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed-based ETFs and more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 50,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

### *Interest-rate Risk*

Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.

### *Market Risks*

The profitability of a significant portion of Bronte's recommendations may depend to a great extent upon correctly assessing the future course of price movements of stocks and bonds. There can be no assurance that Bronte will be able to predict those price movements accurately.

### *Currency Risk*

Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.

### *Inflation Risk*

When any type of inflation is present, a dollar today will not buy as much as a dollar next year, due to purchasing power eroding at the rate of inflation.

## *Liquidity Risk*

Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, treasury bills are highly liquid, while real estate properties are not.

## *Financial Risk*

Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

## *Use of Private Collective Investment Vehicles*

Bronte may recommend the investment by certain clients in privately placed collective investment vehicles (some of which may be typically called "hedge funds"). The managers of these vehicles will have broad discretion in selecting the investments. There are few limitations on the types of securities or other financial instruments which may be traded and no requirement to diversify. The hedge funds may trade on margin or otherwise leverage positions, thereby potentially increasing the risk to the vehicle. In addition, because the vehicles are not registered as investment companies, there is an absence of regulation. There are numerous other risks in investing in these securities. The client will receive a private placement memorandum and/or other documents explaining such risks.

## *Short Sales*

Accounts and partnerships managed by Bronte sell securities short. A short sale results in a gain if the price of the securities sold short declines between the date of the short sale and the date on which securities are purchased to replace those borrowed. A short sale results in a loss if the price of the securities sold short increases. Any gain is decreased, and any loss is increased, by the amount of any payment, dividend or interest that must be paid for the borrowed securities, offset (wholly or partly) by short interest credits. In a generally rising market, the short positions may be more likely to result in losses because securities sold short may be more likely to increase in value. A short sale involves a finite opportunity for appreciation, but a theoretically unlimited risk of loss. To make a short sale, accounts and limited partnerships under Bronte's management must borrow the securities being sold short. It may be impossible to borrow securities at the most desirable time to make a short sale, particularly in illiquid securities markets. In addition, special rules, which differ with each jurisdiction, apply to short sales. For example, temporary or permanent governmental orders may from time to time prevent Bronte from executing short sales of these securities at the most desirable time. If the prices of securities sold short increase, Bronte's individually managed accounts and limited partnerships may have to provide additional funds or collateral to maintain the short positions. This could require liquidation of other investments to provide additional collateral. Such liquidations might not be at favorable prices. Furthermore, the lender can request the return of the borrowed securities and the short seller may not be able to borrow those

securities from other lenders. This would cause a “buy-in” of the short position, which may be disadvantageous to the managed accounts and partnerships. Some market participants seek to exploit short-sellers by identifying and buying large quantities of securities that are significantly shorted in an attempt to benefit from the price increase that the participants expect when short sellers buy the securities to cover their short positions. If these so-called “short squeezes” are executed successfully, as described above, Bronte’s managed accounts and partnerships may have to cover their short positions at a disadvantageous time regardless of the Firm’s view of the true value of the securities, thereby causing significant losses.

### *Management Through Similarly Managed Accounts*

For certain clients, Bronte may manage portfolios by allocating portfolio assets among various securities on a discretionary basis using one or more of its proprietary investment strategies (collectively referred to as “*investment strategy*”). In so doing, the Firm buys, sells, exchanges and/or transfers securities based upon the *investment strategy*.

Bronte’s management using the *investment strategy* complies with the requirements of Rule 3a-4 of the Investment Company Act of 1940, as amended. Rule 3a-4 provides similarly managed accounts, such as the *investment strategy*, with a safe harbor from the definition of an investment company.

The *investment strategy* may involve an above-average portfolio turnover that could negatively impact upon the net after-tax gain experienced by an individual client. Securities in the *investment strategy* are usually exchanged and/or transferred without regard to a client’s individual tax ramifications. Certain investment opportunities that become available to the Firm’s clients may be limited. As further discussed in response to Item 12B (below), Bronte allocates investment opportunities among its clients on a fair and equitable basis.

### *General Risk of Loss*

Investing in securities involves the risk of loss. Clients should be prepared to bear such loss.

## Item 9. Disciplinary Information

Bronte is required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of management. Bronte does not have any required disclosures to this Item.

### **Item 10. Other Financial Industry Activities and Affiliations**

Bronte is required to disclose any relationship or arrangement that is material to its advisory business or to its clients with certain related persons. Bronte does not have any required disclosures to this Item other than as set forth above.



## Item 11. Code of Ethics

Bronte and persons associated with Bronte ("Associated Persons") are permitted to buy or sell securities that it also recommends to clients consistent with Bronte's policies and procedures.

Bronte has adopted a code of ethics that sets forth the standards of conduct expected of its associated persons and requires compliance with applicable securities laws ("*Code of Ethics*"). In accordance with Section 204A of the Investment Advisers Act of 1940 (the "Advisers Act"), its *Code of Ethics* contains written policies reasonably designed to prevent the unlawful use of material non-public information by Bronte or any of its associated persons. The *Code of Ethics* also requires that certain of Bronte's personnel (called "*Access Persons*") report their personal securities holdings and transactions and obtain pre-approval of certain investments such as initial public offerings and limited offerings.

Unless specifically permitted in Bronte's *Code of Ethics*, none of Bronte's *Access Persons* may effect for themselves or for their immediate family (i.e., spouse, minor children, and adults living in the same household as the *Access Person*) any transactions in a security which is being actively purchased or sold, or is being considered for purchase or sale, on behalf of any of Bronte's clients.

When Bronte is purchasing or considering for purchase any security on behalf of a client, no *Access Person* may effect a transaction in that security prior to the completion of the purchase or until a decision has been made not to purchase such security. Similarly, when Bronte is selling or considering the sale of any security on behalf of a client, no *Access Person* may effect a transaction in that security prior to the completion of the sale or until a decision has been made not to sell such security. These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

As discussed above in response to Item 4, an affiliate of Bronte is the general partner to the *Private Funds*. Bronte may recommend, on a fully disclosed basis, that certain clients invest in the *Private Funds*. As such, a conflict of interest exists to the extent that Bronte recommends that clients invest in the *Private Funds*. Bronte does not receive any additional compensation if a client invests in the *Private Funds*. As such, Bronte does not believe this arrangement poses any additional conflict of interest.

Clients and prospective clients may contact Bronte to request a copy of its *Code of Ethics*.

## Item 12. Brokerage Practices

As discussed above, in Item 5, Bronte generally recommends that clients utilize the brokerage and clearing services of *IB*.

Factors which Bronte considers in recommending *IB* or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research and service. *IB* enables Bronte to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. The commissions and/or transaction fees charged by *IB* may be higher or lower than those charged by other *Financial Institutions*.

The commissions paid by Bronte's clients comply with Bronte's duty to obtain "best execution." Clients may pay commissions that are higher than another qualified *Financial Institution* might charge to effect the same transaction where Bronte determines that the commissions are reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a *Financial Institution's* services, including among others, the value of research provided, execution capability, commission rates, and responsiveness. Bronte seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

Transactions may be cleared through other *Financial Institutions* with whom Bronte and the *Financial Institutions* have entered into agreements for prime brokerage clearing services. Bronte periodically and systematically reviews its policies and procedures regarding its recommendation of *Financial Institutions* in light of its duty to obtain best execution.

The client may direct Bronte in writing to use a particular *Financial Institution* to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that *Financial Institution*, and Bronte will not seek better execution services or prices from other *Financial Institutions* or be able to "batch" client transactions for execution through other *Financial Institutions* with orders for other accounts managed by Bronte (as described below). As a result, the client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, Bronte may decline a client's request to direct brokerage if, in Bronte's sole discretion, such directed brokerage arrangements would result in additional operational difficulties.

Transactions for each client generally will be effected independently, unless Bronte decides to purchase or sell the same securities for several clients at approximately the same time. Bronte may (but is not obligated to) combine or "batch" such orders to obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among Bronte's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among Bronte's

clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that Bronte determines to aggregate client orders for the purchase or sale of securities, including securities in which Bronte's *Supervised Persons* may invest, Bronte generally does so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. Bronte does not receive any additional compensation or remuneration as a result of the aggregation. In the event that Bronte determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a *de minimis* allocation in one or more accounts, Bronte may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

Consistent with obtaining best execution, brokerage transactions may be directed to certain broker-dealers in return for investment research products and/or services which assist Bronte in its investment decision-making process. Such research generally will be used to service all of Bronte's clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client's portfolio. The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest because Bronte does not have to produce or pay for the products or services.

## Item 13. Review of Accounts

For those clients to whom Bronte provides investment management services, Bronte monitors those portfolios as part of an ongoing process while regular account reviews are conducted on at least a quarterly basis. Such reviews are conducted by John L. Hempton, Simon D. Maher, and Trent Gu. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with Bronte and to keep Bronte informed of any changes thereto. Bronte contacts ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives.

Unless otherwise agreed upon, clients with individually managed accounts are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer or custodian for the client accounts. In addition, the Firm may also send periodic supplemental reports to clients. Clients should compare the account statements they receive from their custodian with any they may receive from Bronte.

Investors in the *Private Funds* will receive a report from Bronte that may include such relevant account and/or market-related information such as *Private Funds* performance and capital account value on a quarterly basis. In addition, all investors in the *Private Funds* receive the audited financial statements within 120 days of the end of the *Private Funds*' fiscal year.

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

Bronte is required to disclose any relationship or arrangement where it receives an economic benefit from a third party (non-client) for providing advisory services. In addition, Bronte is required to disclose any direct or indirect compensation that it provides for client referrals. Bronte does not have any required disclosures to this Item.

## Item 15. Custody

Bronte's *Agreement* and/or the separate agreement with any *Financial Institution* may authorize Bronte through such *Financial Institution* to debit the client's account for the amount of Bronte's fee and to directly remit that management fee to the Firm in accordance with applicable custody rules.

The *Financial Institutions* recommended by Bronte have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to Bronte. In addition, the Firm may also send periodic supplemental reports to clients. Clients should carefully review the statements sent directly by the *Financial Institutions* and compare them to those received from Bronte.

## Item 16. Investment Discretion

Bronte is given the authority to exercise discretion on behalf of clients. Bronte is considered to exercise investment discretion over a client's account if it can effect transactions for the client without first having to seek the client's consent. Bronte is given this authority through a power-of-attorney included in the agreement between Bronte and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). Bronte takes discretion over the following activities:

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold;
- When transactions are made; and
- The *Financial Institutions* to be utilized.

## Item 17. Voting Client Securities

Other than as required for the *Private Funds*, the Firm does not vote client securities on behalf of its clients. Clients receive proxies directly from the *Financial Institutions*.



### **Item 18. Financial Information**

Bronte does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance. In addition, Bronte is required to disclose any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. Bronte has no disclosures pursuant to this Item.

## **Bronte Capital Management Pty Ltd**

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Prepared by:



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