

Item 1. Cover Page

**Brochure of
SilverBay Capital Management LLC**

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This Brochure provides information about the qualifications and business practices of SilverBay Capital Management LLC ("SilverBay"). If you have any questions about the contents of this Brochure, please contact us at 212-389-8713 or tarnedt@silverbayllc.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority.

Additional information about SilverBay also is available on the SEC's website at www.adviserinfo.sec.gov.

Although SilverBay is a "registered investment adviser," that registration does not imply a certain level of skill or training.

Item 2. Material Changes

SilverBay is required to identify and discuss any material changes made to its Brochure since the last annual update. Accordingly, please note the following material changes:

- Item 7 was revised so that only investors who have a net worth (in the case of a natural person, either as an individual or with assets held jointly with a spouse) of more than \$2 million, excluding the value of the primary residence of such person and any debt secured by such property (up to the current market value of the residence) may purchase shares in the fund advised by SilverBay.
- Item 15 was revised to reflect the fact that The Bank of New York Mellon now serves as the primary custodian of the assets of the fund advised by SilverBay.
- Item 17 was revised to provide more disclosure on SilverBay's proxy voting policy.

The discussion above relates solely to material changes made to SilverBay's Form ADV Part 2A, dated March 30, 2012.

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Item 4. Advisory Business

SilverBay is a Delaware limited liability company that has been in business since 2009. SilverBay's managing member is Alkeon Capital Management, LLC ("Alkeon") which is registered with the SEC as an investment adviser. Alkeon's controlling owner and Chief Investment Officer is Panayotis "Takis" Sparaggis who serves as portfolio manager for the funds advised by SilverBay. Other Alkeon personnel also provide investment analysis, research and portfolio management services for the funds advised by SilverBay. SilverBay's non-managing member is Sanders Morris Harris Inc. ("SMH"), a subsidiary of The Edelman Financial Group Inc. (NASDAQ: EF). As of March 23, 2012, SilverBay had total discretionary assets under management of approximately \$477 million. As of March 1, 2011, Alkeon had total discretionary assets under management of approximately \$3.1 billion.

General Information about SilverBay's Advisory Business

SilverBay provides portfolio management services on a discretionary basis to pooled investment vehicles, including investment companies registered under the Investment Company Act of 1940, as amended (the "1940 Act"). As of the date of this Brochure, SilverBay's sole client is ACAP Strategic Fund, a Delaware statutory trust that is registered under the 1940 Act as a non-diversified closed-end management investment company (the "Fund"). SilverBay may, in the future, have additional clients which may be private investment vehicles, separate accounts or additional registered investment companies. Each such prospective client, and the Fund, may be referred to herein as a "fund" or collectively as the "funds." Accordingly, references herein to "advisory clients" and "client accounts" refer to the funds and fund portfolios, respectively.

SilverBay invests principally, but not solely, in long or short positions of publicly-traded and private companies in global markets on behalf of its clients, but is authorized to enter into any type of investment transaction that it deems appropriate under the terms of a fund's prospectus.

The investors in the funds that SilverBay manages have no opportunity to select or evaluate any fund investments or strategies. SilverBay selects all fund investments and strategies.

SilverBay typically does not tailor its services to the individual needs of individually managed accounts, but manages pooled investment vehicles according to the strategy set forth in the fund's prospectus.

Item 5. Fees and Compensation

SilverBay receives an asset-based management fee from each fund based on a percentage of that fund's assets under management. In addition, with respect to the Fund, SilverBay receives a performance-based incentive fee after the end of each fiscal year of the Fund (the "Incentive Fee") The Incentive Fee is determined as of the end of the fiscal year in an amount equal to 20% of the amount by which the Fund's net profits for all fiscal periods ending within or coterminous with the close of such fiscal year exceed the balance of the loss carryforward account, without duplication for any Incentive Fees paid during such fiscal year. The Fund also pays SilverBay the Incentive Fee in the event a fiscal period is triggered in connection with a share repurchase offer by the Fund. In such event, only that portion of the Incentive Fee that is proportional to the Fund's assets paid in respect of such share repurchases (not taking into account any proceeds

from contemporaneous issuance of shares of the Fund, by reinvestment of dividends and other distributions or otherwise) will be paid to SilverBay for such fiscal period. For purposes of determining the Fund's net asset value, the Incentive Fee is calculated and accrued daily as an expense of the Fund (as if each day is the end of a fiscal year). To the extent permitted by applicable law, SilverBay may receive a performance-based incentive fee from other clients in the future. With respect to such other clients that are registered investment companies, it is expected that the incentive fee, if any, will be structured in a manner similar to incentive fee paid by the Fund, as described above.

SilverBay complies with Rule 205-3 under the Advisers Act, to the extent required by applicable law. Incentive fees may create an incentive for SilverBay to make more risky and speculative investments than it would otherwise make.

ACAP Strategic Fund.

SilverBay receives from the Fund an asset-based management fee of 0.1667% (2.0% per annum) of the net asset value of the Fund (the "Management Fee"). SilverBay also receives the Incentive Fee generally equal to 20% of the Fund's net profits, subject to reduction for prior period losses of the Fund that have not been offset by subsequent net profits (as described more fully above).

General Information about SilverBay's Fees and Compensation

SilverBay's fees are accrued daily by the Fund and calculated by the Fund's third party administrator. SilverBay invoices the Fund for its fees based on such calculation. SilverBay believes that its fees are competitive with fees charged by other investment advisers for comparable services. Comparable services may be available, however, from other sources for lower fees. In addition, while the fees paid by the Fund to SilverBay are similar to those of private investment funds, they are significantly higher than those of most other registered investment companies.

In addition to SilverBay's fees noted above, investors in the Fund will incur charges typically associated with mutual funds and will also incur brokerage charges for the securities trading activity of the Fund. Please see Section 12.

The Fund bears all expenses incurred in its business and operations, other than those borne by SilverBay or by its underwriters pursuant to their respective agreements with the Fund, including, but not limited to: all investment related expenses (*e.g.*, costs and expenses directly related to portfolio transactions and positions for the Fund's account such as direct and indirect expenses associated with investments, transfer taxes and premiums, taxes withheld on foreign income, brokerage commissions, interest and commitment fees on loans and debit balances, borrowing charges on securities sold short, dividends on securities sold but not yet purchased and margin fees); the Management Fee; the Incentive Fee; the shareholder servicing fees paid to the underwriters (to compensate them for providing, or arranging for the provision of, ongoing investor services and account maintenance services to investors in the Fund); any non-investment related interest expense; offering expenses; fees and disbursements of any attorneys and accountants engaged by the Fund; audit and tax preparation fees and expenses; administrative

expenses and fees; custody fees and expenses; insurance costs; fees and travel-related expenses of members of the Board of Trustees of the Fund (the "Board") who are not employees of SilverBay or any affiliate of SilverBay; and any extraordinary expenses. SilverBay bears its own operating, general, administrative and overhead costs and expenses. All or part of these costs and expenses may be paid, however, by securities brokerage firms that execute clients' securities trades, as discussed in Item 12 below.

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

SilverBay currently manages only accounts that pay performance-based compensation as described in Item 5. It does not manage accounts that do not pay performance-based compensation.

Item 7. Types of Clients

SilverBay currently only manages the Fund. Shares of beneficial interest in the Fund ("shares") may be purchased only by investors who certify to the Fund or its agents that they have a net worth (in the case of a natural person, either as an individual or with assets held jointly with a spouse) of more than \$2 million, excluding the value of the primary residence of such person and any debt secured by such property (up to the current market value of the residence). The minimum initial dollar value for investment in the Fund is \$100,000, subject to reduction at the discretion of an investor's broker, dealer or other financial intermediary, but not below \$50,000. Subsequent investments must be at least \$10,000.

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

Investment Strategy

The Fund's investment objective is to achieve maximum capital appreciation. In pursuit of this objective, SilverBay invests the Fund's assets primarily in equity securities of U.S. and foreign companies that SilverBay believes are well positioned to benefit from demand for their products or services, including companies that can innovate or grow rapidly relative to their peers in their markets. "Growth companies" are generally considered to possess these characteristics. For purposes of the Fund's investment program, "equity securities" means common and preferred stocks (including IPO securities), convertible securities, stock options (call and put options), warrants and rights. SilverBay may also seek maximum capital appreciation by effecting short sales of securities when SilverBay believes that the market price of a security is above its estimated intrinsic or fundamental value.

SilverBay uses fundamental investment analysis and research to identify attractive investment opportunities. SilverBay's investment process involves a research driven, bottom-up analysis of a security's potential for appreciation or depreciation, and includes consideration of the financial condition, earnings outlook, strategy, management and industry position of issuers. This analytical process involves the use of valuation models, review and analysis of published research, and, in some cases, discussions with industry experts and company visits. SilverBay also takes into account economic and market conditions.

General Disclosure

The investment strategies summarized above represent SilverBay's current intentions, are general in nature and are not exhaustive. Other than those provided for in the Fund's prospectus and the applicable provisions of the 1940 Act there are no limits on the types of securities in which SilverBay may take positions on behalf of the Fund, the types of positions that it may take or the concentration of its investments or the amount of leverage that it may use. In addition, there are limitations in describing any investment strategy due to its complexity, confidentiality and indefinite nature. Depending on conditions and trends in securities and commodities markets and the economy generally, and subject to the provisions of the Fund's prospectus and the 1940 Act, SilverBay may pursue any strategies or use any techniques that it considers appropriate and in the interest of the Fund and its investors to achieve the Fund's investment objective.

Risk Factors

Investing in securities involves risk of loss that clients should be prepared to bear. Below are some of the risks that investors should consider before investing in any account that SilverBay manages. Any or all of such risks could materially and adversely affect investment performance, the value of any account or any security held in an account, and could cause investors to lose substantial amounts of money. Below is only a brief summary of some of the risks that a client or investor may encounter. Potential investors in a fund should review such fund's prospectus or offering documents carefully and in its entirety, and consult with their professional advisers before deciding whether to invest.

- The Fund may be concentrated in securities of technology and growth sector companies, many of which may have small-sized market capitalizations. Those securities involve substantially higher risks than do investments in securities of non-technology and growth sectors and larger companies.
- Investor sentiment on the market, an industry or an individual stock, fixed income or other security is not predictable and can adversely affect an account's investments.
- The Fund may not achieve their investment objectives. A strategy may not be successful and investors may lose some or all of their investment.
- SilverBay may take positions in securities of small, unseasoned companies that are less actively traded and more volatile than those of larger companies.
- SilverBay sells securities short, resulting in a theoretically unlimited risk of loss if the prices of the securities sold short increase.
- Changes in economic conditions can adversely affect investment performance. At times, economic conditions in the U.S. and elsewhere have deteriorated significantly, resulting in volatile securities markets and large investment losses. Government actions responding to these conditions could lead to inflation and other negative consequences to investors.

- The Fund's investments may not be diversified. Therefore, a loss in any one position, industry or sector in which a fund has invested may cause significant losses.
- SilverBay may invest in companies involved in (or are the target of) special situations such as acquisition attempts, liquidations, work-outs, spin-offs and other similar transactions. There is substantial uncertainty concerning the outcome or occurrence of these special situations and therefore any investment in such companies entails an increased risk of loss.
- The Fund's positions may be or become illiquid, in which case SilverBay may not be able to sell such positions.
- SilverBay may invest in emerging or other non-U.S. markets which involves additional risks not typically associated with investing in U.S. or more established economies or securities markets.
- Clients, and not SilverBay, may under certain circumstances be responsible for trade errors that SilverBay makes in an account, even when the error hurts the client. For complete details, please see SilverBay's trade error policy at the end of this Brochure.
- SilverBay may invest in securities of non-U.S., private and government issuers. The risks of these investments include political risks; economic conditions of the country in which the issuer is located; limitations on foreign investment in any such country; currency exchange risks; withholding taxes; limited information about the issuer; limited liquidity; and limited regulatory oversight.
- SilverBay may use leverage by borrowing on margin or investing in derivative instruments (such as options, swaps and futures) which increases volatility and the adverse impact to which SilverBay 's clients' portfolios may be subject.
- SilverBay may purchase and sell options on securities. The sale of options could result in unlimited loss depending on actual price movement in the underlying security.
- The Fund may not be able to generate cash necessary to satisfy investor withdrawals and redemptions. Substantial withdrawals and redemptions in a short period could force SilverBay to liquidate investments too rapidly, and may so reduce the size of the Fund that it cannot generate returns or reduce losses.
- Counterparties such as brokers, dealers, custodians and administrators with which SilverBay does business on behalf of the Fund may default on their obligations. For example, the Fund may lose its assets on deposit with a broker if the broker, its clearing broker or an exchange clearing house becomes bankrupt.
- The Fund may limit or suspend withdrawals or redemptions of an investor's assets from the fund.

- No client or investor has been represented by separate counsel. The attorneys who represent SilverBay do not represent clients or investors. Clients and investors must hire their own counsel for legal advice and representation.
- Federal, state and international governments may increase regulation of investment advisers, private investment funds and derivative securities, which may increase the time and resources that SilverBay must devote to regulatory compliance, to the detriment of investment activities.
- SilverBay's activities could cause adverse tax consequences to clients and investors, including liability for interest and penalties.
- SilverBay and its affiliates may spend time on activities that compete with the Fund without accountability to investors, including investing for other clients and their own accounts. If SilverBay receives better compensation and other benefits from managing other assets or client accounts compared to managing the Fund, it has incentive to allocate more time to those other activities. These factors could influence SilverBay not to make investments on the Fund's behalf even if such investments would benefit the Fund.

The above is only a brief summary of some of the important risks that a client or investor may encounter. Before deciding to invest in a fund that SilverBay manages, you should consider carefully all of the risk factors and other information in the Fund's offering documents.

Item 9. Disciplinary Information

Not applicable.

Item 10. Other Financial Industry Activities and Affiliation

Mainsail Group, LLC ("Mainsail"), an affiliated broker-dealer controlled by Mr. Sparaggis, which employs certain Alkeon and SilverBay employees, and SMH, the non-managing member of SilverBay, serve as underwriters of the Fund's shares on a best efforts basis. Each of Mainsail and SMH is registered as a broker-dealer under the Securities Exchange Act of 1934, as amended (the "Exchange Act") and is a member of FINRA.

SilverBay may choose to direct the Fund's brokerage trades to SMH, an affiliated brokerage firm. (It should be noted that SilverBay will never direct trades for the Fund to Mainsail.) In addition, SilverBay, Alkeon or one of their respective affiliates may receive research products and services in connection with the brokerage services that SMH and its affiliates may provide from time to time to the Fund or other accounts or entities managed by SilverBay or Alkeon. In no case will SMH act as broker in any cross transaction involving another client of SilverBay or any of its affiliates and will not purchase from or sell to clients, securities in which SilverBay or any of its affiliates is acting as principal. If any such affiliated broker acts as broker in any transaction, it will charge a negotiated commission rate to the Fund which is typically comparable to the commission rates charged by other executing brokers for similar transactions. Furthermore,

transactions with any affiliated broker, such as SMH, would be effected pursuant to procedures adopted by the Fund and in accordance with applicable provisions of the 1940 Act.

In addition to the foregoing, SilverBay will not use an affiliated broker for the Fund's transactions unless it believes that the Fund will receive best execution from that affiliated broker. Commission rates and execution prices for the Fund's transactions executed through all brokers are reviewed for SilverBay by Alkeon's Brokerage Committee on a periodic basis and are also reported by the Fund's Chief Compliance Officer to, and reviewed by, the Board on a quarterly basis. More information about the Brokerage Committee is provided in Item 12.

Item 11. Code of Ethics, Participation or Interest In Client Transactions and Personal Trading

Employees of SilverBay and Alkeon and their immediate family members may, from time to time, buy or sell for their own accounts, securities that may be different than the ones recommended to or held by clients. These individuals may also have a pre-existing interest or position in securities that may be recommended to clients. The investment objectives of SilverBay and Alkeon employees and their immediate family members may conflict with the investment objectives of the funds and/or clients that SilverBay manages or advises. SilverBay and Alkeon employees or their immediate family members may also invest in the funds that SilverBay manages or advises; such personal investments may not be balanced between funds or strategies.

SilverBay and its employees have a fiduciary duty to place the interests of SilverBay clients ahead of their own. Accordingly, employees of SilverBay and their family members are required to comply with a Code of Ethics governing personal trades, which was designed to comply with applicable provisions of Sections 204A and 206 of the Investment Advisers Act of 1940 and Rule 17j-1 under the 1940 Act. The Code of Ethics generally requires that employee trades be "precleared," imposes "waiting periods" for employee transactions and limits the timing and execution of these transactions so as not to disadvantage client positions. Trades of employees and related persons¹ will be monitored by Tyson Arnedt, SilverBay's chief compliance officer (the "CCO"). In addition, employees and related persons are required to have duplicate brokerage statements and trade confirmations sent to SilverBay, which are also reviewed by the CCO. SilverBay requires that all individuals must act in accordance with all applicable regulations governing federally registered investment advisers. SilverBay's Code of Ethics further includes the firm's policy prohibiting the use of material non-public information. Any managing member, member, officer, employee, or agent of SilverBay's not in compliance with SilverBay's Code of Ethics may be subject to discipline. Clients and prospective clients may obtain a copy of SilverBay's Code of Ethics by contacting the CCO via e-mail at tarnedt@silverbayllc.com or by telephone at (212) 389-8713.

¹ For purposes of Item 11, "related person" means: (i) an employee's spouse (other than a legally separated or divorced spouse of an employee) and minor children; (ii) any immediate family members who live in an employee's household; (iii) any persons to whom an employee provides primary financial support, and either (a) whose financial affairs an employee controls, or (b) for whom an employee provides discretionary advisory services; and (iv) any partnership, corporation or other entity in which an employee has a 25% or greater beneficial interest, or in which an employee exercises effective control.

Item 12. Brokerage Practices

Subject to the investment guidelines and restrictions imposed by clients, SilverBay generally has the authority to determine, without specific client consent, the securities and amounts thereof to be purchased or sold. SilverBay effects transactions through numerous brokers. In selecting brokers or dealers to execute transactions, SilverBay need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost or to negotiate "execution only" commission rates. In selecting brokers and negotiating commission rates, SilverBay seeks to obtain both the best price and execution, taking into account, among other factors, price, size of order, difficulty of execution and operational facilities of a brokerage firm, the scope and quality of brokerage services provided, and in the case of transactions effected with unaffiliated brokers, the firm's risk in positioning a block of securities.

SilverBay may also purchase from a broker or allow a broker to pay for the following (each a "soft dollar" relationship):

- research reports, services and conferences, including third-party research fees;
- technical data;
- periodical subscription fees;
- consultations;
- performance measurement data;
- on-line pricing;
- news wire and data processing charges; and
- quotation services.

SilverBay may receive soft dollar credits based on principal, as well as agency, securities transactions with brokers or direct a broker that executes transactions to share some of its commissions with a broker that provides soft dollar benefits to Alkeon.

During SilverBay's last fiscal year, it acquired products and services with client brokerage commissions or markups including but not limited to: research from independent research firms, order management, market data, consultation firms and industry news services and publications.

In some instances, SilverBay may receive a product or service that may be used for both research and non-research purposes (*e.g.*, an order management system, trade analytical software or proxy services). In such instances, SilverBay will make a good faith effort to determine the relative proportion of the product or service used to assist SilverBay in carrying out its investment decision-making responsibilities and the relative proportion used for administrative or non-research purposes. The proportion of the product or services attributable to assisting SilverBay in carrying out its investment decision-making responsibilities will be paid through brokerage commissions generated by client transactions and the proportion attributable to administrative or other non-research purposes will be paid for by SilverBay from its own resources.

Section 28(e) of the Exchange Act provides a "safe harbor" to investment advisers who use commission dollars of their advised accounts to obtain investment research and brokerage services that provide lawful and appropriate assistance to the adviser in performing investment

decision-making responsibilities. Conduct outside of the safe harbor of section 28(e) is subject to the traditional standards of fiduciary duty under state and federal law. SilverBay uses such soft dollars solely to pay for (i) certain expenses which would otherwise be borne by a client account (and which therefore do not involve the conflict of interest issues normally presented by "soft dollar" arrangements) or (ii) products or services that qualify as "research and brokerage services," within the meaning of Section 28(e). In some cases, these services are generated by third parties but are provided to SilverBay by or through brokers.

SilverBay may pay to a broker commissions and mark-ups that exceed those that another broker might charge for effecting the same transaction because of the value of the brokerage, research, other services and soft dollar relationships that such broker provides. SilverBay determines in good faith that such compensation is reasonable in relation to the value of such brokerage, research, other services and soft dollar relationships, in terms of either the specific transaction or SilverBay's overall fiduciary duty to its clients. An account may, however, pay higher commissions and mark-ups than are otherwise available or may pay more commissions or mark-ups based on account trading activity. The research and other benefits resulting from SilverBay's brokerage relationships benefit SilverBay's operations as a whole and all accounts that it manages, including those that do not generate the soft dollars that pay for such research and other benefits and accounts of clients that direct SilverBay to use a broker that does not provide SilverBay with soft dollar services. SilverBay does not allocate soft dollar benefits to client accounts proportionately to the soft dollar credits that the accounts generate.

SilverBay's relationships with brokers that provide soft dollar services influence SilverBay's judgment and create conflicts of interest in allocating brokerage business between firms that provide soft dollar services and firms that do not and in allocating the costs of mixed-use products between their research and non-research uses. SilverBay has an incentive to select or recommend a broker based on SilverBay's interest in receiving soft dollar services rather than clients' interest in receiving the most favorable execution. These conflicts of interest are particularly influential to the extent that SilverBay uses soft dollars to pay expenses it would otherwise be required to pay itself.

To address these conflicts of interest SilverBay relies on its managing member, Alkeon. Alkeon utilizes a Brokerage Committee that usually meets on a quarterly basis to review items such as the research and execution services provided by brokers and soft dollar services, among others. The Brokerage Committee is comprised of representatives from Research, Compliance, Operations and Portfolio Management. The Brokerage Committee will normally review reports on the volume and type of business executed with various brokers.

Brokerage commissions which a client pays may vary in accordance with the particular broker used to execute a trade and the type of portfolio managed by SilverBay on behalf of a particular client. Rates for both listed and over-the-counter ("OTC") trades executed through electronic crossing networks ("ECNs") are transacted at rates less than that of commissions paid to brokers who provide research related services. These rates are reviewed by the Brokerage Committee on a regular basis to determine if changes are needed. SilverBay may pay lower commission rates on stocks and options below a certain dollar value per share or contract.

SilverBay may effect securities transactions with broker-dealers who may have provided SilverBay employees with gifts, business entertainment or other items of value. SilverBay has adopted a Gift and Business Entertainment Policy to address this potential conflict of interest and to ensure that brokers are selected on the basis of the brokerage and research services provided to SilverBay (all gifts in excess of \$100 must be reported to the CCO, no SilverBay employee may solicit gifts, and no cash gifts may be accepted).

SilverBay may also execute securities transactions with broker-dealers whose representatives may have invested in funds to which SilverBay provides portfolio management and/or subadvisory services.

In the regular course of business, SilverBay may aggregate and enter with a single broker simultaneous trade orders in a given security for groups of its clients. Generally, trades are allocated pro-rata among all accounts in a client group or among different funds that employ the same strategy. The pro-rata allocation can be modified to level positions across multiple accounts that employ the same strategy. This allows for accounts run in parallel to more closely track each other. Allocations may substantially vary among funds or client groups that employ similar investment strategies based on a number of factors, including cash availability, pending cash additions or withdrawals, account liquidity, any restrictions placed on a client's portfolio by the client or by virtue of federal or state law, portfolio market exposure, sector exposures, position size, and concentration parameters that may vary among different strategies, offsetting existing or contemplated long or short positions and other factors.

Certain investments may qualify only for a subset of client groups or funds based on the nature of the underlying investment employed. Certain investments may not be simultaneously entered or exited for funds that employ different strategies.

Trades among all accounts or among different funds that employ the same strategy may be allocated on other than a pro-rata basis if the number of shares executed at a given price is deemed too small to warrant allocation among all accounts. In such cases, SilverBay may allocate the order to those funds that can receive their full allocations from the partial execution, rather than allocating such execution among all client accounts. SilverBay will enter the balance of the order with another broker and will allocate those trades to remaining client accounts.

Generally when the portfolio manager determines it is an appropriate investment for a client or strategy, SilverBay will implement its initial public offering ("IPO") allocation procedures. These investments are allocated pro-rata to eligible investors within a strategy, which may cause performance variations among different funds in the same strategy. Certain funds or clients may not participate in IPO allocations due to restrictions, guidelines, suitability, client direction, cash availability, pending cash additions or withdrawals, portfolio market exposure, sector exposures, or position sizes, among others.

SilverBay may at times execute a trade through a certain broker but then "step out" the trade to a different broker. This occurs when SilverBay determines the order is best executed through a certain broker but would like to pay a commission to another broker for research provided to SilverBay. If trades are executed through an ECN and then "stepped out" to a broker providing research, clients and/or funds may sometimes pay a higher commission rate than would be paid if

the commission were paid to the ECN as the rates for brokers providing research is typically higher than that of ECNs.

It may not always be possible or consistent with the investment objectives of SilverBay's various clients for the same investment positions to be taken or liquidated at the same time. Accordingly, from time to time SilverBay may purchase a given security for one or more clients on the same day as SilverBay sells or sells short the same security for the accounts of other clients. Certain positions and position sizes can vary between funds that employ different or the same strategy which may cause performance variations among different funds in the same strategy.

In the course of trading for the funds that SilverBay manages, a number of potential situations could occur, including orders given at different times by different portfolio managers, two portfolio managers may want to buy or sell at the same time, one portfolio manager may begin a trade and a second portfolio manager may want to execute the same trade before the first trade is complete, one portfolio manager may want to buy while another portfolio manager may want to sell or sell short at the same time, one portfolio manager may want to sell long while another portfolio manager may want to sell short at the same time, one portfolio manager may want to buy or sell for more than one fund or strategy, a portfolio manager could buy or sell for one fund or strategy on a specific day and buy or sell the same security for another fund or strategy on subsequent days, among others. In each instance, SilverBay has outlined allocation procedures to deal with the different scenarios that may arise. Other scenarios that may occur are handled on an ad hoc basis by the CCO.

From time to time, SilverBay may trade the same security on the same day for different funds within the same strategy at prices that are not identical. This will usually occur as a result of capital inflows or withdrawals. Any rebalancing of funds is done at the discretion of Alkeon and may result in performance variations among different funds in the same strategy.

Item 13. Review of Accounts

All SilverBay's clients receive ongoing and continuous investment management and will be subject to supervisory review by Mr. Panayotis Sparaggis, Alkeon's Managing Member. Matters generally reviewed include adherence to guidelines established by SilverBay relating to specific securities held and adherence to client-established guidelines.

Each investor in the Fund receives monthly information concerning the Fund on the brokerage statement provided by the selling dealer for the Fund through which the client invested.

Item 14. Client Referrals and Other Compensation

SilverBay may enter into revenue sharing arrangements with selling dealers for the Fund. Such arrangements are disclosed in the Fund's prospectus. Except as described in the preceding sentence, SilverBay does not enter into agreements with, or make commitments to, any broker-dealer that would bind SilverBay to compensate that broker-dealer, directly or indirectly for client referrals.

Item 15. Custody

The Bank of New York Mellon serves as the primary custodian of the Fund's assets and maintains custody of the Fund's assets with domestic and foreign sub-custodians (which may be banks, trust companies, securities depositories and clearing agencies), approved by the Fund's Board in accordance with the requirements of the 1940 Act and the rules adopted thereunder. Assets of the Fund are not held by SilverBay or commingled with the assets of other accounts other than to the extent that securities are held in the name of a custodian in a securities depository, clearing agency or omnibus customer account of a custodian.

Item 16. Investment Discretion

SilverBay has discretionary authority to manage the investments of the Fund pursuant to an investment advisory agreement between SilverBay and the Fund.

Item 17. Voting Client Securities

SilverBay has adopted proxy voting policies and procedures to ensure that it votes proxies in a manner that serves the best interests of its clients, including the Fund. The following is a summary of SilverBay's proxy voting policies and procedures.

SilverBay has entered into an agreement with Institutional Shareholder Services Inc. ("ISS"), an independent third party, for ISS to provide SilverBay with its research and recommendations on proxies and to facilitate the electronic voting of proxies. SilverBay has adopted ISS's proxy voting policies and procedures (the "ISS Policies") in order to ensure that it votes proxies in the best interests of its clients. SilverBay has instructed ISS to vote all proxies in accordance with the ISS Policies, unless instructed by SilverBay to vote otherwise.

SilverBay instructs each custodian for its client accounts (including the Fund) to deliver to ISS all proxy solicitation materials that the custodian receives for that client account. SilverBay (or its designee, which may include an administrator to a client account) provides to ISS a listing of securities held "long" in each client account as of the 15th and last day of each month to enable ISS to use reasonable efforts to confirm that ISS has received all proxy solicitation materials concerning such securities.

SilverBay, through ISS, will vote proxies on behalf of client accounts. ISS evaluates all proxy solicitation material and other facts it deems relevant and may seek additional information from the party soliciting the proxy and independent corroboration of such information when ISS considers it appropriate and when it is reasonably available. SilverBay has instructed ISS to make voting decisions on behalf of each client account based on the proxy voting guidelines that ISS provides to SilverBay, subject to certain exceptions in the event of conflicts of interests. SilverBay may override ISS's voting decisions if SilverBay deems it in the best interests of the client account. SilverBay has instructed ISS to use reasonable efforts to respond to each proxy solicitation by the deadline for such response.

Information regarding how the Fund voted proxies relating to portfolio securities during the most recent twelve month period ended June 30 is reported on Form N-PX and made available no later

than August 31 of each year. Such information can be obtained (i) without charge, upon request, by calling the Fund's CCO at (212) 389-8713 and (ii) at the SEC's website at <http://www.sec.gov>.

Due to the size and nature of SilverBay's operations and SilverBay's limited affiliations in the securities industry, SilverBay does not expect that material conflicts of interest will arise between SilverBay and a client account over proxy voting. SilverBay recognizes, however, that such conflicts may arise from time to time, such as, for example, when SilverBay or one of its affiliates has a business arrangement that could be affected by the outcome of a proxy vote or has a personal or business relationship with a person seeking appointment or re-appointment as a director of a company. Accordingly, if SilverBay determines that it has, or may be perceived to have, a conflict of interest when voting a proxy, SilverBay will address matters involving such conflicts of interest as follows:

- if a proposal is addressed by the ISS Policies, SilverBay will vote in accordance with such policies;
- if SilverBay believes it is in the best interests of the fund to depart from the ISS Policies, SilverBay will be subject to the requirements of either bulleted subparagraph below, as applicable;
- if the proxy proposal is (1) not addressed by the ISS Policies or (2) requires a case-by-case determination by SilverBay, SilverBay may vote such proxy as it determines to be in the best interests of the fund, without taking any action described below, provided that such vote would be against SilverBay's own interest in the matter (i.e. against the perceived or actual conflict). SilverBay will memorialize the rationale of such vote in writing; and
- if the proxy proposal is (1) not addressed by the ISS Policies or (2) requires a case-by-case determination by SilverBay, and SilverBay believes it should vote in a way that may also benefit, or be perceived to benefit, its own interest, then SilverBay must take one of the following actions in voting such proxy: (a) delegate the voting decision for such proxy proposal to an independent third party; (b) delegate the voting decision to an independent committee of partners, members, directors or other representatives of a fund, as applicable; (c) inform the investors in a fund of the conflict of interest and obtain consent (majority consent in the case of a fund) to vote the proxy as recommended by SilverBay; or (d) obtain approval of the decision from SilverBay's CCO.

Item 18. Financial Information

Not Applicable.

Item 19. Requirements for State-Registered Advisers

Not Applicable.

Privacy Policy

SilverBay, the investment adviser to ACAP Strategic Fund, does not disclose nonpublic personal information about its clients, former clients, prospective clients, clients' investors, prospective clients' investors or former clients' investors to third parties other than as described below. This Privacy Policy sets forth the policies of SilverBay with respect to the collection, sharing and protection of non-public personal information of SilverBay's clients, former clients, client's investors, prospective clients' investors and former clients' investors. These policies may be changed at any time, provided that a notice of such change is given to you. Please read this Privacy Policy carefully to understand what SilverBay does.

SilverBay collects personal information about its clients (such as names, addresses, social security or tax identification numbers, assets and income) in the course of doing business with its clients, from documents that its clients may deliver to it or its agent. SilverBay may use this information to provide advisory services to its clients, to open an account for its clients, to process a transaction for a clients' account or otherwise in furtherance of its business. To service its clients' accounts and effect transactions, SilverBay may provide its clients' personal information to its affiliates and to non-affiliate firms (i.e., companies not related by common ownership or control) that assist it in servicing its clients' accounts and have a need for such information, such as a broker or fund administrator. SilverBay may also disclose such information to service providers and financial institutions with which it has marketing arrangements.

SilverBay requires third party service providers and financial institutions with which it has marketing arrangements to protect the confidentiality of its clients' information and to use the information only for the purposes for which SilverBay discloses the information to them. SilverBay does not otherwise provide information about its clients to outside firms, organizations or individuals except to its attorneys, accountants and auditors and as permitted by law.

SilverBay does not disclose any nonpublic, personal information about its clients, former clients, prospective clients, clients' investors, prospective clients' investors or former clients' investors to third parties, except as permitted or required by law. SilverBay maintains physical, electronic and procedural safeguards to protect such information, and limits access to such information to those employees who require it in order to provide products or services to its clients.

If you have any questions regarding SilverBay's privacy policy, please contact Tyson Arnedt at (212) 389-8713.

Trade Error Policy

STATEMENT OF POLICY

The SEC has stated a general view that an adviser has a fiduciary duty to place trades accurately. Accordingly, SilverBay endeavors to detect trade errors prior to settlement and correct them in an expeditious manner. The client with respect to which the error was made bears all losses, costs and expenses relating to a trade error unless the CCO determines otherwise (e.g., if the CCO determines that the error was not within the limitation of liability clause in a client account's limited partnership agreement or investment management agreement, as applicable). Notwithstanding the foregoing, with respect to a client account that is an investment company registered under the 1940 Act, SilverBay generally will reimburse losses suffered by such client account as a result of a trade error caused by SilverBay, subject to the qualifications described herein.

APPLICABILITY OF PROCEDURES

Examples of errors covered by these procedures are **trading errors** (i.e., when an order is not executed according to the portfolio manager's instructions due to a mistake of fact, processing error or other similar reason) and **order errors** (i.e., when an order is not suitable and appropriate for the client because of investment restrictions or regulatory limitations, changed circumstances, inadvertent duplication or other similar reason). Errors that do not result in transactions in client accounts (such as transactions that result in loss of an investment opportunity) will not be viewed as trade errors and therefore are not subject to these procedures. Additionally, mathematical errors which are promptly addressed no later than the trading day following the day the order was placed and errors in the prices at which transactions are confirmed by a broker will also not be viewed as trade errors (and thus will not be covered by these procedures).

ERROR CORRECTION PROCEDURES

In correcting errors subject to these procedures the following principles shall apply:

1. SilverBay will use its best efforts to assure that orders are entered correctly; however, to the extent that an error occurs, it is to be (i) corrected as soon after discovery as is reasonably practicable and in such a manner that the client incurs no loss; and (ii) reported to the CCO immediately upon discovery. SilverBay is responsible for its own errors and not the errors of other persons, including third party brokers and custodians, unless otherwise expressly agreed to by SilverBay.
2. Trades that are simply misallocated to the wrong account ("trade misallocations") and are discovered shall be reallocated to the originally intended account at the price of the original trade.
3. If an error (other than a trade misallocation) is discovered on the trade date or thereafter, the trade shall be broken, if possible. If the executing broker cannot break the trade, the error should be immediately reported to the CCO, who will investigate the matter and determine an appropriate resolution, which may include allocating the trade (and its correcting trade) to SilverBay's error account maintained at its prime broker or to a client account.

4. After a complete investigation and evaluation of the circumstances surrounding an error, the CCO has discretion to resolve a particular error in a manner other than specified in these procedures. Any errors resulting from unique circumstances shall be resolved on a case-by-case basis. In either event, an explanatory memorandum will be prepared and maintained by the CCO.
5. If a broker agrees to break an error trade, the client account(s) may not compensate that broker for breaking the trade (either by paying hard dollars or allocating soft dollar transactions to that broker). In particular, if a broker offers to bear all or part of the loss involved in error correction and if SilverBay chooses to accept such an offer, SilverBay should make clear that its acceptance of the broker's assistance does not involve any express or implied commitment to direct brokerage, or any other benefit, to that broker. In cases where the error is attributable to the broker or other third party, adequate records of the trade and its correction must be maintained together with an indication in such records of the reason for such correction, e.g., "broker error."
6. For all trade errors, a written trade error report will be generated which will contain the type and details of the trade error, how the error was discovered and the resolution of the error. All trade error reports will be kept for a period of five (5) years from the end of the fiscal year in which they were generated.
7. Soft dollars may not be used, either directly or indirectly, to correct trade errors.