

Gramercy Funds Management LLC

Brochure

March 26, 2012

This brochure provides information about the qualifications and business practices of Gramercy Funds Management LLC (“Gramercy”), an investment adviser registered with the United States Securities and Exchange Commission (the “SEC”). If you have any questions about the contents of this brochure, please contact us at (203) 552-1900. The information in this brochure has not been approved or verified by the SEC or by any state securities authority.

Additional information about Gramercy Funds Management LLC is also available on the SEC’s website at www.adviserinfo.sec.gov.

Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.

Gramercy
20 Dayton Avenue
Greenwich, Connecticut 06830
Telephone: (203) 552-1900
Facsimile: (203) 552-1901
E-mail: inquiries@gramercy.com
www.gramercy.com

Item 2. Material Changes

Since we last filed this Part 2 of Form ADV on behalf of Gramercy Funds Management LLC (“**Gramercy**”) on June 2, 2011, the firm has experienced one significant change. Gramercy and several of its affiliates consolidated all of their investment advisory services under the sole management of Gramercy.

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Item 4. Advisory Business

Gramercy Funds Management LLC (“**Gramercy**” or the “**Firm**”) is a global asset management firm dedicated to emerging markets. The Firm was founded in 1998 by Robert Koenigsberger, Managing Partner and Chief Investment Officer, to invest in distressed opportunities in emerging markets. Over the years, Gramercy has thoughtfully and deliberately expanded its investment capabilities to meet the needs of its investors and today the firm manages approximately \$3 billion across a range of alternative and long-only emerging markets investments. Strategies include distressed and performing credit, macro, equity, non-performing loans and special situation investments. Gramercy is headquartered in Greenwich, Connecticut with offices in London, Mexico City, Hong Kong and Singapore.

While the Firm’s actual equity is divided amongst three senior partners (Robert Koenigsberger, Scott Seaman and Robert Rauch), all employees share in a Performance Unit Plan (“**PUPs**”) which grants synthetic equity to 100% of the Gramercy staff. Grants have been issued annually in 2008-2012.

Gramercy manages domestic and offshore private investment vehicle clients (collectively, the “**Funds**”) and discretionary separate accounts clients with a focus on emerging markets investments intended for institutional investors (such as pensions, endowments, trusts, and fund of funds).

Gramercy serves as the managing member of, or investment adviser to, each of our Funds. With respect to each of the Funds, Gramercy’s investment authority is set forth in the applicable governing documents. Gramercy also serves as the sub-adviser for certain investment vehicles and the scope of Gramercy’s investment authority is set forth in the sub-advisory agreements for such entities.

Gramercy also has managed account clients, which have entered into investment management agreements, authorizing Gramercy with full discretion and authority to make investment decisions on behalf of the relevant client, subject to any restrictions contained in the investment management agreement or otherwise agreed to with the client.

Gramercy generally seeks to manage each managed account client’s assets based upon the client’s particular investment guidelines, reporting requirements, desire to be an active investment participant, infrastructure model (e.g., their own custodian, auditor, ISDAs). We are capable of managing a portfolio according to complex, client directed constraints and have developed an in-house compliance monitoring and reporting program to ensure guidelines are respected.

Gramercy provides advice to client accounts based on specific investment objectives and strategies. Under certain circumstances, Gramercy may agree to tailor advisory services to the individual needs of clients. Clients may impose restrictions on investing in certain securities or certain types of securities. Please see Item 16 below for a more detailed description of how advisory services may be tailored for specific clients.

As of January 31, 2012, Gramercy had approximately \$2,818,695,554 in discretionary client assets under management.

Item 5. Fees and Compensation

Asset-Based Compensation

With respect to both Fund clients and managed account clients, Gramercy typically receives a management fee based upon a percentage of assets under management. Such management fee is between 1.0% to 2.0% per annum of the value of the client's assets under management (for our alternative strategies) and is payable monthly or quarterly. For certain clients holding index-benchmarked long-only assets, management fees range from .30% to 1.25% per annum.

Investment management fees are generally charged each quarter or month in arrears based on the total market value of the assets in the client account (including net unrealized appreciation or depreciation of investments and cash, cash equivalents and accrued interest) on the last day of the quarter or month. If a new client account is established during a quarter or month or a client makes an addition to its account during a quarter or month, the investment management fee will be prorated for the number of days remaining in the quarter or month. If a client's investment management agreement is terminated or a withdrawal or redemption is made from a client account during a quarter or month, the fee payable to Gramercy will be calculated based on the value of the assets on the termination date or withdrawal or redemption date and prorated for the number of days during the quarter or month in which the investment management arrangement was in effect or such amount was in the account.

Management fees may under limited circumstances be negotiated based on the size of the account.

Performance-Based Compensation

With respect to both Fund clients and managed account clients, Gramercy is typically paid a performance-based fee or allocation for our alternative strategies. Such performance-based fee or allocation typically ranges from 10% to 20% of the annual capital appreciation of the client's account, calculated after management fees and expenses are applied.

Performance-based fees or allocations may under limited circumstances be negotiated based on the size of the account.

The independent administrator for each of our Funds calculates and deducts the investment management fee and, if applicable, the performance-based fee from client accounts by instructing the client's custodian.

In addition to paying investment management fees and, if applicable, performance-based fees or other compensation, client accounts (including Funds) will also be subject to other expenses including, but not limited to, legal, compliance, audit and accounting expenses (including third party accounting services) of the client; administrator fees and expenses; investment expenses such as commissions, research fees and expenses (including research-related travel); interest on margin

accounts and other indebtedness; borrowing charges on securities sold short; custodial fees; bank service fees; client-related insurance costs (including D&O insurance costs) and any other expenses related to the purchase, sale or transmittal of the client's assets, the fulfillment of the client's purpose or as necessary to protect the interests of the client from any potential or actual creditor or litigant. Client accounts which are managed accounts will be subject to expenses related to the purchase, sale or transmittal of the client's assets and such other expenses as may be agreed with the client. Client assets may be invested in pooled investment vehicles. In these cases, clients will bear their pro rata share of the underlying fund's operating and other expenses including, in addition to those listed above: sales expenses, legal expenses; internal and external accounting, audit and tax preparation expenses; and organizational expenses. Client assets may be invested in a master-feeder structure. Feeder funds bear a pro rata share of the expenses associated with the related master fund. Please refer to Item 12 below for a discussion of Gramercy's brokerage practices.

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

Gramercy and its investment personnel provide investment management services to multiple portfolios for multiple clients. Gramercy is typically paid performance-based compensation by certain of its Fund clients and managed account clients. In addition, certain client accounts may have higher asset-based fees or more favorable performance-based compensation arrangements than other accounts. When Gramercy and its investment personnel manage more than one client account a potential exists for one client account to be favored over another client account. Gramercy and its investment personnel have a greater incentive to favor client accounts that pay Gramercy (and indirectly the investment personnel) higher fees.

Gramercy has adopted and implemented policies and procedures intended to address conflicts of interest relating to the management of multiple accounts, including accounts with multiple fee arrangements, and the allocation of investment opportunities. These procedures establish rules for the formulation and subsequent aggregation and allocation of trades that are designed to ensure that all accounts with substantially similar investment objectives are treated equitably. These areas are monitored by Gramercy's Chief Compliance Officer.

Item 7. Types of Clients

Gramercy's clients consist of pooled investment funds, pension plans, foundations, endowments and corporations.

Typically, the minimum investment in Gramercy's Fund clients is \$1,000,000. Although Gramercy does not maintain a specific minimum dollar value of assets or other conditions for opening a managed account, Gramercy's managed account services are directed towards institutional investors who are prepared to invest substantial sums of at least \$10,000,000 or more.

With respect to Gramercy's Fund clients, any initial and additional subscription minimums are disclosed in the offering memorandum for each such Fund.

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

Methods of Analysis and Investment Strategies

Gramercy invests across a range of alternative and long-only emerging markets investments. Strategies include distressed and performing credit, macro, global and EM equity, non-performing loans and special situation investments.

Emerging Markets Distressed and Special Situations

Our Emerging Markets Distressed and Special Situations strategies utilize proactive, distressed investing in emerging markets corporate, sovereign or quasi-sovereign entities. Strategies target stressed/distressed and defaulted bonds which are typically large, global Eurobond issues, governed by U.S. or U.K. law, underwritten in public capital markets and generally U.S. dollar denominated. Positions are sized relative to market liquidity. Alpha generation takes place through bottom-up, intensive credit evaluation/monitoring combined with the top-down perspective of a highly experienced team of career-dedicated emerging markets investors. Portfolios are hedged typically using sovereign credit default swaps.

Emerging Markets Macro

Our Emerging Markets Macro strategy utilizes a classic directional macro approach and captures opportunities across all major liquid asset classes (rates, credit, equity and currencies) in emerging markets. Alpha generation is sought through quantitative and qualitative inputs which identify investments and manage risk. An extensive emerging markets focused research team seeks to provide unique perspectives and an information advantage.

Emerging Markets Long/Short Equity

Our Emerging Markets Long/Short Equity strategy employs an alternative equity approach by tactically altering its exposure to emerging markets equities using a modified carve-out of Gramercy's Emerging Markets Macro strategy. The strategy will have exposure to emerging markets equity securities ranging from 0% to 100%, with an expected average of approximately 75% over time.

Emerging Markets Multi-Asset

Our Emerging Markets Multi-Asset strategy offers a single portfolio to provide diversified global emerging markets exposure to Gramercy's existing emerging markets alternative strategies across a variety of asset classes. The strategy accesses liquid investments in Gramercy's distressed, credit, EM macro, equity and special situations strategies. Active asset allocation and risk controls are implemented by a highly experienced pan-emerging markets investment team collaborating at the portfolio level.

Long-Only Debt

Gramercy offers a full spectrum long-only Emerging Market Debt ("**EMD**") platform with the unique capability of being able to provide complete EMD solutions through our Asset Allocation strategies. Gramercy's EMD platform was launched in May 2010 when Jeffrey Grills and Gunter Heiland joined Gramercy. For over ten years, Mr. Grills and Mr. Heiland co-managed long-only sovereign EMD strategies at JP Morgan Asset Management. Mr. Grills and Mr.

Heiland are joined by Robert Rauch who has spent ten years overseeing corporate research at Gramercy and over 30 years covering EM credit. Our underlying approach to investing in long-only emerging markets debt securities is built upon both a qualitative and quantitative process designed to identify opportunities which are mispriced versus their underlying fundamental value. For both sovereign and corporate investments, model based valuation tools are employed to provide a foundation for identifying those credits which are on an improving trend and more importantly, mispriced relative to their credit score. After identifying what we believe to be the best credit investment universe via our quantitative process, the portfolio managers and analyst look at the output of credits from the model and incorporate information that can't be captured in quantitative tools (i.e., political risk, headline risk, willingness to pay, public policy, etc.) when making final portfolio investment decisions. Long-Only Debt Strategies include USD Sovereign Debt, Local Markets Sovereign Debt, Corporate Debt, High Yield Corporate Debt, Distressed Debt, Asset Allocation and Total Return Allocation.

Long-Only Equity

The long-only equity strategies, managed by Dr. Tony Tessitore, seek to outperform their respective benchmarks using closed-end funds. There are two advantages to this unique approach. First, since closed-end funds typically trade at discounts to the value of the underlying securities they hold, we can effectively purchase securities at a discount to the market. The second advantage is one of greater diversification because a portfolio of closed-end funds effectively holds a much broader set of individual securities. Discounts and diversification benefits lead to better returns and lower risk for the product.

Emerging Markets NPL Portfolios

Our Emerging Markets NPL strategy purchases portfolios of non-performing loans from banks and other financial intermediaries. Assets can include residential and commercial mortgages, SME commercial loans, and consumer loans.

Risk of Loss

Investments involve risk of loss and clients must be prepared to bear the loss of their entire investment. Such risks may include but are not limited to the following:

- *Distressed Situation Risks.* Investment in distressed situations exposes the client to significant risks, including: the difficulty in obtaining information as to the issuer's true condition; regulatory risk, including laws relating to fraudulent conveyances, voidable preferences, lender liability and bankruptcy; litigation risk; liquidity risk; and collection risk (especially, when dealing with sovereign debt). Moreover, to the extent client accounts are invested in sovereign debt obligations, those investments will be subject to additional risks and considerations not present in private distressed situations, including the uncertainties involved in enforcing and collecting debt obligations against sovereign nations, which are affected by world events, changes in U.S. foreign policy and other factors outside of the control of Gramercy.
- *Equity Risks.* The value of equity securities fluctuates in response to issuer, political, market, and economic developments. Fluctuations can be dramatic over the short as well

as long term, and different parts of the market and different types of equity securities can react differently to these developments. For example, large cap stocks can react differently from small cap stocks, and "growth" stocks can react differently from "value" stocks. Issuer, political, or economic developments can affect a single issuer, issuers within an industry or economic sector or geographic region, or the market as a whole. Changes in the financial condition of a single issuer can impact the market as a whole. Geo-political risks have led, and may in the future lead, to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally.

- *Global Macro (Event-Driven Investing) Risks.* Due to the inherently speculative nature of event-driven investing, the results may fluctuate from period to period and are not expected to correlate with the direction of the markets. Accordingly, the results in a particular period will not necessarily be indicative of results which may be expected in future periods.
- *Hedging Risks.* There can be no assurances that a particular hedge is appropriate, or that certain risk is measured properly. Further, while Gramercy may enter into hedging transactions to seek to reduce risk, such transactions may result in poorer overall performance and increased (rather than reduced) risk for Gramercy's investment portfolios than if Gramercy did not engage in any such hedging transactions.
- *Interest Rate Risks.* Generally, the value of fixed-income securities changes inversely with changes in interest rates. As interest rates rise, the market value of fixed-income securities tends to decrease. Conversely, as interest rates fall, the market value of fixed-income securities tends to increase. This risk is greater for long-term securities than for short-term securities.
- *Leverage Risks.* Performance may be more volatile if a client's account employs leverage.
- *Option Trading Risks.* Purchasing options involves the risk that the underlying instrument will not change price in the manner expected, so that the investor loses its premium. Selling options involves potentially greater risk because the investor is exposed to the extent of the actual price movement in the underlying security rather than only the premium payment received (which could result in a potentially unlimited loss). Over-the-counter options also involve counterparty credit and solvency risk.
- *Short Selling Risks.* Short selling transactions exposes client accounts to the risk of loss in an amount greater than the initial investment, and such losses can increase rapidly and without effective limit. There is the risk that the securities borrowed by Gramercy in connection with a short sale would need to be returned to the securities lender on short notice. If such request for return of securities occurs at a time when other short sellers of the subject security are receiving similar requests, a "short squeeze" can occur, wherein Gramercy might be compelled, at the most disadvantageous time, to replace the borrowed securities previously sold short with purchases on the open market, possibly at prices significantly in excess of the proceeds received earlier.

- *Stakeholder Activism Risks.* Gramercy's stakeholder activism investment strategies create the risk that the intended strategy for a particular company will be unsuccessful. In cases where Gramercy takes a seat on a company's board of directors, there exists a risk that Gramercy will be restricted in transacting in or liquidating its investment in that company as a result of, among other things, legal restrictions on transactions by company directors or affiliates. The potential for company restructuring also creates the risk that Gramercy might become involved in litigation (either as a plaintiff or defendant).
- *Derivatives.* Swaps, and certain options and other custom derivative or synthetic instruments are subject to the risk of nonperformance by the counterparty to such instrument, including risks relating to the financial soundness and creditworthiness of the counterparty. In addition, investments in derivative instruments require a high degree of leverage, meaning the overall contract value (and, accordingly, the potential for profits or losses in that value) is much greater than the modest deposit used to buy the position in the derivative contract. Derivative securities can also be highly volatile. The prices of derivative instruments and the investments underlying the derivative instruments may fluctuate rapidly and over wide ranges and may reflect unforeseeable events or changes in conditions, none of which can be controlled by the client or Gramercy. Further, transactions in derivative instruments are not undertaken on recognized exchanges, and may expose the client's account to greater risks than regulated exchange transactions that provide greater liquidity and more accurate valuation of securities.
- *Distressed Securities.* Investments in unrated or low grade debt securities of distressed companies may be subject to greater risk of loss of principal and interest than higher-rated debt securities. Also, securities of distressed companies are generally more likely to become worthless than the securities of more financially stable companies. In addition, evaluating credit risk for foreign debt securities involves greater uncertainty because credit rating agencies throughout the world have different standards, making comparison across countries difficult.
- *Emerging Markets.* The risks of foreign investments may be greater in less developed countries, sometimes referred to as emerging markets. For example, political and economic structures in these countries may be less established and may change rapidly. These countries may be more likely to experience high levels of inflation, deflation, or currency devaluation, which can harm their economies and securities markets and increase volatility. Restrictions on currency trading that may be imposed by emerging market countries will have an adverse effect on the value of the securities of companies that trade or operate in such countries.
- *Fixed-Income and Debt Securities.* Investment in fixed-income and debt securities such as bonds, notes and asset-backed securities, subject a client's portfolios to the risk that the value of these securities overall will decline because of rising interest rates. Similarly, portfolios that hold such securities are subject to the risk that the portfolio's income will decline because of falling interest rates. Investments in these types of securities will also be subject to the credit risk created when a debt issuer fails to pay interest and principal in a timely manner, or that negative perceptions of the issuer's ability to make such

payments will cause the price of that debt to decline. Lastly, investments in debt securities will also subject the investments to the risk that the securities may fluctuate more in price, and are less liquid than higher-rated securities because issuers of such lower-rated debt securities are not as strong financially, and are more likely to encounter financial difficulties and be more vulnerable to adverse changes in the economy.

- *Illiquid Instruments.* Certain instruments may have no readily available market or third-party pricing. Reduced liquidity may have an adverse impact on market price and Gramercy's ability to sell particular securities when necessary to meet liquidity needs or in response to a specific economic event, such as the deterioration of creditworthiness of an issuer. Reduced liquidity in the secondary market for certain securities may also make it more difficult for Gramercy to obtain market quotations based on actual trades for the purpose of valuing a fund's portfolio.
- *Non-U.S. Securities.* Foreign securities, foreign currencies, and securities issued by U.S. entities with substantial foreign operations can involve additional risks relating to political, economic, or regulatory conditions in foreign countries. These risks include fluctuations in foreign currencies; withholding or other taxes; trading, settlement, custodial, and other operational risks; and the less stringent investor protection and disclosure standards of some foreign markets. All of these factors can make foreign investments, especially those in emerging markets, more volatile and potentially less liquid than U.S. investments. In addition, foreign markets can perform differently from the U.S. market.
- *Futures and Options.* In connection with the use of both securities and commodities futures contracts and options, there may be an imperfect correlation between the change in market value of a security or commodity and the prices of the futures contracts and options in the client's account. In addition, Gramercy's investments in security or commodity futures and options may encounter a lack of a liquid secondary market for a futures contract and the resulting inability to close a futures position prior to its maturity date.

Item 9. Disciplinary Information

Gramercy is not currently involved in or aware of any legal or disciplinary events that will materially or adversely affect our ability to provide investment advisory services or affect the integrity of Gramercy's management.

Item 10. Other Financial Industry Activities and Affiliations

As noted in the "Material Changes" section of this Brochure, Gramercy does not have any affiliated investment advisers nor are we affiliated with a regulated broker-dealer. However, Gramercy does have a U.K. affiliate GFG LLP which is currently registered with the Financial Services Authority.

To the extent that a Fund invests in another Fund, Gramercy will waive fees or incentive allocations in one Fund so that they do not receive double fees for the same investment.

Each of the private funds for which Gramercy serves as investment manager has and may in the future enter into agreements, or “side letters,” with certain prospective or existing members or shareholders whereby such members or shareholders may be subject to terms and conditions that are more advantageous than those set forth in the offering memorandum for the fund. For example, such terms and conditions may provide for special rights to make future investments in the fund, other investment vehicles or managed accounts; special redemption rights, relating to frequency or notice; a waiver or rebate in fees or redemption penalties to be paid by the member or shareholder and/or other terms; rights to receive reports from the fund on a more frequent basis or that include information not provided to other members or shareholders (including, without limitation, more detailed information regarding portfolio positions) and such other rights as may be negotiated by the fund and such members or shareholders. The modifications are solely at the discretion of the fund and may, among other things, be based on the size of the member’s or shareholder’s investment in the fund or affiliated investment entity, an agreement by a member or shareholder to maintain such investment in the fund for a significant period of time, or other similar commitment by a member or shareholder to the fund.

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

Pursuant to Rule 204A-1 under the Investment Advisers Act of 1940, as amended (the “**Advisers Act**”) Gramercy’s Code of Ethics (the “**Code**”) sets forth standards and procedures that are intended to assure that its employees do not use any information concerning the investments or investment intentions of any client, or their ability to influence such investment intentions, for personal gain or in a manner that is detrimental to Gramercy’s fiduciary duty to clients. Gramercy professionals are expected to conduct themselves in a professional manner at all times, engage in and promote ethical conduct, carry out responsibilities honestly and comply with applicable government laws, rules and regulations. Upon receipt of the Code, all employees must sign an acknowledgment form. In addition, on an annual basis, all employees must certify compliance with the Code. Clients or prospective clients may obtain a copy of the Code by contacting Robert J. Lanava, Chief Compliance Officer, by email at rl@gramercy.com, or by telephone at (203) 552-1900. See below for further provisions of the Code as they relate to the preclearing and reporting of securities transactions by related persons.

Gramercy, in the course of its investment management and other activities (e.g., board or creditor committee service), may come into possession of confidential or material nonpublic information about issuers, including issuers in which Gramercy or its related persons have invested or seek to invest on behalf of clients. Gramercy is prohibited from improperly disclosing or using such information for its own benefit or for the benefit of any other person, regardless of whether such other person is a client. Gramercy maintains and enforces written policies and procedures that prohibit the communication of such information to persons who do not have a legitimate need to know such information and to assure that Gramercy is meeting its obligations to clients and remains in compliance with applicable law. In certain circumstances, Gramercy may possess certain confidential or material, nonpublic information that, if disclosed, might be material to a

decision to buy, sell or hold a security, but Gramercy will be prohibited from communicating such information to the client or using such information for the client's benefit. In such circumstances, Gramercy will have no responsibility or liability to the client for not disclosing such information to the client (or the fact that Gramercy possesses such information), or not using such information for the client's benefit, as a result of following Gramercy's policies and procedures designed to provide reasonable assurances that it is complying with applicable law.

Personal Trading Policy

Under the direction of the Compliance Officer, Gramercy maintains a list of restricted securities (such list, the “**Restricted List**” and any security on the list, a “**Restricted Security**”) that Gramercy employees are prohibited, pursuant to the terms of their employment, from purchasing or selling without the express approval of the Compliance Officer. In addition, Gramercy employees are also prohibited from entering into any type of derivatives transaction with respect to a Restricted Security without the express approval of the Compliance Officer.

Restricted List

At all times, the Restricted List consists of: (i) all emerging markets instruments (including, but not limited to, sovereign and non-sovereign bonds, stocks and currencies); (ii) all closed-end funds; (iii) any security held by an investment fund or client account managed by Gramercy; (iv) any security under investment consideration or which is currently being researched by Gramercy on behalf of any investment fund managed by Gramercy or any other client of Gramercy; (v) all private investment funds that are not managed by Gramercy including, but not limited to, hedge funds, private equity funds and real estate investment funds; and (vi) any other security with respect to which Gramercy possesses material non- public information. Notwithstanding the foregoing, the Restricted List shall not include any open-ended mutual fund shares or exchange traded funds.

Upon the commencement of any research or investment consideration of a security by a portfolio manager or an analyst or upon the execution of a purchase of a security by a portfolio manager or analyst on behalf of an investment fund or client account, such portfolio manager or analyst is required to immediately report the identity of the relevant security to the Compliance Officer. Furthermore, in the event that any employee at Gramercy obtains material nonpublic information regarding a security, such employee is required to report the identity of the security to the Compliance Officer. The Compliance Officer will ensure that all securities reported in accordance with the above referenced guidelines are promptly added to the Restricted List. In addition, the Compliance Officer will, on a routine basis, coordinate with portfolio managers and other Gramercy employees to determine whether (A) any securities on the Restricted List are no longer held by investment funds or client accounts managed by Gramercy, (B) any securities on the Restricted List are no longer the subject of research or any investment consideration, and (C) whether any non-public material information regarding a security on the Restricted List is no longer non-public or material, in which case such securities may be removed from the Restricted List.

Trade Process

If a Gramercy employee wishes to execute a purchase, sale, derivatives transaction or any other personal trade (a “**Personal Trade**”) with respect to any Restricted Security, the employee is required to complete and submit to the Compliance Officer a pre-authorization form, identifying the security, quantity, size and direction of the proposed Personal Trade. The Compliance Officer will review the pre-authorization form and may, in certain limited circumstances and in his sole discretion, approve the proposed Personal Trade. If necessary, the Compliance Officer shall consult with internal and external counsel prior to approving a proposed Personal Trade. In general, proposed Personal Trades, which create an investment position with respect to a Restricted Security, will not be approved. Any approval provided by the Compliance Officer will be valid only during the day such pre-authorization form is filed with the Compliance Officer and the next trading day. Notwithstanding the foregoing, a Gramercy employee may execute a Personal Trade without submitting a pre-authorization form or obtaining the approval of the Compliance Officer if such Personal Trade is a credit default swap transaction pursuant to which the Gramercy employee is purchasing credit protection with respect to one or more sovereign bonds.

Employees of Gramercy may purchase or sell securities for their own accounts only in accordance with the procedures described above in order to minimize the conflicts stemming from situations where the contemporaneous trading results in an economic benefit for Gramercy or its related person to the detriment of the client.

Item 12. Brokerage Practices

In selecting brokers or dealers with which to execute transactions, Gramercy will use its best judgment to choose the broker or dealer most capable of providing the services necessary to obtain the most favorable execution. Trading securities can be complicated and some brokers are better equipped than others especially in emerging markets, where circumstances are not as regulated or transparent as in the developed world.

The *full range and quality of services available* will be considered in making these determinations including:

- broker’s familiarity with the company/market in which it trades;
- broker’s execution capability (i.e., how many buyers/sellers the broker has access to and their ability to complete large orders);
- broker’s commission rate; and
- broker’s responsiveness and customer service.

When appropriate, Gramercy may, but is not required to, aggregate client orders to achieve more efficient execution or to provide for equitable treatment among accounts. Clients participating in aggregated trades will be allocated securities based on the average price achieved for such trades.

Item 13. Review of Accounts

Gramercy continuously monitors the price of all securities in accounts it manages to seek to ensure compliance with all the covenants described in the governing documents of the funds it manages and the conditions set forth in the investment management agreements with its clients. On a daily basis, Gramercy monitors and reviews news wires, selected newspapers and research material provided by brokerage houses as well as speaking to various contacts in local markets to review current investment views and develop new investment ideas. In addition, Gramercy's managing members and their designees perform such reviews on a daily basis.

Gramercy distributes electronic and written statements to clients on a monthly basis reporting the client's account's net return for the month and current capital balance. On a monthly basis, Gramercy also provides fund analytics to clients in electronic form as well as a monthly client report summarizing each Fund's current investment strategy and positions. From time to time ad hoc market commentary is generated by Gramercy's research team which includes white papers on investment topics pertinent within the market environment. Gramercy also conducts quarterly conference calls with clients and encourages annual face-to-face meetings. Custom reports are available upon request. Annual audited fund-level financial statements are issued to clients.

Item 14. Client Referrals and Other Compensation

Gramercy does not compensate independent third parties for client referrals.

In accordance with the terms and conditions of Rule 206(4)-3 under the Advisers Act, Gramercy may compensate Gramercy employees based, in part, on their respective role in obtaining new business. Referral fees vary and may either be a one-time fee or an ongoing fee for the duration of the client relationship.

Item 15. Custody

This item is not applicable.

Item 16. Investment Discretion

Gramercy's investment discretion and authority is subject to the limitations set forth in the governing documents and confidential offering memoranda of its Fund clients, copies of which are provided to investors in such clients. While certain of the Funds do not require Gramercy to diversify investments or limit the amount of leverage employed, other Funds provide that no more than a set percentage of the Fund's total assets may be invested in the securities of any one issuer or country and that the Fund may not exceed certain leverage ratios.

With respect to the managed account clients, Gramercy has broad discretionary authority to determine the type and amount of securities to be bought or sold, with such authority limited, if at all, by such clients on a contractual basis. Any limitations in such authority would be set forth in the investment management agreement between Gramercy and a managed account client. Gramercy may have the right to cause managed account client assets to be invested in its Fund

clients, in which case, the management and incentive fees or allocations charged or allocated would be governed by the governing documents of the relevant Fund client.

Gramercy's investment strategies are typically either emerging markets and/or distressed. Certain investments are uniquely qualified for just one strategy. Certain other investments are qualified for more than one Fund and/or account. It is Gramercy's basic policy that no client for whom Gramercy has investment decision responsibility shall receive preferential treatment over any other client. In allocating securities among clients, it is Gramercy's policy that all clients should be treated fairly and that, to the extent possible, all clients should receive equivalent treatment. Conflicts of interest will be affirmatively disclosed to underlying clients in the document related to such Fund or vehicle.

Due to the difference in client investment objectives and strategies, risk tolerances, tax status and other criteria, there may be differences among clients in invested positions and securities held. The following factors may be taken into account by Gramercy in allocating securities among investment advisory clients:

- client's investment objective and strategies;
- client's risk profile;
- client's tax status;
- any restrictions placed on a client's portfolio by the client or by virtue of federal or state law (such as the Employee Retirement Income Security Act of 1974, as amended);
- size of client account;
- total invested positions;
- nature of the security to be allocated;
- size of available position;
- supply or demand for a security at a given price level;
- current market conditions;
- timing of cash flows and account liquidity;
- any other information determined to be relevant to the fair allocation of securities.

The above mentioned criteria, among others, will be used by Gramercy's Investment Committee or the appropriate Portfolio Manager(s) to determine whether or not a particular investment is suitable for a particular client. For discretionary managed accounts, Gramercy will also consider

direct conversations with underlying management of such managed accounts for final decision making on whether or not an investment is suitable for their specific account.

To the extent a particular investment is suitable for more than one client, such investment will be allocated, *ceteris paribus*, between the clients pro rata based on assets under management or in some other manner that the Adviser determines is fair and equitable under the circumstances to all clients. All transactions will be made on a best execution basis.

Transactions in de minimis amounts of securities will be allocated in any manner deemed appropriate by the Adviser under the circumstances.

Gramercy rarely causes a transaction between client accounts to occur. Further, cross transactions between client accounts are not permitted if they would constitute principal trades unless client consent has been obtained based upon written disclosure to the client of the capacity in which Gramercy or its affiliates will act. Transactions between a client account and (1) an account of the Adviser and/or its affiliates or (2) an account at least 25% of which is comprised of interests held by the Adviser and/or its affiliates will be deemed a principal transaction. In addition, cross transactions are not permitted for benefit plan or other similar accounts that are subject to ERISA.

Item 17. Voting Client Securities

To the extent Gramercy has been delegated proxy voting authority on behalf of its clients, Gramercy complies with its proxy voting policies and procedures that are designed to ensure that in cases where Gramercy votes proxies with respect to client securities, such proxies are voted in the best interests of its clients.

Gramercy's clients are generally not permitted to direct their votes in a particular solicitation.

If a material conflict of interest between Gramercy and a client exists, Gramercy will determine whether voting in accordance with the guidelines set forth in the proxy voting policies and procedures is in the best interests of the client or take some other appropriate action.

Clients may obtain a copy of Gramercy's proxy voting policies and procedures and information about how Gramercy voted a client's proxies by contacting Robert J. Lanava (Chief Compliance Officer) by email at rl@gramercy.com or by telephone at (203) 552-1900.

Item 18. Financial Information

Gramercy does not require or solicit prepayment of any fees six months or more in advance. Therefore, we have not included a balance sheet for our most recent fiscal year.

Gramercy has never been the subject of a bankruptcy petition nor are we aware of any financial condition that is reasonably likely to impair our ability to meet our contractual obligations to clients.

Item 19. Requirements for State-Registered Advisers

This Item is not applicable.