

**Item 1 – Cover Page**

**Evolved Alpha, LLC**

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***This brochure provides information about the qualifications and business practices of Evolved Alpha, LLC. If you have any questions about the contents of this brochure, please contact us at (805) 695-8100. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.***

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

## **Item 2- Material Changes**

Evolved Alpha, LLC filed its initial ADV brochure in March 2010. Evolved Alpha, LLC is providing this brochure for its 2012 annual updating amendment.

There are no material changes to report in this brochure. In the future, this section of the brochure will discuss any material changes made to the document from the prior year.

Pursuant to SEC Rules, Evolved Alpha, LLC will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year and will further provide other ongoing disclosure information about material changes as necessary.

In addition, Evolved Alpha, LLC will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge. Please contact Justin Pawl, Chief Compliance Officer, at (805) 695-8100 or [Justin@Evolved-Alpha.com](mailto:Justin@Evolved-Alpha.com).

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## **Item 4 – Advisory Business**

Evolved Alpha, LLC (the “Adviser”) is a California limited liability corporation and has its place of business in Montecito, California. Evolved Alpha, LLC was formed in 2010 and is owned and managed by its principals, Jesse Redmond and Justin Pawl. The Adviser provides investment advisory services on a discretionary basis to private investment limited partnerships and Cayman Islands exempted companies (each, a “Client”, and together “Clients” or “Funds”). Investment advisory services include:

1. Establishing each Client’s investment objectives;
2. Selecting other investment managers (each, a “Sub-Manager”) to manage portions of a Fund’s portfolio according to select investment strategies;
3. Buying or selling portfolio securities on behalf of each Client, and, from time to time, reallocating securities among Client portfolios to balance securities among such portfolios; and
4. Periodically reporting to each Client’s investors the applicable Client’s current investment valuations, capital gains or losses, investment income and performance.

The Funds are Evolved Alpha, LP (the “Domestic Fund”), Evolved Alpha, Ltd. (the “Offshore Fund”), Evolved Alpha Total Return, LP (the “Total Return Fund”), Evolved Alpha Equities MF, Ltd (the “Equities Master Fund”) and Evolved Alpha F.O.X. MF, Ltd. (the “FOX Master Fund”).

As of, March 1, 2012, in client accounts managed on a discretionary basis, Evolved Alpha, LLC had \$172.7 million in assets under management. Evolved Alpha, LLC does not currently manage assets on a non-discretionary basis.

## **Item 5 – Fees and Compensation**

The Adviser generally charges a monthly asset-based management fee (the “Management Fee”), in advance, at the annual rate of 1.0% to 2.0% of the value of each Client account. Management Fees are calculated by using Client account values at the beginning of the payment period.

The Adviser may also charge a monthly performance fee in an amount up to 20% of a Client’s net monthly return. All such performance fee arrangements are intended to comply with Rule 205-3 under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). Generally, the Adviser does not negotiate fees, however, it may enter into various fee

arrangements with certain Client accounts based on, among other factors, the actual or anticipated size of the relationship.

Investors are permitted to make full or partial withdrawals at the close of business on the last day of the month. An Investor requesting to make a full or partial withdrawal from the Fund shall receive its capital balance or a portion of its respective capital balance being requested less any applicable management fees, performance fees or other charges. Generally, 95% of the estimated amount due to a withdrawing investor will be paid in cash or securities within thirty (30) business days after the effective date of withdrawal. Any remaining balances must be paid, without interest thereon, promptly following completion of the audit of the Fund's financial statements for the fiscal year that includes the effective date of the withdrawal.

As disclosed in the Funds' offering documents, the Adviser has the absolute discretion to agree with an investor to waive or modify the application of any term of investment, including those related to the Management and Performance Fees, without obtaining the consent of the other Fund investors.

## **Item 6 – Performance-Based Fees and Side-By-Side Management**

The Adviser has entered into performance fee arrangements with qualified clients and such fees are subject to individualized negotiation with each Client. The Adviser will structure any performance or incentive fee arrangement subject to Section 205(a)(1) of the Investment Advisors Act of 1940 (The Advisors Act) in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3. In measuring client's assets for the calculation of performance-based fees, the Adviser shall include realized and unrealized capital gains and losses.

Performance based fee arrangements may create an incentive for the Adviser to recommend investments that may be riskier or more speculative than those which would be recommended under a different fee arrangement. The Adviser has procedures designed and implemented to ensure that all Clients are treated fairly and equally, and to prevent this conflict from influencing the allocation of investment opportunities among clients.

## **Item 7 – Types of Clients**

The Adviser provides investment advisory services to the private funds: Evolved Alpha, LP (the “Domestic Fund”), Evolved Alpha, Ltd. (the “Offshore Fund”), Evolved Alpha Total Return, LP (the “Total Return Fund”), Evolved Alpha Equities MF, Ltd (the “Equities Master Fund”) and Evolved Alpha F.O.X. MF, Ltd. (the “FOX Master Fund”).

Investors in the Funds are required to complete and submit a subscription agreement binding them to the terms of the particular Fund’s governing documents. The minimum investment in the Funds is \$250,000, although the Fund may accept investments of a lesser amount in its discretion, subject to compliance with the applicable laws and regulation.

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

Sub-Managers may utilize a variety of different security analysis methods, including, among others, fundamental, technical, charting and cyclical.

### **Risks of Investing**

Investing in a Fund involves risk of loss and is suitable only for investors prepared to bear such risk. The risk factors below are not intended to be exhaustive. Prospective investors in a Fund or Managed Accounts should carefully review the risks described in the offering memorandum and related documents, as applicable, for the relevant Fund.

*Market Risk.* The risk that the value of the securities held in the Fund will decline in value due to the change in the market price of the securities.

*Fund's portfolio.* Trading in futures contracts and options is a highly specialized activity which, while it may increase the total return on the Fund's portfolio, may entail greater than ordinary investment risks.

*Short Sales.* Short selling or the sale of securities not owned by the Fund, necessarily involves certain additional risks. Such transactions expose the Fund 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 the Fund 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 the Fund might be compelled, at the most disadvantageous time, to replace borrowed securities previously sold short with purchases on the open market, possibly at prices significantly in excess of the proceeds received earlier.

*Leverage.* While the use of margin borrowing can substantially improve the return on invested capital, such use may also increase the adverse impact to which the portfolio of the Fund may be subject. Borrowings will usually be from securities brokers and dealers and will typically be secured by the Fund's securities and other assets. Under certain circumstances, such a broker-dealer may demand an increase in the collateral that secures the Fund's obligations and if the Fund were unable to provide additional collateral, the broker-dealer could liquidate assets held in the account to satisfy the Fund's obligations to the broker-dealer. Liquidation in that manner could have extremely adverse consequences. In addition, the amount of the Fund's borrowings and the interest rates on those borrowings, which will fluctuate, will have a significant effect on the Fund's profitability.

*Derivatives.* Purchasing put and call options, as well as writing such options, are highly specialized activities and entail greater than ordinary investment risks. Because option premiums paid or received by an investor are small in relation to the market value of the investments underlying the options, buying and selling put and call options can result in large amounts of leverage. As a result, the leverage offered by trading in options could cause the value of a limited partner's capital account to be subject to more frequent and wider fluctuations than would be the case if the Fund did not invest in options. The Fund may, in the future, invest in futures contracts and options thereon both for hedging purposes and to increase the total return on the

**Investing in securities and derivatives involves risk of loss that Fund investors should be prepared to bear. There can be no assurance that the Fund's objective will be achieved or that the investment strategies the Fund employs will be successful. Investors must be prepared to lose all or substantially all of their investment in the Fund. The past performance of a Fund is not indicative of its future performance.**

**For a detailed description of the risks of the investment strategies employed by the Funds, please see that Fund's Offering Documents.**

## **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary event that would be material to your evaluation of the Adviser or the integrity of the Adviser's management. Evolved Alpha, LLC has no information to report with respect to this item.

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

The Adviser is registered as a commodity pool operator and a commodity trading advisor.

The Adviser is the general partner of Evolved Alpha, LP (the "Domestic Fund") and Evolved Alpha Total Return, LP (the "Total Return Fund"). The Principals of the Adviser are directors of Evolved Alpha, Ltd (the "Offshore Fund"). The Domestic Fund currently offers four classes of interest to investors (the "Evolved Alpha Specialized Strategies Class", "Evolved Alpha Specialized Strategies Institutional Class", "Evolved Alpha Specialized Strategies Ultra Class" and "Evolved Alpha Global Futures Class").

The Offshore Fund currently offers four classes of interest to investors (the "Evolved Alpha Specialized Strategies Class", "Evolved Alpha Specialized Strategies Ultra Class", "Evolved Alpha Global Equities Class" and "Evolved Alpha Global Equities Institutional Class"). Certain classes of interest of the Domestic Fund or Offshore Fund invest directly into the Equities Master Fund and, or the FOX Master Fund. In addition, the Total Return fund invests directly into the Offshore Fund. Portions of the Equity Master Fund and FOX Master Fund's portfolios are managed by the Sub-Managers according to investment strategies determined by the Adviser and as further described in the particular Funds' offering documents.



## Item 11 – Code of Ethics

The Advisor has adopted a written Code of Ethics designed to address and avoid potential conflicts of interest as required under Rule 204A-1 of the Adviser's Act (the "Code"). The Code sets forth a standard of business conduct and compliance with federal securities laws by all of the Adviser's employees. The Code contains policies and procedures that ensure that all personal securities trading by employees of the Advisor is conducted in such a manner as to avoid actual or potential conflicts of interest or any abuse of an individual's position of trust and responsibility. The Adviser prohibits personal trading on certain securities or instruments; requires pre-clearance on all personal trades in specified asset classes, including purchases of an IPO or a new private placement; requires periodic reporting of employees' personal securities transactions and holdings; and requires prompt internal reporting of Code violations.

The Adviser and its professionals may come into contact with material, non-public information in connection with their advisory and portfolio management activities. As part of its Code, the Adviser has established procedures to prevent the abuse of material, non-public information, which includes procedures for, among other things, the use and maintenance of restricted trading lists. Because the structure of the Advisor would make information barriers impractical, the firm has not imposed information barriers to restrict the internal flow of material, non-public information. Thus, all professionals, including portfolio managers trading in public equity securities, are deemed to be in receipt of material, non-public information, and, therefore, may not trade on the basis of that information. This broad restriction on trading can have an adverse effect on Client accounts. That is, the Adviser may not be able to acquire a particular security for the benefit of a Client because the entire organization may be deemed to be in receipt of material, non-public information. Similarly, the Adviser may not be able to dispose of a security for a Client, even in a declining market, until the information becomes publicly available or no longer material and the security is no longer restricted from trading on a firm-wide basis.

If requested, the Advisor will provide a copy of its Code of Ethics.

## **Item 12 – Brokerage Practices**

In placing portfolio transactions directly on behalf of the Funds, the Advisor will seek to obtain the best execution for the Funds, taking into account the following factors: commission rates, spread or other compensation paid, the price at which the transaction is executed, speed of execution, ability to handle large trades or thinly traded issuers in a timely manner and customer responsiveness, bearing in mind that it may be in a Fund's best interest to pay a higher commission, spread or other compensation in order to receive better execution. In addition, subject to the Advisor's obligation to seek best execution, the Advisor may consider referrals of investors in selecting brokers. Account management agreements with Sub-Managers will also provide for "best-execution" responsibilities.

### **Sub-Managers**

The Sub-Managers, with respect to accounts of the Master Funds, may pay higher prices for the purchase of securities from or accept lower prices for the sale of securities to brokerage firms (including any prime broker) that provide it with such investment and research information or pay higher commissions to firms if it is determined such prices or commissions are reasonable in relation to the overall services provided. Research services furnished by brokers may include written information and analyses concerning specific securities, companies or sectors; market, financial and economic studies and forecasts; conferences or meetings with management or industry consultants. Fees of the Sub-Managers will not be reduced as a consequence of the receipt of such supplemental research information. Research services provided by broker-dealers may be utilized by the Sub-Managers or their respective affiliates in connection with its investment services for other accounts and, likewise, research services provided by broker-dealers used for transactions of other accounts may be utilized by Sub-Managers in performing its services for the Funds. Since commission rates in the United States are negotiable, selecting brokers on the basis of considerations that are not limited to applicable commission rates may at times result in higher transaction costs than would otherwise be obtainable. In certain instances, Sub-Managers may also receive other non-monetary benefits from executing brokers, such as administrative costs and expenses.

The Advisor does not use soft dollars to obtain investment research services or to pay for any administrative costs. Agreements entered into between the Master Funds and the Sub-Managers will permit the Sub-Managers to engage in soft dollar arrangements only in accordance with the "safe harbor" established by Section 28(e) of the Securities Act of

1934. Nevertheless, the use of soft dollars by the Sub-Managers may create a conflict of interest on the part of the Sub-Managers if soft dollars are used to purchase products and services that may not be used exclusively for the benefit of the Master Funds.

### **Item 13- Review of Accounts**

The Advisor reviews the Fund portfolios on a daily basis relating to, among other factors, position sizes; sector, asset class and company-specific exposure levels' borrowing thresholds; and Sub-Manager investment strategy compliance. Both principals of the Advisor are actively involved in the daily monitoring of the Funds' portfolios and the Sub-Managers. The Advisor has purchased third-party risk management software and systems to facilitate the risk management process.

The Funds furnish to investors as soon as practicable after the end of each taxable year or as otherwise required by law annual reports containing financial statements examined by the Funds' independent auditors as well as such tax information as is necessary for each investor to complete federal and state income tax or information returns, along with any other tax information required by law.

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

The Advisor may enter into solicitation agreements with certain persons ("Solicitors") regarding the solicitation and referral of Clients. In such a case, the Advisor would compensate certain Solicitors for the referral of such Clients depending on the specific arrangement. Such arrangements will be disclosed to prospective Clients or their authorized designees in accordance with Rule 206(4)-3 under the Advisers Act, as applicable.

### **Item 15- Custody**

Custody is defined as having access to clients' (or investors') securities or funds. The Firm is considered to have custody of Fund assets, even though these assets are held by an outside custodian because the Firm is the general partner of the Fund and authorized to deduct fees directly from the Investors' capital accounts. This fee deduction is deemed a form of custody by the Securities and Exchange Commission, although all client securities, investments and funds are held by an outside Custodian.

The Firm manages this risk by:

- engaging third party service providers to administer, audit and serve in financial roles on behalf of the Firm and the Fund.
- engaging a PCAOB registered and inspected accounting firm to audit the Funds' financial statements annually, and
- sending each investor a copy of the audited financial statements each year within 120 days of the Funds' fiscal year end.

## **Item 16- Investment Discretion**

The Adviser has discretionary authority from the Client to select the identity and amount of securities to be bought or sold on behalf of the client. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives, policies and strategies disclosed in respective Offering Documents for a particular Client account.

## **Item 17- Voting Client Securities**

The Advisor employs strategies that are diversified across time frames. The most active sub advisors may trade hundreds of stocks each day and hold positions for less than one week. Due to these shorter-term strategies it is in the clients best interest to not participate in proxy voting.

## **Item 18- Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about their financial condition. Evolved Alpha, LLC has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.