

# Alphadyne Asset Management LLC

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This Brochure provides information about the qualifications and business practices of Alphadyne Asset Management LLC. If you have any questions about the contents of this Brochure, please contact the Chief Compliance Officer (“CCO”) Will Hines at 212-806-3700. Additional information about Alphadyne Asset Management LLC may be found at [www.adyne.com](http://www.adyne.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.

Alphadyne Asset Management LLC is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training. The oral and written communications of an adviser provide you with information about which you determine to hire or retain an adviser.

Additional information about Alphadyne Asset Management LLC is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 – Material Changes**

On February 29, 2012, Alphadyne Asset Management, Pte. Ltd. and Alphadyne Asset Management LLC underwent a corporate restructuring. Under the old corporate structure, Alphadyne Asset Management, Pte. Ltd. was the parent and majority shareholder of Alphadyne Asset Management LLC and served in the capacity of investment manager to each of the Funds (see Item 4 for details regarding the Funds).

Pursuant to the restructuring, Alphadyne Asset Management LLC became the parent and sole shareholder of Alphadyne Asset Management, Pte. Ltd. and replaced Alphadyne Asset Management, Pte. Ltd. as investment manager to the Funds. Alphadyne Asset Management, Pte. Ltd. continues to provide investment advisory services to the Funds in the capacity of investment adviser.

This is the only material change to this brochure since the last annual update dated March 31, 2011.

We will ensure that you receive a summary of any materials changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

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## **Item 4 – Advisory Business**

Alphadyne Asset Management LLC (the “Investment Manager”) was established in 2005. The Investment Manager was founded by Mr. Phillippe Khuong-Huu and Mr. Bart Broadman, the principal owners of the Investment Manager. The Investment Manager has been registered with the SEC since February 3, 2010. The Investment Manager provides investment advisory services on a discretionary basis to clients, which are commingled investment vehicles or separately managed accounts primarily intended for institutional investors and other sophisticated investors.

Currently, the Investment Manager provides investment advisory services to the following clients: Alphadyne International Master Fund Ltd., Lyxor Alphadyne Segregated Portfolio, Alphadyne Investment Strategies Master Fund SPC Ltd., Alphadyne Global Rates Master Fund Ltd., and Alphadyne International (ERISA) Master Fund Ltd. and certain entities that make up such funds (each a “Fund” and collectively, the “Funds”). Please refer to the offering materials of each of the Funds for further details of each Fund’s legal structure.

Pursuant to investment management agreements (the “Investment Management Agreements”) with the Funds, the Investment Manager has authority to retain affiliated or unaffiliated entities to provide investment advisory services to the Funds, provided that such entities are compensated out of the Investment Manager’s compensation under the Investment Management Agreements. Consistent with this authority, the Investment Manager has retained its affiliate, Alphadyne Asset Management Pte Ltd., to provide investment advisory services (the “Investment Adviser”) to the Funds pursuant to a Master Investment Advisory Agreement. The Investment Adviser is also registered with the SEC as an investment adviser.

The Funds generally employ directional (macro) and relative value investment strategies principally in the global interest rate and foreign exchange markets across North America, Europe and Asia.

As of March 1, 2012, the Investment Manager managed approximately \$1.9 billion in assets on a discretionary basis. The Investment Manager does not manage any assets on a non-discretionary basis.

## **Item 5 – Fees and Compensation**

Generally, the Investment Manager receives a monthly management fee in advance (adjusted for subscriptions made during the month) calculated at the rate of 0.166% (i.e., approximately 2.0% per annum) of the net assets of each client (the “Management Fee”). In certain instances, the Management Fee may be negotiable and the Investment Manager may waive or reduce the Management Fee with regard to investors that are employees or affiliates of the Investment Manager or the Investment Adviser, relatives of such persons, and for certain strategic investors.

The Investment Manager and the Investment Adviser will structure any performance or incentive fee arrangement subject to Section 205(a)(1) of the Investment Advisers Act of 1940 (the “Advisers Act”) in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3.

The Investment Manager receives performance compensation that is generally equal to 20% of a client’s net profits, if any, subject to a “loss carryforward” provision (the “Incentive Fee”). With that said, a Fund may define the Incentive Fee as being equal to 20% of such Fund’s net profits, if any, in excess of an annualized non-cumulative return equal to the average 1-month LIBOR. As a result, please refer to each Fund’s offering materials to understand the manner in which the Incentive Fee is structured, by Fund. Moreover, the Incentive Fee is negotiable and may be waived or reduced with regard to investors that are employees or affiliates of the Investment Manager or the Investment Adviser, relatives of such persons, and for certain strategic investors.

During the first year of an investment, redemptions from the Funds are generally subjected to a withdrawal fee. This provides the investor with the option to redeem its investment in a Fund should a need arise, while providing a disincentive to do so. The proceeds from any withdrawal fee provide the remaining investors in the Fund with a form of compensation for the impact the Fund may incur if liquidating positions to meet the withdrawal.

Investors are typically permitted to withdraw capital from the Funds on a monthly basis subject to an investor's applicable notice requirement. Each Fund generally requires 60 days advance written notice for withdrawals and has generally included within its investment terms a 20% gate on redemptions, though certain investors or classes of interests may have different liquidity terms. The redemption gate, coupled with the applicable notice period for any redemption, are designed to help the Investment Manager effectively manage the redemption process. More specifically, such mechanisms allow the Investment Manager to have a clear view of cash outflows from the Fund, thus allowing the Investment Manager to tailor liquidation scenarios to meet redemption needs. The Funds, in consultation with the Investment Manager, may waive or reduce these liquidity and withdrawal terms with regard to investors that are employees or affiliates of the Investment Manager or the Investment Adviser, relatives of such persons, and for large and/or strategic investors.

Please refer to the offering materials of each of the Funds for further details of the fees assessed by each of the Funds.

The Investment Manager's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by individual investors. These include legal, compliance (including regulatory filing fees and the Investment Manager's compliance expenses incurred in connection with the clients), audit, tax, accounting (including third party accounting services) and administrator (including middle/back office and risk services) fees and expenses; organizational expenses; professional fees and expenses of consultants in connection with investigating, evaluating and structuring investments; research (including market data) fees and expenses; expenses of purchasing, carrying and disposing of portfolio positions such as commissions, borrowing charges on securities sold short, interest on margin accounts and other indebtedness; prime brokerage fees; custodial fees; clearing costs; exchange fees; applicable insurance costs (including errors and omissions insurance); brokerage fees and bank charges; Directors' fees and expenses; extraordinary expenses, if any (e.g., litigation expenses or damages); and any other expenses related to the purchase, sale or transmittal of client assets (including travel directly related to risk, portfolio management or research or structuring of the clients' investments).

Such charges, fees and commissions are exclusive of and in addition to the Investment Manager's fee, and the Investment Manager shall not receive any portion of these commissions, fees, and costs.

Item 12 further describes the factors that the Investment Manager or the Investment Adviser consider in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

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

As noted above, the Investment Manager receives performance-based compensation. All clients are subject to performance-based fees.

Performance based fee arrangements may create an incentive for the Investment Manager or the Investment Adviser to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. Such fee arrangements may also create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities. The Investment Manager and Investment Adviser have procedures designed and implemented to ensure that all investors are treated fairly and equally, and to prevent this conflict from influencing the allocation of

investment opportunities among investors. These procedures generally include provisions requiring that accounts that are managed in a similar fashion participate in investment opportunities pro rata based on trading assets, but at the same time provide the Investment Manager and Investment Adviser with flexibility to meet each Fund's investment objectives and to effectively employ its investment strategies. The procedures also generally require the objective allocation for limited opportunities (such as initial public offerings and private placements) to ensure fair and equitable allocation among accounts. These areas are monitored by the CCO.

No other hourly, flat or asset-based fees are charged to the Funds.

## **Item 7 – Types of Clients**

The Investment Manager provides investment advisory services to its clients, which are commingled investment vehicles or separately managed accounts intended for institutional investors and other sophisticated investors. Currently the Investment Manager provides investment advisory services to: Alphadyne International Master Fund Ltd., Lyxor Alphadyne Segregated Portfolio, Alphadyne Investment Strategies Master Fund SPC Ltd., Alphadyne Global Rates Master Fund Ltd., Alphadyne International (ERISA) Master Fund Ltd. and certain entities that make up such Funds (i.e. "feeder" funds).

Generally, the minimum initial investment in a Fund is \$1,000,000. Notwithstanding, each Fund's offering memorandum specifies the minimum initial investment requirements.

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

### **Methods of Analysis**

The Investment Manager uses a three-prong systematic approach to identify investment ideas. The three areas include:

*Quantitative analysis*- such as econometric and option models

*Fundamental analysis* – such as the economic/financial market outlook and sector/company specific information

*Market technical or dynamics* – such as evaluation of the supply and demand dynamics in the markets trade as well as the structural composition of the investor base, liquidity and leverage analysis

### **Investment Strategies**

The Investment Manager has maximum flexibility to invest in a broad range of market instruments and asset classes in connection with its trading strategies. A combination of derivatives and cash products will be used in each of the investment strategies that will include, but shall not be limited to, the following:

#### Liquid Rates Strategies

*Directional and Macro* - Generally involves taking positions that reflect a view on the direction of an underlying parameter such as interest rate levels.

*Relative Value* - Generally involves transactions that exploit the linear correlation and relative values among swaps, bonds and other instruments whose values change primarily due to interest rate levels (e.g. - swaps and bonds).

#### Volatility Strategies

*Directional and Macro* - Generally involves taking positions that reflect a view on the direction of an underlying parameter such as foreign exchange levels. Generally may also involve taking positions that reflect a view on the direction of implied volatility across various asset classes within interest rate, foreign exchange, equity and commodity markets.

*Relative Value* - Generally involves transactions that exploit the correlation and relative values among different currencies or options on currencies. Generally may also involve taking positions to exploit differences between implied volatility and realized volatility, differences in implied volatility amongst option expiries, underlying tenors (where relevant), and differences in implied volatility amongst strikes. It may also involve taking positions that exploit inefficiencies in volatility prices, such as those that may occur between Bermudan and European options.

*Equity Volatility* - Generally involves taking positions in equity, equity indices, futures, and exchange traded funds to capitalize on pricing discrepancies in levels of implied volatilities across global markets. The strategy employs mainly listed options, but may also involve over-the-counter derivatives. Typical strategies will involve arbitraging the spread between levels of implied and realized volatilities, the term structure or skew of the volatility surface, and the dispersion between index and sector or single stock volatilities.

#### Asia Rates Investment Strategies

Interest Rates Strategy:

*Directional and Macro* - Generally involves taking positions that reflect a view on the direction of an underlying parameter such as interest rate levels.

*Relative Value* - Generally involves transactions that exploit the linear correlation and relative values among swaps, bonds and other instruments whose value changes primarily due to interest rate levels.

Foreign Exchange Strategy:

*Directional and Macro* - Generally involves taking positions that reflect a view on the direction of an underlying parameter such as foreign exchange levels.

*Relative Value* - Generally involves transactions that exploit the correlation and relative values among different currencies or options on currencies.

#### Emerging Markets Fixed Income Strategy

Interest Rates Strategy:

*Directional and Macro (including Event)*: generally involves strategies that reflect a view regarding changes to inflation scenarios and economic fundamentals, monetary policy responses and capital markets inflows and outflows

*Relative Value*: generally involves capturing intra-curve inefficiencies, inter-curve relative value (one interest rate instrument to another within the same country) or inter-country relative value between two interest rates instruments

Foreign Exchange Strategy:

*Directional and Macro (including Event)*: generally involves strategies that reflect a view on the direction or volatility of currencies, central bank policies, improvement or deterioration in fundamentals and changes in external accounts

*Relative Value:* generally involves capturing value through the use of currency volatility products and correlation between currencies

Credit Strategies:

Generally involves directional or relative value position using sovereign credit instruments through intra-country or inter-country curve trades

## **Material Risks**

The following is a summary of some of the material risks associated with the above strategies. Although the summary below does not fully describe all of the risks associated with such an investment, the applicable Fund's offering memorandum contains a more complete description of the risks associated with an investment in the Fund:

### ***Substantial Changes in Regulation***

Legal, tax and regulatory changes could occur that may adversely affect the Funds, the Investment Manager and/or the Investment Adviser. The regulatory environment for hedge funds is evolving, and changes in the regulation of hedge funds may adversely affect the value of investments held by a Fund and the ability of each Fund to obtain the leverage it might otherwise obtain or to pursue its trading strategies. In addition, securities and futures markets are subject to comprehensive statutes, regulations and margin requirements. Regulators and self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies. The regulation of derivative transactions and short selling and funds that engage in such transactions is an evolving area of law and is subject to modification by government and judicial actions. The effect of any future regulatory change on a Fund, the Investment Manager and/or the Investment Adviser could be substantial and adverse.

### ***Lack of Liquidity of Fund Assets***

With respect to the portfolios of the Funds, a limited portion of a Fund's portfolio may contain a high number of relatively illiquid or thinly traded investments having a greater amount of both market and credit risk than many other fixed income investments. Such investments trade in a limited market and may not be able to be immediately liquidated if needed. Estimated values of these investments may differ significantly from the values that would have been used had a broader market for the investments existed and such differences could be material. In the normal course of its business, each Fund trades various financial instruments and enters into investment activities with off-balance sheet risk. Short sales represent future commitments to purchase or sell other financial instruments at specific terms at future dates. Short sales contain varying degrees of off-balance-sheet risk whereby changes in the market value of the securities underlying the financial instrument or the Fund's satisfaction of the obligations may exceed amounts recognized. Short sales have unlimited market risk to the extent that the Fund, in satisfying its obligations, may have to purchase securities at a higher value than the proceeds recorded from the original transactions. In the normal course of its business, the Fund may also be exposed to certain degrees of risk, including interest rate, market risk and the potential non-payment of principal and interest, including default or bankruptcy of the issuer resulting from its debt obligations.

### ***Leverage***

In addition, the Fund makes use of various forms of leverage which increases the effect of any investment value changes or liquidity events on the net assets of the Fund. The amount of leverage that the Fund may utilize is specific to the agreements set forth with various counterparties. There is no guarantee that the Fund's borrowing arrangements or other arrangements for obtaining leverage will continue to be available, or if available, will be available on terms and conditions acceptable to the Fund. Unfavorable economic



conditions also could increase funding costs, limit access to the capital markets or certain lenders (including derivative counterparties), or result in a decision by lenders not to extend credit to the Fund. In addition, a decline in market value of the Fund's assets may have particular adverse consequences in instances where the Fund has borrowed money based upon the market value of those assets. A decrease in market value of those assets may require the Fund to post additional collateral or otherwise sell assets at a time when it may not be in the best interest of the Fund to do so. Accordingly, if any of these events occur, it could have a material adverse effect on the Fund.

### ***Counterparty Risk***

The Fund may be exposed to counterparty risk with regard to the brokers and/or prime brokers with whom it trades with on a bilateral and/or give-up basis and may also bear the risk of settlement default. In particular, transactions entered into bilaterally between a broker and the Fund or given-up to a prime broker, which results in a transaction between the prime broker and the Fund do not benefit from those protections afforded to the Fund in exchange-traded transactions, which generally are backed by clearing organization guarantees and other protections and thus exposes the Fund to the risk of broker default. Although the Investment Manager monitors each of the Fund's brokers and prime brokers (the "Brokers") and believes that the appropriate Brokers have been selected, there is no guarantee that any of the Brokers will not become insolvent or default. As a result, on the back of any counterparty insolvency or default, the Fund may be exposed to significant credit implications. In addition to broad counterparty risks discussed above, the Fund may be exposed to different levels of risks in dealing with U.S. and non-U.S. custodians or prime brokers who settle and clear trades. The Fund maintains a custody account with its prime brokers and primary custodians (each, a "Prime Broker"). In particular, assets held in custody by a U.S. or non-U.S. Prime Broker may be borrowed, lent or otherwise used by the U.S. or non U.S. Prime Broker for its own purposes pursuant to its contractual right of re-hypothecation, whereupon such assets will become the property of the U.S. or non-U.S. Prime Broker and the Fund will have a legal claim against the U.S. or non-U.S. Primer Broker for the return of equivalent assets. In the U.S., the Securities Investor Protection Act of 1970, the U.S. Bankruptcy Code and Rule 15c-3 of the Securities Exchange Act of 1934 seek to protect customer property at a high level in the event of a bankruptcy, insolvency, failure, or liquidation of a broker-dealer, however even so, there is no certainty that, in the event of a failure of a U.S. Prime Broker that has custody of Fund assets, the Fund would not incur losses due to its assets being unavailable for a period of time, the ultimate receipt of less than full recovery of its assets, or both. In addition, the Fund and/or the Prime Brokers may appoint sub-custodians in certain non-U.S. jurisdictions to hold the assets of the Fund. Given the undeveloped state of regulations on custodial activities and bankruptcy, insolvency, or mismanagement in certain non-U.S. jurisdictions, in the event of the sub-custodian's or non-U.S. Prime Broker's bankruptcy or insolvency, the ability of the Fund to recover assets held by such sub-custodian or non-U.S. Prime Broker, which may or may not be held pursuant to a right of re-hypothecation, could be in doubt, as the Fund may be subject to less favorable laws than many of the protections that would be available under U.S. laws. In addition, there may be delays associated with enforcing the Fund's rights to its assets in the case of a bankruptcy or insolvency of any such party.

### ***Non-US Securities***

Finally, investing in emerging markets and the securities of non-U.S. governments and companies which are generally denominated in non-U.S. currencies and utilization of options on non-U.S. securities, involves certain considerations comprising both risk and opportunity not typically associated with investing in other more established economies or securities markets or in the securities of U.S. companies. These considerations include changes in exchange rates and exchange control regulations, political and social instability, expropriation, imposition of foreign taxes, less liquid markets and less available information than is generally

the case in the United States, higher transaction costs, foreign government restrictions, less government supervision of exchanges, brokers and issuers, greater risks associated with counterparties and settlement, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards and greater price volatility.

### ***Swap Transactions***

The Fund may periodically enter into transactions in the forward or other markets that could be characterized as swap transactions and which may involve interest rates, fixed-income and other securities, currencies and other items. A swap transaction is an individually negotiated, non-standardized agreement between two parties to exchange cash flows based on different interest rates, exchange rates, or prices, with payments calculated by reference to a principal (“notional”) amount or quantity. Transactions in these markets present certain risks similar to those in the futures, forward, and options markets, including: (i) the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Reform Act”) includes provisions that comprehensively regulate swap transactions for the first time, and many non-U.S. governmental authorities are in the process of contemplating similar regulatory intervention in the swaps markets; (ii) there generally are no limitations on daily price moves in swap transactions, although that may change to the extent the Reform Act will require certain swap transactions to be executed on swap execution facilities with exchange-like rules and characteristics; (iii) speculative position limits are not currently applicable to swap transactions, although the counterparties with which the Fund may deal may limit the size or duration of positions available as a consequence of credit considerations. In addition, to the extent any such swap transactions are required to be cleared by a regulated clearinghouse pursuant to the Reform Act, they may become subject to position limits imposed by the relevant clearinghouse or by the CFTC or the SEC; (iv) participants in the swaps markets are not required to make continuous markets in swaps contracts; (v) the swap markets are largely “principals’ markets,” in which performance with respect to a swap contract is the responsibility only of the counterparty with which the trader has entered into a contract (or its guarantor, if any), and not of any exchange or clearing corporation. As a result, the Fund is subject to the risk of the inability or refusal to perform with respect to such contracts on the part of the counterparties with which the Fund trades; and (vi) credit default swaps with the “pay as you go” feature may require reimbursement of credit protection payments made by the seller to be made by the buyer for up to a year after the swap terminates, and the seller may also have to make multiple credit protection payments to the extent the reference obligation is not fully performing. While the Reform Act is intended in part to reduce certain of the risks described above, its success in this respect may not be evident for some time after the Reform Act is fully implemented, a process that may take several years.

### **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to the evaluation of the adviser or the integrity of the adviser’s management. At this time, the Investment Manager has no information applicable to this Item 9 to disclose.

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

The Investment Adviser, an affiliate of the Investment Manager, provides investment advisory services to certain of the Funds. The Investment Manager is also affiliated with Alphadyne Capital LLC (the “General Partner”), which acts as the general partner of certain U.S. limited partnerships associated with the Funds.

Each of the Investment Manager, the Investment Adviser and the General Partner (the “Affiliated Parties”) may conduct other business, including any business within the securities industry, whether or not such

business is in competition with the Funds. The Affiliated Parties may act as general partner, investment adviser or investment manager for others, may manage funds, separate accounts or capital for others, may have, make and maintain investments in their own name or through other entities and may serve as an officer, director, consultant, partner or stockholder of one of more investment funds, partnerships securities firms or advisory firms. The results of the Funds' activities may differ significantly from the results achieved by the Affiliated Parties for other accounts or clients which they manage or for which they provide investment advisory services.

## **Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

*Code of Ethics and Code of Conduct.* The Investment Manager has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Investment Manager recognizes and believes that (i) high ethical standards are essential for its success and to maintain the confidence of its clients; (ii) its long-term business interests are best served by adherence to the principle that the interests of clients come first; and (iii) it has a fiduciary duty to its clients to act solely for their benefit. All personnel of the Investment Manager must put the interests of the Investment Manager's clients before their own personal interests and must act honestly and fairly in all respects in dealings with clients. All personnel of the Investment Manager must also comply with all federal securities laws.

The Code of Ethics includes provisions relating to disclosure and/or approval of outside business activities, acceptance and reporting of certain gifts and business entertainment, reporting of violations, personal securities accounts and personal securities trading procedures, among other things. All supervised persons of the Investment Manager must acknowledge the terms of the Code of Ethics no less than annually.

The Investment Manager anticipates that, in appropriate circumstances, consistent with clients' investment objectives, it will cause accounts over which the Investment Manager has management authority to effect, and will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which the Investment Manager, its affiliates and/or clients, directly or indirectly, have a position of interest. The Investment Manager's employees and persons associated with the Investment Manager are required to follow the Investment Manager's Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of the Investment Manager and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for the Investment Manager's clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of the Investment Manager will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of the Investment Manager's clients. In addition, the Code requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics to reasonably prevent conflicts of interest between the Investment Manager and its clients.

A copy of the Code of Ethics will be made available to clients or prospective clients upon request.

*Trade Allocation.* The Investment Manager and its affiliates provide investment advisory services to more than one Fund, which may create conflicts of interest. A Fund may have investment objectives or implement investment strategies similar to or different from those of other Funds. The Investment Manager will use its best efforts to ensure that no Fund is treated unfairly in relation to any other Fund in the allocation of

securities or investment opportunities or in the order in which transactions are executed. To the extent a particular investment is suitable and/or viable for more than one Fund, such investments will generally be allocated among the Funds pro rata based on assets under management or in some other manner that the Investment Manager determines is fair and equitable to all Funds under the circumstances. Where less than the maximum desired number of shares of a particular security to be purchased is available at a favorable price, the shares purchased will be allocated among the Funds in an equitable manner as determined by the Investment Manager.

*Cross Transactions.* As part of its management of the assets of a Fund, the Investment Manager may, to the extent permitted, effect market transactions, at arm's length, between a Fund and other Funds ("Cross Trades") in efforts, for example, to "rebalance" the portfolios to ensure that each Fund has the desired pro rata ownership of a particular investment position. Cross Trades also could be affected to reflect intended allocations among the Funds.

## **Item 12 – Brokerage Practices**

Except for the general investment guidelines set forth in each Fund's respective offering memorandum and the investment management agreement, there are no limitations on the authority of the Investment Manager with respect to the matters discussed in Item 12. The Investment Manager is authorized to determine the broker or dealer to be used for each securities transaction. When executing orders, the Investment Manager will take into account both quantitative and qualitative factors. Above all, the Investment Manager considers the ability of a trade to be given up to a prime broker as the achievement of best execution, on the basis that prime brokered trades provide operational, portfolio management and cost benefits to each Fund managed by the Investment Manager. Other factors include, but are not limited to: (i) market position, market liquidity and order size, (ii) quality and speed of execution, (iii) existing position of an applicable Fund, (iv) counterparty responsiveness, venue and quality of settlement, (v) value of research provided and execution capability, (vi) commission rates and applicable fees and (vii) financial responsibility and responsiveness.

In selecting brokers or dealers to execute transactions, the Investment Manager need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. It is not the Investment Manager's practice to negotiate "execution only" commission rates; thus, a Fund may be deemed to be paying for research services provided by the broker which are included in the commission rate. The Investment Manager generally will not make use of "soft dollars" to obtain research and brokerage services which constitute research and brokerage within the meaning of Section 28(e) of the Securities Exchange Act of 1934, as amended. Accordingly, research and brokerage services may include, but are not limited to, written information and analyses concerning specific securities, companies or sectors; market, certain financial and economic studies and forecasts, as well as discussions with research personnel; financial and industry publications; statistical and pricing services, utilized in the investment management process; and services related to the execution, clearing and settlement of securities transactions and functions incidental thereto. If research services are obtained by the use of commissions arising from a particular Fund's portfolio transactions may be used by the Investment Manager in its other investment activities. In such scenarios where client brokerage commissions are used to obtain research or other products or services, the Investment Manager would receive a benefit because the Investment Manager does not have to produce or pay for the research, products or services. As such, the Investment Manager may have an incentive to select a broker-dealer based on its interest in receiving the research or other products or services, rather than on clients' interest in receiving most favorable execution.

The Investment Manager may place transactions with a broker-dealer that (i) provides the Investment Manager or an affiliate with the opportunity to participate in capital introduction events sponsored by the broker-dealer or (ii) refers investors to a Fund, if otherwise consistent with seeking best execution, provided the Investment Manager is not selecting the broker-dealer in recognition of the opportunity to participate in such capital introduction events or the referral of investors. With that said, the Investment Manager may

have an incentive to select a broker-dealer based on its interest in receiving client referrals rather than on clients' interest in receiving most favorable execution.

When appropriate, the Investment Manager 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 share commission costs equally and will be allocated securities based on the average price achieved for such trades. Partially filled orders will be allocated on an equitable basis.

Lastly, when a trade error is made on behalf of a client account, the Investment Manager will use its best efforts to break or otherwise correct the trade. However, if errors do occur, as a result of human or systematic errors and not as a result of gross negligence, willful misconduct or violation of the applicable laws, the profit or loss related to such error will generally be allocated to the Funds.

### **Item 13 – Review of Accounts**

Mr. Philippe Khuong-Huu, Managing Member and Chief Investment Officer of the Investment Manager is generally aware of the holdings in each client's account on a regular basis and Mr. Bart Broadman, Managing Member and Chief Investment Officer for Alphadyne Investment Strategies Master Fund SPC Ltd. and the Asia Rates investment strategy, is generally aware of the relevant client's account holdings, on a regular basis. Holdings are monitored by Mr. Khuong-Huu and Mr. Broadman in light of liquidity, counterparty exposure, trading activity, economic data, etc. In addition, client accounts are reviewed periodically from the standpoint of the specific investment objectives of the client and as a particular situation may dictate.

Each investor will receive audited annual reports and at a minimum, unaudited monthly reports of the performance of the Fund, from the Fund's administrator and the Investment Manager, specific to the Fund in which such investor has invested. The above reports are delivered electronically, in written form.

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

The Investment Manager may compensate, either directly or indirectly, persons for client referrals or referrals of investors in the Funds.

From time to time, the Investment Manager may enter into written agreements with third parties who solicit potential advisory clients on behalf of us. Such agreements will comply with Rule 206(4)-3 under the Advisers Act and, in entering into such agreements, we will comply with that rule and with other applicable requirements of the Advisers Act and applicable state securities law requirements. Generally, those agreements will provide for a percentage of certain of the investment management fees we collect from clients who become clients as a result of the solicitor's efforts. Generally, clients are not responsible for any part of the compensation that solicitors receive, and we do not charge clients introduced by such solicitors any higher fee or any additional amount as a result of obligations to pay such solicitors for their solicitation services.

The Investment Manager currently has marketing arrangements with two third-party marketers that may receive compensation from the Investment Manager for investor referrals.

### **Item 15 – Custody**

The Investment Manager will comply with the requirements of the Rule 206(4)-2 of the Advisers Act with regards to custody of assets of the Funds ("Custody Rule"). Annually, upon completion of each Fund's annual audit, the Investment Manager will distribute the audited financials to investors in the Funds. The CCO shall ensure that the Funds' audited financials are delivered to investors within 120 days of the fiscal year end.

## **Item 16 – Investment Discretion**

The Investment Manager receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the investment policies, limitations and restrictions of the particular client accounts. All investment guidelines and restrictions must be provided by the client in writing.

Discretionary authority is granted to the Investment Manager pursuant to the terms of the Management Agreement that each client enters into. The Investment Manager delegates a part of its discretionary authority to the Investment Adviser pursuant to the terms of the Investment Management Agreements.

## **Item 17 – Voting Client Securities**

Due to the nature of the Investment Manager's advisory services with respect to each Fund, and more specifically because the Investment Manager largely uses volatility investment strategies for trading rather than a long-term investment approach, its strategy, relative to securities, is generally not dependent upon the outcome of proxy contests. Because of the high turn-over of securities in each Fund's portfolio, in most cases neither the Fund nor the Investment Manager will receive proxies.

If, however, the Fund or the Investment Manager receives a proxy request with respect to a security that the Investment Manager determines potentially could provide material profit or loss benefits to the Fund from voting, the Investment Manager will seek to vote the proxy in the best interest of the Fund. The Investment Manager will not solicit direction from clients on how such votes will be cast.

The Investment Manager follows procedures designed to identify conflicts or potential conflicts that could arise between its own interests and those of its clients. If it is determined that any such conflict or potential conflict is not material, the Investment Manager may vote proxies notwithstanding the existence of the conflict. If it is determined, however, that a conflict of interest or potential conflict of interest is material, the Investment Manager will generally abstain from voting such proxies.

Clients may obtain a copy of the Investment Manager's proxy voting policies and procedures upon request. Information about how the Investment Manager voted any proxies on behalf of client accounts will also be made available to clients upon request.

## **Item 18 – Financial Information**

Registered investment advisers are required in this Item to provide clients with certain financial information or disclosures about the investment adviser's financial condition. The Investment Manager currently has no financial condition that impairs its ability to meet contractual and fiduciary commitments to clients and has not been the subject of a bankruptcy proceeding.