

Item 1 – Cover Page

**DISCLOSURE BROCHURE**  
**FORM ADV PART 2A**

**Nephila Advisors LLC**

2257 Larkspur Landing Circle, Suite F

Larkspur, CA

USA, 94939

(415) 799-4102

*April 30, 2012*

**This Brochure provides information about the qualifications and business practices of Nephila Advisors LLC (the “Advisor”). If you have any questions about the contents of this Brochure, please contact our affiliate, Nephila Capital Ltd. (“Nephila Capital”), at (441) 296-3626 or by visiting Nephila Capital’s website at [www.nephilacapital.com](http://www.nephilacapital.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.**

**Nephila Advisors LLC is a registered investment advisor. Registration of an investment advisor does not imply any level of skill or training.**

**Additional information about the Advisor is also available on the SEC’s website at [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov).**

**Item 2 – Material Changes**

We updated our Brochure dated March 31, 2012 to reflect our new address, which is 2257 Larkspur Landing Circle - Suite F, Larkspur, CA, USA 94939.

Currently, our Brochure may be requested by contacting Laura Taylor, the Chief Operations Officer of Nephila Capital, at (441) 296-4684 or [ltaylor@nephilacapital.com](mailto:ltaylor@nephilacapital.com).

Additional information about the Advisor is also available via the SEC's web site [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov). The SEC's web site also provides information about any persons affiliated with Nephila Advisors LLC who are registered, or are required to be registered, as investment advisor representatives of the Advisor, if any (as of the date of this Brochure, there are no persons required to be so registered).

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#### **Item 4 – Advisory Business**

A. Description of Nephila Advisors LLC. Nephila Advisors LLC (the “Advisor”), a Delaware limited liability company, was formed on June 30, 2010. The Advisor provides certain non-discretionary sub-advisory services to its affiliate, Nephila Capital Ltd. (“Nephila Capital”), with respect to the investment funds and other client accounts of Nephila Capital that employ Nephila Capital’s weather risk strategies (the “Weather Strategies”, each such fund or account, a “Fund” and such funds or accounts collectively, the “Funds”). The Advisor also provides certain investor relations and business development services, as well as various administrative services (such as administration, accounting, information technology, data storage and operations services), to Nephila Capital. Nephila Capital is a leading investment manager specializing in catastrophe risk and weather risk investments for sophisticated institutional and high net worth clients. Nephila Capital also is registered with the SEC as an investment advisor.

In June 2008, Man Group Holdings Ltd. (“Man Holdings”), an affiliate of Man Group plc, a leading alternative investment manager, acquired a 25% passive interest in Nephila Holdings Ltd. (“Nephila Holdings”), the Advisor’s sole shareholder. Man Group plc (“Man Group”) is the parent company of the business comprising Man Investments and was incorporated in England and Wales on April 22, 1994 with registered number 02921462. Man Group is listed on the London Stock Exchange and is a constituent of the FTSE 100 Index.

Accompanying this Brochure as Form ADV Part 2B are the Advisor’s Brochure Supplements for the Advisor’s “supervised persons”, as such term is defined in SEC rules (e.g., the Advisor’s principals and employees who formulate investment advice for clients and have direct contact with clients, or who have discretionary authority over client assets).

B. Advisory Services Offered. The Advisor provides sub-advisory services to Nephila Capital regarding the Weather Strategies for the account of the Funds, which are organized as privately offered pooled investment vehicles open for investment by sophisticated institutional and high net worth investors. The Advisor does not have discretionary authority to act as an investment manager for any Fund account, and all investment recommendations of the Advisor are subject to review and approval by Nephila Capital, which shall have full discretionary investment authority to determine and implement all investments of the Funds. The Advisor does not have a direct contractual arrangement with any Fund, and the Funds do not pay fees to the Advisor. However, for regulatory and compliance purposes the Advisor takes the position that the Funds are the Advisor’s clients (each, a “Client” and collectively, the “Clients”), in addition to being clients of Nephila Capital, and the Funds may be referred to as Clients in this Brochure.

Nephila Capital acts as the investment manager of the Funds, which may organize as Delaware limited partnerships, Bermuda exempted companies, or may be domiciled in other jurisdictions. The Funds may be structured as stand-alone funds or master-feeder funds, and may be open to

sophisticated private investors generally, or may be customized for single investors or a related group of investors.

The Weather Strategies involve the purchase or sale of weather-linked investment instruments, including weather derivatives and other financial instruments, the returns of which are tied primarily to weather risk. The Advisor expects that its sub-advisory services will be limited to advice regarding the foregoing investment strategies and instruments, as generally described.

The foregoing transactions are typically structured as securities in the form of notes, as International Swap and Derivatives Association, Inc. (ISDA)-based over-the-counter swaps or other derivatives contracts, or weather futures and options traded on U.S. or non-U.S. futures exchanges.

The primary differences between the Funds are the degree of leverage used, the extent of portfolio diversification, differences in the nature and terms of specific portfolio investments, differences in Nephila Capital's fees, and the investors' redemption or withdrawal rights. A Fund may be organized into one or more classes of shares or interests, each with its own terms and conditions. For a complete description of a Fund's investment objectives and strategies, as well as a description of the material terms of an investment in a Fund (including the risks of an investment and associated conflicts of interest), please refer to the relevant Fund's Confidential Offering Memorandum (the "Memorandum").

To facilitate its Clients' access to the traditional reinsurance market, Nephila Capital has caused to be organized Poseidon Re Ltd. ("Poseidon"), a transformer licensed as a Bermuda Class 3 reinsurance company. Nephila Capital is the manager of Poseidon. Nephila Capital currently expects that all such reinsurance-related derivative transactions for its clients (including, from time to time, the Funds) generally will be entered into with Poseidon as opposed to with a third party transformer. The Advisor may make recommendations to Nephila Capital regarding such reinsurance-related derivative transactions for the Client accounts. The sole purpose of using Poseidon is to eliminate the "mark-up" that would otherwise be charged to Clients by a third party transformer on the derivative transaction. It should be noted that the Advisor does not anticipate that reinsurance-related derivative transactions, and therefore the use of Poseidon, will be a significant component of the Clients' investment program.

As of the date of this Brochure, the Funds as to which the Advisor provides non-discretionary advisory services to Nephila Capital, are Nimbus Weather Fund LP and Nimbus Weather Fund Ltd. (the "Nimbus Funds"). The Advisor may render advisory services to Nephila Capital with respect to the accounts of additional Funds from time to time, as directed by Nephila Capital. In addition, although not contemplated, the Advisor may provide advisory services to other entities or accounts that are not managed by or affiliated with Nephila Capital.

For more information regarding Nephila Capital's advisory services and the Funds, please refer to the Form ADV Part 2A of Nephila Capital, which is available from Nephila Capital or on the SEC's website.

C. Tailored Services. The Advisor's investment recommendations and related advice for a particular Fund will be tailored to such Fund's investment objectives and strategies, as described in the Fund's Memorandum, and any directives, instructions or guidelines of Nephila Capital communicated to the Advisor. Investment mandates for each Fund are clearly outlined as being specific to certain types of risk. As the investment manager of each Fund, Nephila Capital, not the Advisor, will have the ultimate authority to make decisions regarding how each Fund should allocate its assets to certain investments; the selection of brokers, dealers, banks and other counterparties or intermediaries by or through whom portfolio transactions will be executed or carried out; the monitoring of each Fund's investments; and all other necessary or appropriate acts to carry out its portfolio management duties. The Advisor's investment recommendations and related advice will be accepted, rejected or modified by Nephila Capital, as it determines in its sole discretion.

D. Wrap Fee Programs. The Advisor does not participate in any wrap fee programs. Please refer to Item 5 – Fees and Compensation, below, for more information regarding the Advisor's fees.

E. Client Assets the Advisor Manages. The Advisor's Clients assets under management as of December 31, 2011 were approximately U.S. \$124 million, representing the portfolio values of the Nimbus Funds. All such assets are managed on a non-discretionary basis (none being discretionary).

#### **Item 5 – Fees and Compensation**

A. The Advisor's Fees and Compensation. In return for its advisory, investor relations, business development and administrative services to Nephila Capital, the Advisor charges Nephila Capital a Service Fee as provided in the Services Agreement by and between the Advisor and Nephila Capital (in general, an amount equal to the Advisor's costs incurred in connection with the provision of such services, plus 10%). The Advisor does not charge the Funds any fees, and the Service Fee is not passed on by Nephila Capital to the Funds. For more information regarding the fees charged by Nephila Capital for its advisory services to the Funds and the operating expenses incurred by the Funds, please refer to Nephila Capital's Form ADV Part 2A.

B. Deductions. None. The Advisor invoices Nephila Capital for the Service Fee.

C. Expenses. None.

D. Advance Payment of Fees. Not applicable. The Service Fee is charged quarterly in arrears.

E. Sales Compensation. None. Neither the Advisor nor any of its supervised persons will receive compensation for the sale of Fund interests or shares to investors, or for the sale of securities or other investment products.

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

The Advisor does not charge Nephila Capital or any Client a performance-based fee. See Item 5 – Fees and Compensation, above. Nephila Capital may charge certain Clients a performance-based fee as described in Nephila Capital's Form ADV Part 2A.

#### **Item 7 – Types of Clients**

The Advisor provides investment advice regarding the Weather Strategies to its affiliate, Nephila Capital, in respect of the Funds, which shall be deemed Clients of the Advisor as described in this Brochure. In addition, although not contemplated, the Advisor may provide advisory services to other entities or accounts that are not managed by or affiliated with Nephila Capital. See Item 4 – Advisory Services, above. Any such entities or accounts will satisfy the investment sophistication and net worth requirements required by the Advisor.

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

A. Methods of Analysis and Investment Strategies. The Advisor will make investment recommendations regarding various specialized investments linked to weather risk, in furtherance of Nephila Capital's Weather Strategies. These investments are designed to produce returns that are not correlated to traditional financial markets (although there can be no guarantee of such result). The Advisor will make investment recommendations to Nephila Capital regarding specific investment instruments to be considered by Nephila Capital for investment by the Clients, and the proposed terms of such investments, pursuant to the investment objectives and strategies to be employed by the particular Client and any directives, instructions or guidelines of Nephila Capital communicated to the Advisor. In making this determination, the Advisor examines underwriting information relating to weather events, including statistical databases and modeling software. Investors should be aware that investing in securities involves risk of loss that they should be prepared to bear.

B. Risk of Loss. The purchase of shares or interests in a Fund involves a number of significant risks and other important factors relating to general business conditions and investments in pooled investment vehicles, generally, and relating to the structure and investment objectives of the Fund, in particular. Accordingly, investors should carefully consider the following risks, among others that are disclosed in more detail in the Memorandum:

Reliance on Advisor and its Personnel. The Advisor provides sub-advisory services to Nephila Capital, which will have complete discretion in investing the Client's assets as the investment

manager of the Fund, based on the recommendations of the Advisor. A Client's success depends, to a great extent, on the Advisor's and Nephila Capital's ability to select investments and allocate assets. There can be no assurance that the Advisor's investment recommendations will be profitable. The death, disability or cessation of employment of personnel of the Advisor could have a material adverse effect on the investment performance of the Advisor's Clients.

Lack of Diversification. Depending on the investment objectives, strategies and guidelines of the particular Client account, Nephila Capital may establish fixed guidelines limiting the amount of Client assets that may be subject to the risks in a particular geographic region or peril and limiting the size of certain portfolio positions as a percentage of the Client account's net assets, which the Advisor will take into consideration when providing investment recommendations to Nephila Capital. However, such guidelines may nevertheless allow a Client account to hold a single or few relatively large (in relation to its assets) investments in a single geographic region, with the result that a loss in any such investment position or group of positions could have a material adverse effect on the Client account's investment performance.

Leverage. Depending on the investment objectives, strategies and guidelines of the particular Client account, the Advisor may, by use of structured derivatives transactions, recommend that Nephila Capital cause a Client account to access non-recourse leverage in such a way that the Client account will be able to invest in a total notional amount of risk in excess of the net assets of the Client account. Losses incurred on the Client account's leveraged investments will be increased in magnitude in direct proportion to the degree of leverage used, and may exceed the amount of capital invested.

Conflicts of Interest. The Advisor may be subject to various conflicts of interest in its relationship with the particular Client account and the Advisor's affiliates.

C. Specific Risks of Loss.

There are various material risks that are attendant to the specific investment instruments utilized by the Advisor for its Client accounts of which investors should be aware. Certain of these risks are set out below. For a more complete statement of the risks related to the Funds' investments, please refer to the applicable Memorandum.

Unpredictability of Risk. With respect to weather-linked instruments, prospective investors should be aware that the type, frequency and severity of weather events are difficult to predict. While the economics of such instruments may rely on the occurrence or non-occurrence of certain weather events, such events are difficult to predict or model, and thus the expected return on an investment with respect to such instruments is difficult to calculate. While the Advisor will make assessments regarding the expected investment return on insurance-based instruments, because of the unpredictability of the weather events upon which investment return may be based, there can be



no assurance that the investment return provided by such instruments will be adequate to compensate Clients for the risk borne thereby.

Derivative Instruments; Counterparty Default Risk. The Advisor may recommend that a Client account invest in various forms of over-the-counter derivative instruments (such as swaps, over-the-counter equity or other derivatives). Over-the-counter derivative instruments are not traded on an exchange or subject to direct government regulation. Rather, these instruments are traded through an informal network of banks and other dealers, and in light of the unregulated nature of the agreements evidencing the transactions, can apply discretionary margin and credit requirements. Also, some instruments traded in the over-the counter market may have fewer market makers, wider spreads between their quoted bid and asked prices and lower trading volumes, resulting in comparatively greater price volatility and less liquidity than the securities of companies that have larger market capitalizations and/or that are traded on major stock exchanges or the market averages in general.

Derivative instruments also carry the risk of failure to perform by the counterparty to the transaction, or in the case of so-called insurance transformers, the bankruptcy of, or the failure to perform by the transformer including, but not limited to, Poseidon, a Bermuda incorporated insurance company that is managed by Nephila Capital (see Item 4.B. – Advisory Services Offered, and Item 10 – Other Financial Industry Activities and Affiliations – Relationships or Arrangements with Related Persons). In the event of insolvency of Poseidon or its default on the derivative transaction, Clients may incur material losses. Poseidon separately identifies on its books, with respect to each reinsurance contract and derivative contract that it enters into, the specific assets that it holds and the obligations that it incurs with respect to each such contract. However, it should be noted that the assets of Poseidon in respect of its various contractual obligations are not legally segregated from one another. Therefore, in the event of the bankruptcy of Poseidon, all the assets of Poseidon would be available to satisfy the claims of all of its creditors, and the assets of Poseidon held in respect of its derivative transactions with the Clients would not be bankruptcy remote from the claims of Poseidon's creditors in respect of its activities that are unrelated to the business of specific Clients.

When selling protection to a counterparty through a reinsurance contract, the counterparty will make payments to Poseidon of a fixed premium amount, either up front or periodically on an installment basis. Any default in the payment of premium by a counterparty, while it would release Poseidon from any further payment obligations on the contract, may result in Poseidon (and, in turn, the Clients) having to write-off from income the amount of such unpaid premium installments.

Lack of Liquidity in Markets and Instruments. The markets for many of the Clients' investments in weather-based instruments have limited liquidity and depth which could disadvantage Clients, both in the realization of the prices which are quoted and in the execution of orders at desired prices. With respect to weather-based instruments, the transfer of many of such instruments may be

limited by securities laws restrictions and other restrictions that may be set forth in the terms of the security. Many of such securities do not have an established market; therefore, resale of such securities may be difficult or impossible.

Risks Specifically Associated with Weather Instruments. Ownership of weather-linked securities involves a degree of risk because of a number of characteristics which may be common to such securities, such as the following:

- Limited Resources of Issuers. The issuers of such securities often are thinly capitalized, special-purpose entities that do not have ready access to additional capital. In the event of unanticipated expenses or liabilities, such entities may not have the resources available to pay such expenses or liabilities or the required interest and/or principal on their issued securities.
- Investments of Issuers. The ability of issuers of weather-linked securities to provide the expected investment returns on their issued securities is based in part on such entities' investments, which may be subject to credit default risk, interest rate risk and other risks.
- Regulation. Entities that issue weather-linked securities or other similar securities (such as insurance-linked securities or catastrophe securities) may be subject to substantial regulation of their insurance and other activities. Such regulation can lead to unanticipated expenses that may result in such an entity being unable to satisfy its obligations, including those related to its issued securities. Conversely, because such entities often are domiciled in non-U.S. jurisdictions, such entities may not be subject to the same degree of regulatory oversight to which investors may be accustomed to seeing issuers and insurance companies subject in the U.S. Similarly, because such entities often are subject only to the laws of non-U.S. jurisdictions, it could be difficult for an investor in such an entity to make a claim or enforce a judgment against the entity or its directors or officers. Because insurance-based instruments have certain features and an investment return that may be based on the occurrence of events which traditionally are the subject of insurance, it is possible that insurance regulatory authorities or courts could determine that the purchase or holding of such securities or the writing of such derivatives constitutes the conduct of the business of insurance or reinsurance, which may have a material adverse impact on Client accounts.
- Subordination. Weather-linked securities could be subordinated to other obligations of the issuer, such as those obligations to a ceding insurer. Consequently, if such an entity incurs unexpected expenses or liabilities in

connection with its activities, the entity may be unable to pay the required interest and/or principal on its issued securities.

**The foregoing is only a brief summary of certain risks relating to the Funds and their investments. Prospective investors are urged to review the applicable Fund's Memorandum and other governing documents for more detailed statement of the material risks, conflicts of interest and terms of investment in the Fund. There can be no guarantee that the Advisor's investment recommendations will be successful or that a Client's investment objectives will be achieved.**

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

Registered investment advisors are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of the Advisor or the integrity of the Advisor's management. The Advisor has no information applicable to this Item.

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

A. Broker-Dealer. Neither the Advisor nor any of its management persons is registered, nor has an application pending to register, as a broker-dealer or registered representative of a broker-dealer.

B. Futures Commission Merchant, Commodity Pool Operator, Commodity Trading Advisor.

Neither the Advisor nor any of its management persons is registered, nor has an application pending to register, as a futures commission merchant, a commodity pool operator or a commodity trading advisor, or an associated person of the foregoing entities.

C. Relationships or Arrangements with Related Persons. The Advisor and its management persons have no relationships or arrangements that are material to the Advisor's advisory business or to its Clients with related persons, except as described below:

1. Broker-Dealer, Municipal Securities Dealer, or Government Securities Dealer or Broker. Nephila Capital has engaged Man Investments Inc., an SEC-registered broker-dealer, and Man Investments AG, a non-U.S. broker, to act as marketing agents for the private distribution of shares or interests in the Funds to investors. Man Investments Inc. and Man Investments AG are affiliates of the Advisor's indirect minority owner, Man Holdings.

2. Investment Company or Other Pooled Investment Vehicle. As described more fully in Item 4 – Advisory Business, above, the Advisor provides certain non-discretionary sub-advisory services to its affiliate, Nephila Capital, with respect to the Weather Strategies for the Funds, which are privately offered pooled investment vehicles managed by Nephila Capital. As of the date of this Brochure, the only Funds are the Nimbus Funds, although additional Funds may be added from time to time. The Advisor has no direct contractual arrangement with any Fund. The Advisor has entered into a Services Agreement with Nephila Capital.

3. Other Investment Advisor or Financial Planner. The Advisor's sole shareholder, Nephila Holdings Ltd., is also the sole member of Nephila Capital. The Advisor provides non-discretionary sub-advisory, investor relations, business development and administrative services to Nephila Capital as described in this Brochure. Nephila Capital provides the Advisor with such incidental IT/technology, accounting, operational and other support services and resources as the Advisor requests from time to time, without charge or set-off by Nephila Capital to the Advisor.

In addition, Man Holdings, an indirect minority owner of the Advisor, is affiliated with two SEC-registered investment advisors, Man Investments (USA) LLC and Man Investments (USA) Corp. These investment advisors do not perform any advisory services to the Advisor, Nephila Capital or any Client, and Advisor has no business arrangements with these investment advisors.

4. Insurance Company or Agent. Nephila Capital acts as insurance manager to Poseidon Re Ltd. ("Poseidon"), a Bermuda incorporated insurance company. All of the outstanding shares of Poseidon are held in trust by a third party professional trustee for charitable purposes. From time to time, as a component of the Weather Strategies, the Advisor may recommend that Nephila Capital cause the Client accounts to enter into swap or other over-the-counter derivative transactions with Poseidon in order to access the traditional reinsurance market. Poseidon does not receive any fee or compensation from such transactions, although each Client account may reimburse Nephila Capital for such account's pro rata portion of Poseidon's third party legal, accounting and administrative expenses. In recommending any such transactions, the Advisor will endeavor to treat its Client accounts on a fair and equitable basis, and will not knowingly disadvantage any Client account. A further description of these activities is described in the relevant Fund's Memorandum.

The Advisor's sole shareholder, Nephila Holdings, is also the sole shareholder of Nautical Management, Ltd. ("Nautical"), a Bermuda incorporated insurance manager. Nautical acts as insurance manager to Prism Re, Ltd. a Bermuda incorporated reinsurance company (the "Reinsurance Account"). The Reinsurance Account assumes property catastrophe risk of a similar nature to the Nephila Capital-managed funds that employ catastrophe risk strategies, but does not have any business arrangements with any Advisor-managed Client account (although certain Clients may invest in the Reinsurance Account).

5. Sponsor or Syndicator or Limited Partnerships. Certain Funds may be organized as limited partnerships, for which Nephila Capital serves as general partner and investment manager. See 2 – Investment Company or Pooled Investment Vehicle, above.

D. Recommended or Selected Investment Advisors. None. The Advisor will not select or recommend other investment advisors for Nephila Capital or the Advisor's Clients.

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

A. Description of Code of Ethics. The Advisor has adopted a Code of Ethics pursuant to the SEC's rules under the United States Investment Advisors Act of 1940, as amended (the "Advisors Act"), for all supervised persons of the Advisor. The Code of Ethics describes the Advisor's high standard of business conduct, and fiduciary duty to its Clients. The Code of Ethics includes provisions relating to the confidentiality of Client information, a prohibition on insider trading, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. In general, under its Code of Ethics and applicable law, the Advisor must make full and fair disclosure to its Clients of all material facts. The Advisor and its personnel also are required to place the interests of its Clients first, and to avoid activities, interests and arrangements that might interfere or appear to interfere with making investment decisions in the best interests of the Advisor's Clients.

All supervised persons of the Advisor must acknowledge the terms of the Code of Ethics annually, or as amended.

The Advisor's current and prospective Clients and investors may request a copy of the Advisor's Code of Ethics by contacting Laura Taylor, the Chief Operations Office of Nephila Capital, at (441) 296-4684 or [ltaylor@nephilacapital.com](mailto:ltaylor@nephilacapital.com).

B. Material Financial Interest in Transactions.

In its capacity as sub-advisor, the Advisor provides non-discretionary investment advice to Nephila Capital regarding its Weather Strategies, for the Clients. In return for these services, the Advisor receives the Service Fee from Nephila Capital out of its own assets. The Service Fee is not based on the investment performance of a Client, or a Client's assets under management. Clients will not pay any fees to the Advisor. Accordingly, the Advisor does not believe that it has a material financial interest in the investment recommendations it makes to Nephila Capital on behalf of the Clients.

C. Investments in Same Securities.

It is the Advisor's policy that, subject to certain exceptions for a limited number of "grandfathered" holdings, no officer, director or employee of the Advisor may buy, sell, hold or otherwise transact in, for any account in which such person has a beneficial interest: (i) any security or investment instrument in which the officer, director or employee of the Advisor recommends, or potentially may recommend, a Client to trade, or (ii) any security or investment instrument issued by any issuer with which the Advisor does business, or potentially may do business, on behalf of a Client.

The Advisor, its officers, directors, employees and affiliates may invest in the Funds as investors, and such investments may be significant from time to time. Such investments may be the same terms offered to investors generally, or may be on different terms, in Nephila Capital's discretion.

Such personal investments may create an incentive for the Advisor to render investment advice differently than it would absent such personal investments. However, the Advisor will endeavor to act only in the best interests of its Client accounts in rendering investment advice.

**D. Timing of Investments.**

See Item 11.B. – Material Financial Interest in Transactions, above.

**Item 12 – Brokerage Practices**

**A. Factors Considered in Selecting or Recommending Broker-Dealers for Client Transactions.**

1. Research and Other Soft Dollar Benefits. As a sub-advisor, the Advisor may recommend what securities and investment instruments its Clients should buy or sell and what brokers or dealers the Client accounts should use, and on what terms, which decisions shall be made in all cases by Nephila Capital as such Clients' investment manager. The majority of the investments made by the Client accounts are transactions in over-the-counter derivatives or other non-exchange traded instruments entered into on a principal-to-principal basis. Such transactions are entered into with dealers, counterparties or issuers as principal opposite the Client account, where no "commissions" or transaction-based fees are charged the Client account. To the extent the Advisor recommends that a Client account purchase or sell a security or other investment instrument through a broker on an agency basis, the Advisor has the discretion to consider the value of products, research or services provided to the Advisor or its affiliates by the broker consistent with the "safe harbor" for fiduciaries' use of "soft dollar" arrangements pursuant to Section 28(e) of the United States Securities Exchange Act of 1934, as amended, to the extent applicable. As of the date of this Brochure, the Advisor does not contemplate entering into any "soft dollar" arrangements with its brokers.

2. Brokerage for Client Referrals. In recommending broker-dealers, the Advisor does not consider as a factor whether or not the Advisor or its related persons will receive Client or investor referrals from a broker-dealer or third party.

3. Directed Brokerage. The Advisor does not utilize directed brokerage arrangements.

**B. Aggregation of Trades.**

Not Applicable.

**Item 13 – Review of Accounts**

A. Periodic Review. The Advisor's Manager or its designees reviews the performance of the Fund accounts weekly.

B. Triggered Review. The Advisor's Manager or its designees will engage in more frequent reviews of Client accounts on an as-needed basis as circumstance warrant, for example, periods of impending major storm activity or other unusual events.

C. Content and Frequency of Reports. The Advisor will provide Nephila Capital with such reports and other information with respect to the Advisor's sub-advisory services in respect of the Client accounts as mutually agreed from time to time.

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

A. Other Compensation. None. The Advisor will not receive economic benefits from a person for providing investment advice to the Clients (other than Nephila Capital's payment to the Advisor of the Service Fee as described in Item 5 – Fees and Compensation).

B. Client Referrals. As indicated above, affiliates of one of the Advisor's indirect minority owners act as exclusive marketing agents for the distribution of interests in certain Funds to investors, both inside and outside of the United States. In return, Nephila Capital shares a portion of its fees earned with these affiliated marketing agents. The Advisor does not share any portion of the Service Fee with such marketing agents.

#### **Item 15 – Custody**

As a non-discretionary sub-advisor, the Advisor does not have custody of Client funds or securities.

#### **Item 16 – Investment Discretion**

Not applicable. The Advisor does not have discretionary authority to act as an investment manager for any Client account, and all investment recommendations of the Advisor are subject to review and approval by Nephila Capital.

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

As a non-discretionary sub-advisor, the Advisor does not have the discretion to vote proxies for Client securities.

#### **Item 18 – Financial Information**

Registered investment advisors are required in this Item to provide you with certain financial information or disclosures about the Advisor's financial condition. The Advisor 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. Pursuant to SEC rules, no balance sheet or other financial information of the Advisor is required to be included in this Brochure.



### **Miscellaneous – Privacy Policy**

In accordance with SEC rules, the Advisor has adopted policies and procedures relating to the collection, use and protection of nonpublic personal information of the Advisor's clients and investors (each referred to as a "customer"). The Advisor's Privacy Policy is set out below.

Privacy Policy. The Advisor (referred to as "we") considers customer privacy to be fundamental to our relationship with our customers. In the course of providing non-discretionary sub-advisory services and investor relations, business development and administrative services to its affiliate, Nephila Capital, in respect of various investment funds ("Funds") or accounts ("Accounts"), we collect personal information about you ("nonpublic personal information"). We collect this information to know who you are and to meet our obligations under the laws and regulations that govern us.

Throughout our history we have been, and we remain, committed to maintaining the confidentiality, integrity and security of our customers' personal information. It is our policy to respect the privacy of our current and former customers and to protect the personal information entrusted to us. This Privacy Policy describes the standards we follow for handling your personal information, with the dual goals of meeting your financial needs while respecting your privacy.

Information We Collect. We collect nonpublic personal information about you from three sources:

- Information on subscription agreements or other forms. This category may include your name, address, tax identification number, age, marital status, number of dependents, assets, debts, income, employment history, beneficiary information and personal bank account information;
- Information from your transactions with us, such as your investment history in the Fund and/or the Account and your account balance; and
- Information obtained from others, such as consumer credit reporting agencies.

Information We Disclose. We may disclose any of the nonpublic personal information we collect with unaffiliated third parties only if necessary to provide our services to Nephila Capital in respect of a Fund or Account. For example, we may disclose nonpublic personal information about you to the unaffiliated third parties and in the circumstances described below, as permitted by applicable laws and regulations:

- Companies with whom we have contracted to provide Fund- or Account-related services;
- Our lawyers, accountants, auditors, regulators, advisors, and quality-control consultants;
- If we suspect fraud;



- To protect the security of our records, Web site and telephone customer service center; and
- Information you have authorized us to disclose.

Protecting Your Information. We limit access to the information we have about you to our employees who need to know such information in order for us to provide our services to Nephila Capital in respect of a Fund or Account. In addition, we maintain appropriate physical, electronic and procedural safeguards to protect your information.

Former Customers. We treat information concerning our former customers the same way we treat information about our current customers.

Keeping You Informed. We will send you a copy of this Privacy Policy annually. We will also send you all changes to this Privacy Policy as they occur. For information regarding the Advisor's Privacy Policy, please contact Laura Taylor, the Chief Operations Officer of Nephila Capital, at (441) 296-4684 or [ltaylor@nephilacapital.com](mailto:ltaylor@nephilacapital.com).