

Item 1 - Cover Page

## VS Capital Partners, LP

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### Form ADV Part 2A: Firm Brochure

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This brochure provides information about the qualifications and business practices of VS Capital Partners, LP which does business under the name “VS Capital Partners” (the “Adviser,” “Registrant”, “VS Capital”, or the “Firm”). If you have any questions about the contents of this brochure, please contact us at 212-317-0190. 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. This brochure is strictly a disclosure document and is not an offer to sell securities.

Additional information about VS Capital Partners, LP is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

This document should be reviewed in its entirety as some sections of the document may be considered material to some readers and immaterial to others.

VS Capital may refer to itself as a registered investment adviser with the SEC or indicate that it is registered as an investment adviser with the SEC. These references do not imply that VS Capital has a certain level of skill or training.

## **Item 2 - Material Changes**

Not applicable.

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## **Item 4 - Advisory Business**

VS Capital serves as investment manager to pooled investment vehicles (collectively, the “Funds”), as well as to certain other separately managed accounts (collectively, the “Separately Managed Accounts”).

The primary focus of VS Capital’s investment advisory activity is managing absolute return investment strategies in the currency and related derivative markets. VS Capital identifies and manages investment opportunities for the Funds and the Separately Managed Accounts.

VS Capital’s investment advisory services as it relates to each Separately Managed Account client are tailored to the individual needs of each such client. In particular, the Firm considers each such client’s size, investment mandate, interest in leverage, and sophistication. Separately Managed Account clients may impose restrictions on VS Capital’s investment in certain securities or types of securities. Investors in Fund clients generally cannot place investment restrictions on VS Capital.

VS Capital was formed in 2009 and began providing investment management services in 2010. Both Michael Zim and Fred Gross are principal owners of the Firm, each of whom is a founder and portfolio manager. As of February 29, 2012, VS Capital managed approximately \$192.3 million in assets. All of these assets are managed on a discretionary basis.

## **Item 5 - Fees and Compensation**

*Fund Clients.* VS Capital generally receives from its Fund clients a fixed management fee at an annual rate equal to approximately 2.0% of the net asset value of each limited partner’s capital account or each shareholder’s shares (as the case may be), in each instance calculated and payable monthly in advance. Management fees may be reduced or waived at the discretion of VS Capital with respect to certain investors in its Fund clients. Certain affiliates and employees may not pay any management fees. All fees are deducted directly from the Funds by VS Capital. Management fees are prorated for partial periods.

*Separately Managed Account Clients:* By its nature, each managed account is unique and customized to each individual client. Therefore, the fee structure will reflect the degree of customization required by the client and the commercial value of the account to VS Capital. The fee structure for managed accounts will generally vary based on circumstances including but not limited to the size of the account, its use of leverage, hurdle rates, expenses incurred, reporting requirements, and termination provisions all of which are individually negotiated. Generally, asset-based fees are charged on a monthly or quarterly basis in arrears. Asset-based fees are prorated for partial periods.

Whether or not fees are deducted directly from Separately Managed Account clients or invoiced to such Clients is negotiated on a case by case basis. Separately Managed Account clients that are (or will be) invoiced receive (or will receive) such invoices according to the terms of each separately managed account agreement.

*All clients:* Clients generally pay for all applicable ongoing investment costs and expenses associated with the operation of their accounts, including but not limited to, brokerage commissions, research expenses, custodial and prime brokerage fees, SEC fees, registration fees, transfer fees, advisory board fees, valuation fees, bank fees, audit and tax fees, legal fees, software expenses, administration expenses, and governmental fees.

See Item 6 below for a description of the performance-based fees VS Capital is entitled to receive from its clients.

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

*Fund Clients:* VS Capital's affiliate, VS Management Partners, LLC, generally receives an annual performance allocation at the master fund level equal to 20% of the net capital appreciation allocated to each investor's sub-account at the master fund level, allocable at the end of each fiscal year of the master fund, or at the time of withdrawal or redemption by an investor in a feeder fund client. Certain affiliates and employees may not bear the performance allocation.

*Separately Managed Account Clients:* By its nature, a managed account is a unique and customized private investment vehicle. Therefore, the fee structure will reflect the degree of customization required by the client and the commercial value of the account to VS Capital. The fee structure for a Separately Managed Account will generally include performance based compensation and may vary based on circumstances including but not limited to the size of the account, its use of leverage, expenses incurred, reporting requirements, and termination provisions all of which are individually negotiated. Performance compensation (if any) is or will be payable quarterly or annually or at the time of termination depending on the terms of each Separately Managed Account's agreement with VS Capital.

VS Capital's (or its affiliate VS Management Partners, LLC's) right to receive performance-based compensation may create an incentive for VS Capital to cause a client to make investments that are riskier or more speculative than would be the case if VS Capital (or its affiliate VS Management Partners, LLC) did not receive such compensation.

VS Capital may have financial or other incentives to favor one client over another. Under normal conditions, VS Capital will allocate investment opportunities between each client on a fair and equitable basis, subject to applicable law and client guidelines. VS Capital may make decisions for a client that may differ from time to time from decisions made for its other clients, based on the differing strategies for such clients or other factors.

VS Capital also charges asset-based management fees as described in Item 5 above. The fact that the Adviser manages assets for different clients at potentially different fee or incentive structures can create a conflict of interest for the Adviser with regard to the allocation of investment opportunities or transactions among clients. As a result, the Adviser's senior management strives to identify potential conflicts and adjudicate them in a fair manner.

## **Item 7 - Types of Clients**

VS Capital provides investment advisory services to limited partnerships, limited liability companies, financial institutions, exempted companies and other similar-type entities. In particular, VS Capital provides investment advisory services to one Delaware limited partnership, one Cayman Islands exempted company, one Cayman Islands exempt limited partnership, as well as to various institutional and entity (whether US or foreign based) clients through separately managed accounts. VS Capital's Fund clients are set up as a master feeder structure and as such, each feeder fund invests all or substantially all of its assets in the master fund. All investments made by the Fund are made at the master fund level.

VS Capital requires US investors in the feeder fund clients to meet certain suitability requirements including being an accredited investor (as defined in Regulation D of the Securities Act of 1933, as amended (the "Securities Act")) and, as applicable, a qualified client (as defined in the Investment Advisers Act of 1940, as amended (the "Advisers Act")) and requires all investors to meet general sophistication requirements. All investors in the feeder funds are required to invest a minimum amount of US\$1,000,000, which amount may be waived in the sole discretion of VS Capital, VS Management Partners, LLC (its affiliate) and/or the Board of Directors of the non-US fund client (as the case may be).

With respect to individually managed account clients, all such clients must be, if applicable, qualified clients as well as meet certain sophistication requirements. The opportunity to open a separately managed account is not available to all prospective investors and is generally subject to minimum asset levels in the sole discretion of the Adviser.

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

The Firm's methods of analysis include a dynamic analysis of historical and prospective market movements. This analysis includes an assessment of current market parameters, exchange rates, implied volatilities, interest rates, term structures, and other factors. The Firm's investment strategies seek to incorporate this analysis in the construction and management of portfolios that will perform favorably in a range of scenarios. The strategies often seek to emphasize exposure to certain risk parameters (eg implied volatility) and to reduce exposure to other factors (eg directional currency moves) through hedging.

With respect to each Fund client, additional information on the Adviser's investment objectives and strategy can be found in the respective Fund's offering documents. The descriptions provided are general and are not intended to be exhaustive. Prospective clients must recognize that there are inherent limitations on all descriptions of investment processes due to the complexity, confidentiality and subjectivity of such processes. Additionally, the description of virtually every strategy must be qualified by the fact that investment approaches are continually changing, as are the markets invested in by VS Capital's clients. Finally, it is possible that a client may pursue additional strategies, in the Adviser's sole discretion (if provided for in the relevant advisory agreement), in the pursuit of a client's investment objective.

## **Risks**

*Risks of Derivatives.* VS Capital may trade derivatives. The risks posed by derivatives include (1) credit risks (the exposure to the possibility of loss resulting from a counterparty's failure to meet its financial obligations); (2) market risks (adverse movements in the price of a financial asset or commodity); (3) legal risks (an action by a court or by a regulatory or legislative body that could invalidate a financial contract); (4) operations risks (inadequate controls, deficient procedures, human error, system failure or fraud); (5) documentation risks (exposure to losses resulting from inadequate documentation); (6) liquidity risks (exposure to losses created by the inability to prematurely terminate a derivative); (7) system risks (the risk that financial difficulties in one institution or a major market disruption will cause uncontrollable financial harm to the financial system); (8) concentration risks (exposure to losses from concentration of closely-related risks such as exposure to a particular industry or exposure linked to a particular entity); and (9) settlement risks (the risk that a client faces when it has performed its obligations under a contract but has not yet received value from its counterparty).

*Options.* VS Capital will engage in various types of options transactions. An option gives the purchaser the right, but not the obligation, upon exercise of the option, either (i) to buy or sell a specific amount of the underlying security at a specific price (the "strike" price or "exercise" price), or (ii) in the case of a cash-settled option, to receive a specified cash settlement. To purchase an option, the purchaser must pay a "premium," which consists of a single, nonrefundable payment. Unless the price of the securities underlying the option changes and it becomes profitable to exercise or offset the option before it expires, a client may lose the entire amount of the premium. The purchaser of an option runs the risk of losing the entire investment. Thus, a client may incur significant losses in a relatively short period of time. The ability to trade in or exercise options also may be restricted in the event that trading in the underlying securities interest becomes restricted. Options trading may also be illiquid in the event that client assets are invested in contracts with extended expirations. A client may purchase and write put and call options on specific securities, on stock indexes or on other financial instruments and, to close out its positions in options, may make a closing purchase transaction or closing sale transaction. In theory, the exposure to loss is potentially unlimited in the case of an uncovered call writer (i.e. a call writer who does not have and maintain during the term of the call an equivalent long position in the stock or other security underlying the call), but in practice the loss is limited by the term of existence of the call. The risk for a writer of an uncovered put option (i.e., a put option written by a writer that does not have and maintain an offsetting short position in the underlying stock or other security) is that the price of the underlying security may fall below the exercise price.

*Hedging Transactions.* A client may utilize a variety of financial instruments such as derivatives, options, swaps, and forward contracts, both for investment purposes and for risk management purposes. Hedging also involves special risks including the possible default by the other party to the transaction, illiquidity and, to the extent a client's assessment of certain market movements is incorrect, the risk that the use of hedging could result in losses greater than if hedging had not been used. A client is subject to the risk of the failure or default of any counterparty to a client's transactions. If there is a failure or default by the counterparty to such a transaction, a client will have contractual remedies pursuant to the agreements related to the transaction (which may or may not be meaningful depending on the financial position of the defaulting counterparty). A client may seek to minimize counterparty risk through the selection

of financial institutions and types of transactions employed. However, a client's operational mechanisms may involve counterparty and other risk elements that may create unforeseen exposures.

*Forward Trading.* A client's investment program may include forward contracts. Forward contracts and options thereon, unlike futures contracts, are not traded on exchanges and are not standardized; rather banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and "cash" trading is substantially unregulated; there is no limitation on daily price movements and speculative position limits are not applicable. The principals who deal in the forward markets are not required to continue to make markets in the currencies or commodities they trade and these markets can experience periods of illiquidity, sometimes of significant duration. There have been periods during which certain participants in these markets have refused to quote prices for certain currencies or commodities or have quoted prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell. Disruptions can occur in any market due to unusually high trading volume, political intervention or other factors. The imposition of controls by governmental authorities might also limit such forward (and futures) trading to less than that which VS Capital would otherwise recommend, to the possible detriment of a client. In respect of such trading, a client would be subject to the risk of counterparty failure or the inability or refusal by a counterparty to perform with respect to such contracts. Market illiquidity or disruption could result in substantial losses to such client.

*Short Selling and Leverage.* A client's investment program may include such investment techniques as short selling and leverage which practices can, in certain circumstances, maximize the adverse impact to which such client's investments may be subject.

*Short Selling.* A client may sell short securities in the expectation of covering the short sale with securities purchased in the open market at a price lower than that received in the short sale. If the price of the issuer's securities declines, a client may then cover the short position with securities purchased in the market. The profit realized on a short sale will be the difference between the price received in the sale and the cost of the securities purchased to cover the sale. The possible losses from selling short a security differ from losses that could be incurred from a cash investment in the security; the former may be unlimited, whereas the latter can only equal the total amount of the cash investment. Short selling activities are also subject to restrictions imposed by the federal securities laws and the various national and regional securities exchanges, which restrictions could limit a client's investment activities. There can be no assurance that securities necessary to cover a short position will be available for purchase.

*Leverage.* Leverage may be utilized when deemed appropriate by VS Capital and subject to applicable regulations. At times, the amount of such leverage may be substantial. Leverage creates an opportunity for greater yield and total return, but at the same time increases exposure to capital risk and higher current expenses. If a client purchases or sells securities on margin and the value of those securities changes adversely, such client may be obligated to provide additional collateral to meet margin requirements to avoid liquidation of the securities. If loans to a client are collateralized with portfolio securities that decrease in value, such client may be obligated to provide additional collateral to the lender in the form of cash or securities to avoid liquidation of the pledged securities. Any

such liquidation could result in substantial losses. Moreover, counterparties of a client, in their sole discretion, may change the leverage limits that they extend to such client.

*Transaction Expenses.* VS Capital may make frequent trades in securities. Frequent trades typically result in correspondingly high transaction costs.

*Illiquidity of Investments.* It may not always be possible to execute a buy or sell order in the marketplace at the desired price or to liquidate an open position due to market conditions, including the operation of daily price fluctuation limits. Realization of value from such investments may be difficult in the short-term, or may have to be made at a substantial discount compared to other freely tradable investments. If trading is suspended or restricted, VS Capital may not be able to execute trades or close out positions on terms that it believes are desirable.

*In view of the foregoing considerations, an investment with VS Capital is suitable only for investors who are capable of bearing the relevant risks (including a total loss of investment) and conflicts of interest. To the extent that prospective investors/clients would benefit from an independent review, such benefit is not available through VS Capital or any of their affiliates. Prospective investors/clients are encouraged to seek the advice of independent legal counsel in evaluating the risks of the offering. In addition, as a client's investment program develops and changes over time, an investment with VS Capital may be subject to additional and different risks.*

## **Item 9 - Disciplinary Information**

There are no legal or disciplinary, criminal or civil actions, administrative proceedings or self-regulatory proceeds that have been initiated against VS Capital or any of VS Capital's management persons currently or at least ten years prior to the date set forth hereof.

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

VS Management Partners, LLC, a related person of VS Capital, serves as the US fund client's (i.e., the US-based feeder fund client) as well as the Cayman Islands partnership client's (i.e., the non-US based master fund client) general partner. This relationship creates an incentive for VS Capital to make investments that are riskier or more speculative than would be the case if VS Management Partners, LLC (an affiliate of VS Capital) did not receive incentive compensation from the Cayman Islands partnership client (i.e., the master fund) for serving as its general partner.

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

VS Capital has adopted a Code of Ethics pursuant to Rule 204A-1 of the Advisers Act to prevent violations of federal securities laws. VS Capital expects all employees to act with honesty, integrity and professionalism and to adhere to federal securities laws. The Code of Ethics imposes on each supervised person a duty to maintain high standards of business conduct, to report to the Firm actual or potential conflicts of interest, and to report to the Firm's Chief



Compliance Officer periodic information regarding personal securities transactions. The Code of Ethics further articulates restrictions on the use of material nonpublic information, as well as policies for safeguarding confidential information.

A copy of VS Capital's Code of Ethics is available to investors and prospective investors upon request.

While the Adviser's personal trading policy allows employees to invest in funds managed by the Adviser or its related persons, the policy prohibits direct trading of foreign exchange contracts and derivative instruments, and other such instruments that may be traded on behalf of client accounts, as amended from time to time.

## **Item 12 - Brokerage Practices**

Where the Adviser has the authority to determine the broker-dealer to be used for each transaction for its clients, broker-dealers will be selected generally on the basis of best execution, which will be determined by taking into account, among other things, commission rates (markups and other transactional charges), the broker-dealer's financial strength and credit status, stability and responsibility, reputation, reliability, responsiveness to the Adviser, ability to execute trades, depth of available services, processing and special execution capabilities, efficiency and error resolution. It is the Adviser's policy not to utilize soft dollar credits to pay for any products or services.

While the Adviser transacts with many counterparties in the inter-bank market, all foreign exchange transactions are currently cleared and settled through one prime broker with whom the Adviser has established a relationship. Executing counterparties must be approved by the Adviser and the prime broker. The Adviser relies on the prime broker's credit, legal and compliance reviews of such dealers, to a large extent, as a basis to add the counterparty to its approved list.

The Adviser may, in the normal course of business, direct a portion of a client's trading business to firms who refer prospective investors to VS Capital's fund clients. Because such referrals, if any, are likely to benefit the Adviser and its affiliates but will provide an insignificant (if any) benefit to clients, the Adviser will have a conflict of interest when allocating business to a firm who has referred investors to fund clients.

To prevent brokerage commissions from being used to pay investor referral fees, the Adviser will not allocate brokerage business to a referring broker unless the Adviser determines in good faith that the commissions payable to such broker are reasonable in relation to those available from non-referring brokers offering services of substantially equal value to a fund client.

Transactions are generally executed collectively on behalf of all relevant clients for whom each transaction is intended. Transactions are then generally allocated according to pre-established percentages, taking into account relevant account sizes, risk preferences, and other factors.

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

Portfolio positions and performance are reviewed on an ongoing basis by the VS Capital investment team. In addition, the firm's Chief Financial Officer reviews performance calculations and financial accounts on a monthly basis. Regular reconciliations are performed by the Fund clients' administrator to verify portfolio positions and valuations.

Investors in each Fund client will typically receive, among other things, a copy of the audited annual financial statements of the relevant Fund prepared in accordance with U.S. Generally Accepted Accounting Principles within 120 of the relevant Fund's fiscal year end. In addition, such investors typically receive unaudited monthly capital account statements from the Fund's administrator, as well as periodic market updates from the Adviser.

Reporting requirements for managed accounts are negotiated and vary per client.

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

The Adviser currently has compensation arrangements with third party solicitors ("Placement Agents") pursuant to which Placement Agents have agreed to introduce to the Adviser certain investors for whom the Placement Agents believe the advisory services offered by Adviser are suitable. Pursuant to their respective agreements with the Adviser, Placement Agents who introduce new clients to the Adviser may receive a portion of the fees and incentive compensation payable to the Adviser or its affiliates in respect of such clients. The amount and duration of such payments are individually negotiated between the Adviser and each Placement Agent. To the extent applicable, these solicitation arrangements comply with Rule 206(4)-3 under the Investment Advisers Act of 1940.

The compensation payable to a Placement Agent will not result in any investor being charged compensation in excess of the rate or level of compensation customarily charged to similarly situated investors.

### **Item 15 - Custody**

The Adviser is deemed to have custody over Fund assets.

Custodial banks holding Fund assets send statements to the Funds' independent administrator. The administrator reconciles these statements on behalf of the Fund and prepares account statements for each investor in the Funds. Audited financial statements prepared in accordance with US Generally Accepted Accounting Principles are distributed to each investor in each Fund client within 120 days after the fiscal year end of each such Fund.

VS Capital does not have custody over assets of its Separately Managed Account clients.

## **Item 16 - Investment Discretion**

The Adviser receives authority to manage client investments on a discretionary basis pursuant to a written investment management agreement. Investment advice is provided by the Adviser directly to the Funds, subject to the direction and control of the VS Management Partners, LLC (the general partner of the US-based client and the non-US based master fund client) or directors of such Fund. Any restrictions on certain types of investments are established by VS Management Partners, LLC or directors of the applicable Fund, and are set forth in the relevant fund documentation received by each investor prior to investment in such Fund.

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

VS Capital does not exercise voting authority with respect to client securities.

## **Item 18 - Financial Information**

Not applicable.

## **Item 19 - Requirements for State-Registered Advisers**

Not applicable.