

Form ADV Part 2A: Firm Brochure

Axonic Capital, LLC

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This brochure provides information about the qualifications and business practices of Axonic Capital LLC (“Axonic”). If you have any questions about the contents of this brochure, please contact our Chief Compliance Officer (“CCO”) at 212-259-0423 or pgaudet@axoniccapi.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Axonic is also available on the SEC’s website at: www.adviserinfo.sec.gov.

We use terms throughout this documents such as “we”, “our” or “us” to refer to Axonic and its affiliates.

Item 2: Material Changes

This brochure contains information about Axonic upon its initial registration as an investment adviser with the SEC. There have been no material changes since its adoption.

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Advisory Business

Axonic, a Delaware limited partnership, and Axonic Capital GP LLC (“Axonic GP” or the “General Partner”), a Delaware limited liability company, were formed in December 2010 to serve as investment manager and general partner, respectively, to the Axonic Credit Opportunities Fund, LP, a private investment fund organized as a Delaware limited partnership (the “Domestic Feeder”), and Axonic Credit Opportunities Overseas Fund, Ltd, an exempted company incorporated and existing under the laws of the Cayman Islands (the “Offshore Feeder”). The Domestic and Offshore Feeders invest substantially all of their assets in Axonic Credit Opportunities Master Fund, LP (the “Master Fund” and collectively with the Domestic and Offshore Feeder Funds, the “Funds”) through a master-feeder structure. Limited partners in the Domestic Feeder and shareholders in the Offshore Feeder are referred to collectively as “Investors” in this document.

Our Funds’ principal investment objective is to achieve a positive return on capital by primarily investing in mortgage and consumer receivable cashflow determined securities. To achieve its investment objective, the Funds may invest in public and private U.S. and non-U.S. mortgage-backed securities and consumer-receivable-backed securities including asset-backed securities (“ABS”), commercial mortgage securities (“CMBS”), collateralized debt obligations (“CDO”), insurance-linked securities (“ILS”), whole loans, whole loan mortgages, high-yield and corporate bonds, and various single-name and index credit default swaps. In addition, various derivatives,

including swaps, options, swaptions, futures and forward agreements (both listed and over-the-counter) on various financial instruments, equity securities, government securities, treasuries, currencies and commodities may be used for speculative or hedging purposes. Positions may be leveraged, and may be financed by various sources of funding, including bank lines, margin trading, short positions and repurchase arrangements.

We may enter into agreements (sometimes referred to as "side letters") with certain prospective, initial or existing Investors whereby such Investors may be subject to terms and conditions that are more advantageous than those set for other Investors. For example, such terms and conditions may provide for special rights to make future investments in the Funds, other investment vehicles or managed accounts; special withdrawal rights relating to frequency, notice, a reduction or rebate in fees or withdrawal fees to be paid by the Limited Partner and/or other terms; rights to receive reports from the Funds on a more frequent basis or that include information not provided to other Investors (including, without limitation, more detailed information regarding portfolio positions) and such other rights as may be negotiated by the General Partner and such Investors. The modifications are solely at the discretion of the General Partner and may, among other things, be based on the size of the Limited Partner's investment in the Funds or affiliated investment entity, an agreement by a Limited Partner to maintain such investment in the Fund for a significant period of time, or other similar commitment by a Limited Partner to the Fund.

As of December 2011 Axonic managed \$258 million on a discretionary basis on behalf of its clients.

Item 5: Fees and Compensation

Management Fees

As compensation for investment advisory services rendered to the Funds, Axonic deducts a quarterly management fee calculated at the annual rate of 2.0% of each Limited Partner's capital account. The management fee is paid monthly in arrears based on the value of each Limited Partner's capital account as of the last day of each calendar month (adjusted for contributions made during the month). If a Limited Partner redeems from the Funds, the management fee will be prorated for any period that is less than a full fiscal month and will be deducted in calculating the net profit or net loss of the Funds. The General Partner, in its sole discretion, may waive or modify the management fee for Investors that are members, employees or affiliates of the General Partner or Axonic, relatives of such persons, and for certain large or strategic investors.

Incentive Fees

In addition, the General Partner receives performance compensation equal to 20% of the Master Fund's net profits, if any, subject to a "loss carryforward" provision (the "Incentive Fee"). The Management Fee and Incentive Fee are negotiable for investors in the Feeder Funds. The General Partner may waive or reduce the Incentive Fee for Investors that are members, principals, employees or affiliates of the General Partner or Axonic, relatives of such persons, and for certain large or strategic investors.

Withdrawal Fee

Upon at least 90 days' prior written notice to the General Partner, a Limited Partner may withdraw any portion of its capital account relating to a particular capital contribution as of the last day of each calendar quarter; provided, however, that any withdrawal made within the first 12 months following the date of such capital contribution will be subject to a withdrawal fee of up to 5% of the amount withdrawn, payable to the Master Fund. Notwithstanding the foregoing, a Limited Partner may withdraw any portion of its capital account relating to a particular capital contribution as of the last day of each calendar quarter upon 60 days' prior written notice to the General Partner; provided, however, that such withdrawal will be subject to a withdrawal fee of up to 5% of the amount withdrawn, payable to the Master Fund. Withdrawals will be processed on a first in first out basis.

Expenses

In addition to paying the Management Fee and being subject to the Investment Fees, the Funds will also be subject to other investment expenses such as fees paid to the Administrator, directors' fees, legal, accounting, auditing and other professional expenses, research expenses (including research-related travel) and investment expenses such as commissions, interest on margin accounts and other indebtedness, custodial fees, bank service fees and other expenses related to the purchase, sale or transmittal of the Funds' assets. The Feeder Funds will indirectly share the administrative and other expenses of the Master Fund pro rata based on its interest in the Master Fund. Please refer to Item 12 of this Brochure for a discussion of Axonic's brokerage practices.

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

As stated in Item 5: Fees and Compensation section above, the General Partner receives performance compensation equal to 20% of the Master Fund's net profits, if any, subject to a "loss carryforward" provision (the "Incentive Fee"). The fact that the General Partner is compensated based on the trading profits may create an incentive for Axonic to make investments on behalf of clients that are riskier or more speculative than would be the case in the absence of such compensation. In addition, the Incentive Fee is based primarily on realized and unrealized gains and losses. As a result, the performance based fee earned could be based on unrealized gains that clients may never realize.

Item 7: Types of Clients

Axonic provides investment supervisory services to the Funds. Investment advice is provided directly to the Funds, subject to the direction and control of the General Partner of such Fund and not individually to the Investors. Investors in the Funds may include, but are not limited to, high net worth individuals, pension plans, endowments, foundations, trusts, estates or charitable organizations, and corporate or business entities.

Details concerning applicable investor suitability criteria are set forth in the respective Fund's offering documents and subscription materials. Although Axonic and/or its affiliates have the authority to accept subscriptions for lesser amounts, the minimum initial investment in the Funds is generally \$1 million. Each Limited Partner is required to meet certain suitability qualifications, such as being an "accredited investor" and "qualified purchaser" within the meaning set forth in Regulation D in the Securities Act of 1933, as amended.

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

Our Funds' principal investment objective is to achieve a positive return on capital by primarily investing in mortgage and consumer receivable cash flow determined securities.

To achieve our Funds' investment objective, we may invest in public and private U.S. and non-U.S. mortgage-backed securities and consumer-receivable-backed securities including asset-backed securities ("ABS"), commercial mortgage backed securities ("CMBS"), collateralized debt obligations ("CDO"), insurance-linked securities ("ILS"), whole loans, whole loan mortgages, high-yield and corporate bonds, and various single-name and index credit default swaps. In addition, various derivatives, including swaps, options, swaptions, futures and forward agreements (both listed and over-the counter) on various financial instruments, equity securities, currencies and commodities may be used for speculation or hedging purposes.

Our investment strategy relies primarily on three primary components: (i) our ability to identify and purchase appropriate securities, (ii) an intensive analytical approach to risk management and portfolio construction, and (iii) our ability to construct a blended portfolio of risk-based assets and hedges with a return profile over time that demonstrates increased total return while mitigating discrete risks.

We carry out the Funds investment process and risk control procedures by applying various valuation tools including our own risk and valuation pricing engine. In particular, we believe that attractive risk-adjusted total returns can be produced by systematically discovering misvalued credit risk and structural nuances in mortgage-backed and consumer receivable-backed securities. We will attempt to take advantage of the inefficiencies that result from, among other things: (i) inconsistency of performance across deals, issuers, and sectors; (ii) heterogeneity of securities from both a collateral and structural perspective; and (iii) structural complexity.

Our clients consist exclusively of private investment funds. Acquiring an interest in a private investment fund involves a number of risks, including complete loss of investment. An investment in the Funds may be deemed a speculative investment and is designed for sophisticated investors who fully understand and are capable of bearing the risk of investment. No guarantee or representation is made that a fund will achieve its investment objective or that investors in a Fund will receive a return of their capital. The description contained below is a brief overview of different material risks related to our client's investment strategy:

Limitations on Redemptions and Transfers of Interests in the Funds – An investor's investment in the Funds is subject to the structure and terms of the Funds. Although investors may request redemption of their interests on available redemption dates, the funds may impose limitations on redemptions and may delay payment of a portion of the redemption price. There is no public market for interests in the Funds and those interests may not be sold, assigned, or transferred without our or our client's consent. Interests in the Funds will not be registered under federal or state securities laws and may not be transferred unless registered under applicable federal and state securities laws or unless an exemption from such laws is available.

Commercial and Residential Mortgage-Backed Securities - Investing in commercial and residential mortgage-backed securities involves the general risks typically associated with

investing in traditional fixed-income securities (including interest rate and credit risk) and certain additional risks and special considerations (including the risk of principal prepayment and the risk of investing in real estate). Mortgage-backed securities generally provide for the payment of interest and principal on the mortgage-backed securities on a frequent basis and there also exists the possibility, particularly with respect to residential mortgage-backed securities, that principal may be prepaid at any time due to, among other reasons, prepayments on the underlying mortgage loans or other assets. As a result of prepayments, the Funds may be required to reinvest assets at an inopportune time, which may expose the Funds to a lower rate of return. The rate of prepayments on underlying mortgages affects the price and volatility of a mortgage-backed security, and may have the effect of shortening or extending the effective maturity beyond what was anticipated.

Asset-Backed Securities - Asset-backed securities are subject to interest rate risk and, to a lesser degree, prepayment risk. Asset-backed securities are subject to additional risks in that, unlike mortgage-backed securities, asset-backed securities generally do not have the benefit of a security interest in the related collateral. Each type of asset-backed security also entails unique risks depending on the type of assets involved and the legal structure used. For example, credit card receivables are generally unsecured and the debtors are entitled to the protection of a number of state and federal consumer credit laws, many of which give debtors the right to set off certain amounts owed on the credit cards, thereby reducing the balance due. Asset-backed securities typically experience credit risk.

Structured Investments - The Funds may invest in entities organized and operated for the purpose of restructuring the investment characteristics of other debt securities. These investments will typically consist of equity or subordinated debt securities issued by a private investment fund that invests, on a leveraged basis, in debt instruments, including primarily senior loans and high-yield bonds and mortgage-backed securities and asset-backed securities, directly or through total rate of return swaps or other credit derivatives. The cash flow on the underlying instruments may be apportioned among the newly issued security to create securities with different investment characteristics such as varying maturities, payment priorities and interest rate provisions, and the extent of the payments made with respect to such securities is dependent on the extent of the cash flow on the underlying instruments. Because the Funds will not own these assets directly, they will not benefit from rights that holders of the assets have, including indemnification and voting rights.

Changes in the Residential Mortgage Lending Market - The residential mortgage market have recently encountered difficulties which may adversely affect the performance or market value of the Funds. Therefore, although we believe that the recent dislocation in the residential mortgage market has created an attractive environment for finding value in securities, loans and other instruments, there is no assurance that we will be able to do so.

Bank Debt - The Funds may invest its assets in bank debt, which includes interests in loans to companies or their affiliates undertaken to finance a capital restructuring or in connection with recapitalizations, acquisitions, leveraged buyouts, refinancings or other financially leveraged transactions and may include loans that are designed to provide temporary or bridge financing to a borrower pending the sale of identified assets, the arrangement of longer-term loans or the

issuance and sale of debt obligations. The Funds may also invest in collateral on financial instruments, including interests on whole commercial, consumer and other loans and lease contracts. These loans, which may bear fixed or floating rates, have generally been arranged through private negotiations between a corporate borrower and one or more financial institutions (“Lenders”), including banks. The Fund’s investment may be in the form of participations in loans (“Participations”) or of assignments of all or a portion of loans from third parties (“Assignments”).

Investments in Participations and Assignments involves additional risks, including the risk of nonpayment of principal and interest by the borrower, the risk that any loan collateral may become impaired and that the Fund may obtain less than the full value for the loan interests sold because they may be illiquid. Purchasers of loans depend primarily upon the creditworthiness of the borrower for payment of interest and repayment of principal. If scheduled interest or principal payments are not made, the value of the instrument may be adversely affected.

Credit Derivatives - Credit derivatives are contracts that transfer price, spread and/or default risks of debt and other instruments from one party to another. Such instruments may include one or more debtors. Payments under credit derivatives may be made during the exercise period of the contracts. The market for credit derivatives is somewhat illiquid and there are considerable risks that it may be difficult to either buy or sell the contracts as needed or at reasonable prices.

Interest Rate Risk - The Funds are subject to interest rate risk. Generally, the value of fixed income securities will change inversely with changes in interest rates. As interest rates rise, the market value of fixed income securities tends to decrease. Conversely, as interest rates fall, the market value of fixed income securities tends to increase.

Distressed Investments - The Funds may invest in debt and equity securities, accounts and notes payable, loans, private claims and other financial instruments and obligations of troubled companies that may result in significant returns to the Funds, but which involve a substantial degree of risk. The Funds may lose its entire investment in a troubled company, may be required to accept cash or securities with a value less than the Funds’ investment and may be prohibited from exercising certain rights with respect to such investment. Troubled company investments may not show any returns for a considerable period of time.

Leverage -The Funds may utilize leverage. Leverage increases returns to investors if the Funds earn a greater return on leveraged investments than the Funds’ cost of such leverage. However, the use of leverage exposes the Funds to additional levels of risk including (i) greater losses from investments than would otherwise have been the case had the Funds not borrowed to make the investments, (ii) margin calls or changes in margin requirements may force premature liquidations of investment positions, (iii) losses on investments where the investment fails to earn a return that equals or exceeds the Funds’ cost of leverage related to such investments and (iv) fluctuations in interest rates on the Funds’ borrowings, which may have a negative effect on the Funds’ profitability. In case of a sudden, precipitous drop in the value of the Funds’ assets, the Funds might not be able to liquidate assets quickly enough to repay its borrowings, further magnifying the losses incurred by the Funds.

Concentrated Portfolio - At times, the Funds may have a concentrated portfolio. Accordingly, the Funds' portfolio may not be diversified among a wide range of issuers, industries, geographic areas, capitalizations or types of securities and may have relatively significant, concentrated positions. As a result, the investment portfolio of the Funds may be subject to more rapid changes in value than would be the case if the Funds were required to maintain a wide diversification among issuers, industries, geographic areas, capitalizations or types of securities.

Options - The purchase or sale of an option involves the payment or receipt of a premium by the investor and the corresponding right or obligation, as the case may be, either to purchase or sell the underlying security, commodity or other instrument for a specific price at a certain time or during a certain period. Purchasing options involves the risk that the underlying instrument will not change price in the manner expected, so that the investor loses its premium. Selling options involves potentially greater risk because the investor is exposed to the extent of the actual price movement in the underlying security rather than only the premium payment received (which could result in a potentially unlimited loss). Over-the-counter options also involve counterparty solvency risk.

Non-U.S. Securities - Investing in securities of foreign governments and companies that are generally denominated in currencies other than the U.S. dollar, and utilization of foreign currency forward contracts and options on foreign currencies involve certain considerations comprising both risks and opportunities not typically associated with investing in securities of United States issuers.

For a comprehensive discussion of the risks involved in investing in the Funds please see the relevant offering documentation.

Item 9: Disciplinary Information

Axonic and its employees have not been involved in any legal or disciplinary events in the past 10 years that would be material to a client's evaluation of the company or its personnel.

Item 10: Other Financial Industry Activities and Affiliations

Axonic is affiliated with Axonic Capital GP LLC, the General Partner of the Funds. In addition, principals of Axonic may have outside business activities or affiliations. However, these outside activities are not expected to consume a material amount of time or to impact the ability of the principals to manage the Funds.

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

Pursuant to Rule 204A-1 of the Advisers Act, we have adopted a written Code of Ethics predicated on the principal that we owe a fiduciary duty to our clients. The Code of Ethics is designed to address and avoid potential conflicts of interest and is applicable to all of our firm's officers, directors, members, partners or employees (collectively referred to as "employees"). We require our employees to act in our clients' best interests, abide by all applicable regulations and avoid any action that is, or could even appear to be, legally or ethically improper.

Our Code of Ethics requires, among other things, that our employees:

- Act with integrity, competence, diligence, respect, and in an ethical manner with the public, clients, prospective clients, employers, employees, colleagues in the investment profession, and other participants in the global capital markets;
- Place the integrity of the investment profession, the interests of clients, and the interests of Axonic above one's own personal interests;
- Adhere to the fundamental standard that you should not take inappropriate advantage of your position;
- Avoid or disclose any actual or potential conflict of interest;
- Conduct all personal securities transactions in a manner consistent with this policy;
- Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities;
- Practice and encourage others to practice in a professional and ethical manner that will reflect credit on yourself and the profession;
- Promote the integrity of, and uphold the rules governing, capital markets;
- Maintain and improve your professional competence and strive to maintain and improve the competence of other investment professionals.
- Comply with applicable provisions of the federal securities laws.

In order to manage conflicts of interest, our Code requires employees to:

- pre-clear personal securities transactions,
- report personal securities transactions on at least a quarterly basis, and
- provide us with a detailed summary of certain holdings (both initially upon commencement of employment and annually thereafter) over which such employees have a direct or indirect beneficial interest.

A copy of our Code of Ethics shall be provided to any Investor or prospective investor upon request.

Item 12: Brokerage Practices

We are authorized to determine the broker or dealer to be used for each securities transaction for the Funds. In selecting brokers or dealers to execute transactions, we do not need to solicit competitive bids and do not have an obligation to seek the lowest available commission cost. We will take into account the financial stability and reputation of brokerage firms, and the research, brokerage or other services provided by such brokers. It is not our practice to negotiate “execution only” commission rates, thus the Funds may be deemed to be paying for research, brokerage or other services provided by the broker which are included in the commission rate. However, all transactions will be made on a “best execution” basis.

Soft Dollar Benefits

The Funds’ governing documents authorize us to use “soft dollar” credits generated by our clients’ securities transactions. However, we have not entered into formal soft dollar arrangements at this time. Should we decide to enter into such arrangements, we will limit the 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.

Aggregated Trades

Axonic currently conducts all trading activity in Axonic Credit Opportunities Master Fund, LP. If we manage additional client accounts in the future, we may aggregate orders for client accounts for trade execution with the same broker.

Item 13: Review of Accounts

Our principal and investment professionals review our clients’ accounts on a continuous basis. These reviews are designed to monitor and analyze our clients’ transactions, positions, and investment levels. In reviewing our clients’ accounts we pay particular attention to changes in the investment’s fundamentals, overall risk management, and changes in the markets that may affect price levels..

Investors are also provided annual reports containing financial statements examined by our independent auditors as well as tax information that is necessary for each investor to complete its U.S. federal and state income tax or information returns. Investors will also receive reports regarding the performance of the Funds monthly.

Item 14: Client Referrals and Other Compensation

We do not directly or indirectly compensate any person for client/investor referrals or for providing advisory services to our clients.

Item 15: Custody

All clients’ accounts are held in custody by unaffiliated broker/dealers or banks. However, by virtue of its relationship to the General Partner of the Funds, Axonic is considered to have custody of client assets. In accordance with the custody rule, all of the Funds are audited on an annual basis and copies of the audited financial statements are distributed to all Investors within 120 days of the Funds’ fiscal year ends.

Item 16: Investment Discretion

Axonic maintains full investment discretion and trading authority over the assets held in accounts of the Funds.

Item 17: Voting Client Securities

Axonic accepts authority to vote proxies for clients' securities holdings. In accordance with its fiduciary duty to clients and Rule 206(4)-6 of the Investment Advisers Act, We have adopted and implemented written policies and procedures governing the voting of client securities. All proxies that we receive will be treated in accordance with these policies and procedures. Clients may not direct proxy voting for particular solicitations.

We will vote proxies and other issuer solicitations in the best interests of our Funds. We consider the reputation, experience, and competence of a company's management and board of directors when it evaluates a prospective investment. Generally, we will vote in favor of routine corporate matters, including election of directors (where no corporate governance issues are implicated), selection of auditors, and increases in or reclassification of common stock. For other proposals, we shall determine whether a proposal is in the best interests of the Funds and may take into account the following factors, among others: whether the proposal was recommended by management and our opinion of management; whether the proposal acts to entrench existing management; and whether the proposal fairly compensates management for past and future performance.

Absent specific client instructions, if we identify a material conflict of interest we will determine whether voting in accordance with our voting guidelines and factors is in the best interests of the Funds.

A copy of our proxy voting policies and procedures is available upon written request.

Item 18: Financial Information

Axonic has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.