

Kerrisdale Advisers, LLC

Kerrisdale Capital Management, LLC
1212 Avenue of the Americas, 3rd Floor
New York, NY 10036
(212) 792-7999

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This Brochure provides information about the qualifications and business practices of Kerrisdale Advisers, LLC. If you have any questions about the contents of this Brochure, please contact Edward Gu, Chief Compliance Officer (“CCO”), at (212) 584-8937 or by email at egu@kerrisdalecap.com. Additional information about Kerrisdale Advisers LLC is also available on the SEC’s website at www.adviserinfo.sec.gov. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Registration of an investment adviser does not imply that Kerrisdale Advisers, LLC or any of its principals or employees possesses a particular level of skill or training in the investment advisory business or any other business.

Item 2: Material Changes

This November 15, 2012 update to our brochure includes information on the following material changes to our policies and practices since our brochure dated February 14, 2012:

- "Item 5 – Fees and Compensation" has been updated to clarify expenses that may be paid for by the Kerrisdale Funds and related disclosures with respect to expenses and expense reimbursement.
- "Item 6 – Performance-Based Fees and Side-By-Side Management" has been changed to reflect the fact that our separately managed account clients provide investment instructions specific to their accounts, and that although we invest in similar securities across all of our Client Accounts, the portfolio and performance of the separately managed accounts can differ materially from the Kerrisdale Funds.
- "Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss" has been changed to better reflect Kerrisdale's investment strategies as well as to provide disclosure regarding its external communications to the public regarding its investments.
- "Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading" has been changed to provide additional disclosure with respect to when Kerrisdale employees trade in the same securities as Client Accounts.
- "Item 14 – Client Referrals and Other Compensation" has been changed to update the list of third party placement agents used by Kerrisdale.
- "Items 4, 5, 6, 7, 8, 12, and 15" have been updated to incorporate discussion of two new pooled investment vehicles launched by Kerrisdale.

Item 3: Table of Contents

Item 1: Cover Page	1
Item 2: Material Changes.....	2
Item 3: Table of Contents.....	3
Item 4: Advisory Business	4
Item 5: Fees and Compensation	5
Item 6: Performance-Based Fees and Side-By-Side Management	7
Item 7: Types of Clients.....	8
Item 8: Methods of Analysis, Investment Strategies and Risk of Loss.....	8
Item 9: Disciplinary Information	12
Item 10: Other Financial Industry Activities and Affiliations.....	12
Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	12
Item 12: Brokerage Practices	13
Item 13: Review of Accounts	15
Item 14: Client Referrals and Other Compensation	15
Item 15: Custody.....	15
Item 16: Investment Discretion	16
Item 17: Voting Client Securities.....	16
Item 18: Financial Information.....	16

Item 4: Advisory Business

Kerrisdale Advisers, LLC (“**Kerrisdale**”, the “**Adviser**”, “**we**”, or the “**Firm**”) is an investment adviser with its principal place of business in New York, NY. Kerrisdale commenced operations in April 2009. The Firm provides investment management services to the following privately pooled investment vehicles:

- Kerrisdale Partners, L.P. (“Domestic Feeder Fund”)
- Kerrisdale Partners Offshore, Ltd. (“Offshore Feeder Fund”)
- Kerrisdale Partners Master Fund, Ltd. (“Master Fund”)

These are collectively referred to as the “Kerrisdale Funds”. The Firm provides advice to the Kerrisdale Funds based on specific investment objectives and strategies. However, Kerrisdale does not tailor advisory services to the individual needs of investors (the “Investors”) in the Funds. The Investors may not impose restrictions on investing in certain securities or types of securities.

Kerrisdale Capital Management, LLC (the “General Partner”) is the general partner of Kerrisdale Partners, L.P. Sahm Adrangi is the principal owner of Kerrisdale.

The Firm also provides investment management services to two additional privately pooled investment vehicles:

- Kerrisdale Special Situation Fund, L.P. (“Onshore Special Situation Fund”)
- Kerrisdale Special Situation Fund Offshore, Ltd. (“Offshore Special Situation Fund” and together with the Onshore Special Situation Fund, the “Special Situations Funds”)

The Special Situations Funds have a smaller number of investors and invest in significantly fewer securities than the Kerrisdale Funds, and are reserved for a small number of special situations investments, as such investments come up from time to time.

Kerrisdale has entered into “side letters” with certain limited partners of the Kerrisdale Funds and the Special Situations Funds that outline terms that may differ from the terms for other limited partners. These different terms may be with respect to fees, expenses, withdrawal rights, and other key provisions.

We also manage separate accounts for selected clients (“Separate Accounts” and together with the Special Situations Funds, the “Other Accounts”; and together with the Kerrisdale Funds and the Special Situations Funds, the “Client Accounts”), generally on a *pari passu* basis with the Master Fund. We attempt to replicate the critical positions of the Kerrisdale Funds in the Separate Accounts. However, from time to time, the Kerrisdale Funds may have names or position sizes that are different from the Separate Accounts. For instance, short positions may differ across accounts because of the share borrowing ability at different brokers or specific client-driven investment restrictions.

One of the Separate Accounts that is managed substantially *pari passu* with the Kerrisdale Funds is owned by a part-time employee of Kerrisdale. The part-time employee does not have trading authority and does not play a role in investment selection aside from any internal research he provides for investments for all Client Accounts. The part-time employee provides general direction as to the overall investment objectives, investment horizon, and risk appetite for his Separate Account, but does not provide guidance with respect to any specific investments.

As of September 1, 2012, the Firm managed approximately US\$110,000,000 in the Client Accounts, all of which are managed on a discretionary basis.

Item 5: Fees and Compensation

We charge management fees and performance allocations to our Client Accounts. Our Separate Account fees are subject to negotiation and we charge different fees for our different Separate Accounts.

Our fee schedule for the Kerrisdale Funds is as follows:

Management Fee: We charge a quarterly management fee, payable in arrears, equal to 0.25% of assets under management as of the end of each quarter;

Performance Allocation: We charge a performance allocation equal to up to 20% of the appreciation in net asset value of assets under management during each year, but only to the extent that such appreciation causes the net asset value to exceed its high water mark. Kerrisdale and the General Partner reserve the right to modify the fee structure as reflected in the offering documents on new capital contributions.

Net asset value includes net realized and unrealized profits and losses. The Performance Allocation is calculated net of management fees, but before the performance fee allocation.

The Adviser bears its separate expenses arising out of its services to the Client Accounts relating to its general overhead expenses (including office rent, compensation and benefits of its professional and administrative staff, maintenance of its books and records, and fixed expenses, including telephones, and general purpose office equipment). Further, all costs associated with the organization of the Kerrisdale Funds, including, but not limited to, legal and other professional fees associated with the initial organization of the Kerrisdale Funds, have been paid by the Adviser.

The Kerrisdale Funds shall pay for all ordinary operating and other expenses, including, but not limited to, investment-related expenses (such as brokerage commissions, clearing and settlement charges, custodial fees, interest expenses, expenses relating to consultants, brokers or other professionals or advisors who provide research, advice or due diligence services with regard to investments, appraisal fees and expenses and investment banking expenses (which may include a share of any profits realized by the Kerrisdale Funds from investment ideas generated by consultants or on which consultants provide substantial services)); research costs and expenses (including subscription and other fees for news, quotation, reports, financial databases, and similar information and pricing services); legal expenses (including, without limitation, the costs of on-going legal advice and services, blue sky filings and extraordinary legal expenses, such as those related to litigation or regulatory investigations or proceedings); insurance premiums; fund accounting fees and audit expenses; administrative fees; tax preparation expenses and any applicable tax liabilities (including transfer taxes and withholding taxes); other governmental charges or fees payable by the Kerrisdale Funds; director and officer and/or errors and omissions liability insurance premiums or fiduciary liability insurance premiums for directors, officers and personnel of the General Partner and the Investment Manager; legal expenses and settlement costs relating to claims against consultants which relate to their investment ideas and for which we agree to provide indemnification; costs of printing and mailing reports and notices; other expenses associated with the operation of the Kerrisdale Funds, including any extraordinary expenses (such as indemnification); and other similar expenses related to the Kerrisdale

Funds, as the General Partner determines in its sole discretion. To the extent that any such costs or expenses are paid or advanced by the Investment Manager, the Investment Manager will be entitled to reimbursement from the Kerrisdale Funds.

The Adviser and/or the General Partner reserve the right to have Kerrisdale Fund investors pay research related expenses such as via “soft dollar” commissions.

The expenses incurred by the Kerrisdale Funds may benefit other clients. Certain Separate Accounts may not be charged certain expenses as per their compensation agreements with Kerrisdale, and therefore these Separate Accounts may benefit from the services paid for by expenses incurred by the Kerrisdale Funds. For example, consultant research expenses paid for by the Kerrisdale Funds may benefit Separate Account clients, who may not be charged these expenses as part of their total fees and expenses.

The Separate Accounts will each bear certain ordinary investment-related expenses, including, but not limited to, brokerage commissions, clearing and settlement charges, custodial fees and interest expenses.

Kerrisdale compensates certain consultants who provide research on investments via both fixed fee payments as well as variable fee payments whereby these consultants receive compensation equivalent to a percentage of profit and loss generated on the investments for which they provide consulting services. Kerrisdale believes that these variable fee payments are more favourable for its clients because these consultants receive fees mainly to the extent that Kerrisdale’s clients generate positive returns on their investments. However, to the extent that certain investments generate abnormally high profit for Kerrisdale’s clients, the expenses associated with these variable fee arrangements may also be abnormally high, and may lead to high expense ratios. Despite this risk, Kerrisdale believes that its variable fee arrangements with certain investment research consultants are overall favorable to its clients.

Because Kerrisdale engages in external communications of its investments, as described more fully in Item 8, Kerrisdale may be the target of defamation lawsuits by companies whose stock it has shorted and has publicly described as overvalued or who it has alleged as having falsified their financial statements. Costs associated with such lawsuits may be paid for by the Kerrisdale Funds. These litigation costs may be expensed as incurred, and therefore, the Kerrisdale Funds may pay for litigation expenses associated with historical investments that are no longer material to the Kerrisdale Funds. Additionally, as part of Kerrisdale’s external communications of its investments, Kerrisdale may conduct research that it shares with third parties who then communicate externally with the public on those investments. Kerrisdale may indemnify these third parties with respect to legal expenses incurred relating to investments of the fund, and such legal expenses may be paid for by the Kerrisdale Funds.

Our Special Situations Funds bear the following fees:

Management Fee: We charge a quarterly management fee, payable in arrears equal to 0.125% of assets under management as of the end of each quarter;

Performance Allocation: We charge a performance allocation equal to up to 35% of the appreciation in net asset value of assets under management during each year, but only to the extent that such appreciation causes the net asset value to exceed its high water mark. Kerrisdale and the General Partner reserve the right to modify the fee structure as reflected in the offering documents on new capital contributions.

The Special Situations Funds will bear all expenses involved with organizing the Special Situations Funds, such as legal and other expenses. These organizational expenses will be amortized over a period of twelve (12) months. The Special Situations Fund shall pay for all ordinary operating and other expenses, including, but not limited to, investment related expenses (e.g., brokerage commissions, clearing and settlement charges, custodial fees, interest expenses, expenses relating to consultants, brokers or other professionals or advisors who provide research, advice or due diligence services with regard to investments, appraisal fees and expenses, and investment banking expenses (which may include a share of any profits realized by the Kerrisdale Funds from investment ideas generated by consultants or on which consultants provide substantial services)); research costs and expenses (including subscription and other fees for news, quotation and similar information and pricing services); legal expenses (including, without limitation, the costs of on-going legal advice and services, blue sky filings and extraordinary legal expenses, such as those related to litigation or regulatory investigations or proceedings); the Management Fee; accounting fees and audit expenses; administrative fees; tax preparation expenses and any applicable tax liabilities (including transfer taxes and withholding taxes); other governmental charges or fees payable by the Kerrisdale Funds; director and officer and/or errors and omissions liability insurance premiums or fiduciary liability insurance premiums for directors, officers and personnel of the General Partner and the Investment Manager; legal expenses and settlement costs relating to claims against consultants which relate to their investment ideas and for which we have agreed to provide indemnification; costs of printing and mailing reports and notices; and other similar expenses related to the Kerrisdale Funds, as the General Partner determines in its sole discretion.

As discussed above with respect to the Kerrisdale Funds, the Special Situations funds may bear the costs of certain consultants who provide research on investments via both fixed fee payments as well as variable fee payments whereby these consultants receive compensation equivalent to a percentage of profit and loss generated on the investments for which they provide consulting services.

Fees and expenses can be waived by the Firm for any reason.

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

The Firm generally receives a Performance Allocation with respect to each Client Account that is calculated based upon a percentage of the net capital appreciation of the relevant Client Account. The performance allocations are charged in compliance with Rule 205-3 of the Investment Advisers Act of 1940, as amended (the “**Advisers Act**”).

We have described our performance fees above under "Fees and Compensation."

Our Separate Account clients may have unique investment objectives and risk appetites and may therefore direct us to invest their accounts in a different manner than our investment strategy for the Kerrisdale Funds. Although we generally invest in similar securities across all of our Client Accounts, the portfolio composition and performance of our Separate Accounts may be significantly different than the Kerrisdale Funds.

Despite the different investment goals and risk appetites of our Separate Accounts, we seek to allocate trades across our Client Accounts in a fair manner that recognizes our fiduciary duty to all of our Client Accounts. Typically, trades are allocated among client accounts based on percentage of assets under management using average price for securities traded by the same broker.

Our Special Situation Funds have investment objectives, investment horizons, and risk appetites that are significantly different from the Kerrisdale Funds, and are not invested in the same manner as the Kerrisdale Funds. Given their significantly different investment mandates, trades will be allocated between the Special Situations Funds and other Client Accounts based on meeting the respective mandates and investment goals of each of these accounts.

Item 7: Types of Clients

Investors in the Client Accounts are institutional and individual investors. The criteria applicable to investors in the Kerrisdale Funds are described in the respective Confidential Explanatory Memorandum and Confidential Private Placement Memorandum of the Offshore Feeder Fund and the Domestic Feeder Fund, respectively.

The criteria applicable to investors in the Special Situations Funds are described in the respective Confidential Explanatory Memorandum and Confidential Private Placement Memorandum of the Special Situation Offshore Fund and the Special Situation Onshore Fund, respectively.

The minimum initial investment for the Kerrisdale Funds is US\$ 1,000,000, subject to negotiation, and the minimum subsequent investment is US\$ 25,000.

The minimum initial investment for the Special Situations Funds is US\$ 5,000,000, subject to negotiation, and the minimum subsequent investment is US\$ 250,000.

These minimum initial investment thresholds can be waived at the Firm's discretion.

Kerrisdale determines the minimum size it will accept for a Separate Account on a case by case basis; historically it has been US\$ 10 million.

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

Methods of Analysis & Investment Strategy

Kerrisdale's investment philosophy is grounded in the belief that superior investment results over multi-year holding periods can be produced by in-depth fundamental research into asset valuation and by viewing "risk" as the permanent loss of capital rather than short term measures of variation relative to a particular market index. When not fully invested, the Adviser may maintain client assets in cash or other liquid instruments having shorter-term maturities. Kerrisdale expects its most common investment asset class to be equity and debt securities and options, but Kerrisdale has the ability to and will invest in private, unregistered and non-publicly traded securities. Issuers may be U.S.-based or foreign-based. Kerrisdale may invest in other asset classes as opportunities arise, and is not limited in its mandate as to what asset classes it may invest in.

Kerrisdale emphasizes valuation in its decision making, which typically leads to several general investment types. With respect to companies, as well as many other assets, valuation can be determined by estimating the discounted present value of the future cash flows of the company or asset, comparing multiples of earnings and cash flows to comparable companies, calculating replacement costs and utilizing numerous other valuation techniques. With respect to certain assets, valuation may be determined via the supply-demand dynamics that will be impacting the price of the asset in future years.

Kerrisdale is not necessarily looking for immediate catalysts in value creation, believing instead that with time the value of an asset will be more appropriately recognized in the market. Kerrisdale's short investment strategy may be focused on absolute returns or as a hedge against the long portfolio. Kerrisdale may use leverage. Kerrisdale may hold cash rather than make investments that do not meet its risk and return criteria.

Investment Process

Investment ideas will be generated in part from research of companies that are considered statistically undervalued or overvalued. For long investments, this would include the following characteristics: high free cash flow yields, low multiples of enterprise value to pretax cash flow, low price to earnings multiples, and double-digit historical returns on equity. Investment ideas may also be generated from discussions with buy-side and sell-side analysts, industry experts and other colleagues and contacts with attractive investment ideas. Investment ideas may also be generated from reading industry publications, journals and websites.

Short investments could include companies that are overvalued; are believed to be bankruptcy candidates; are committing fraud; have declining businesses whose declines are not yet captured by their valuation multiples; etc.

Once an investment candidate is identified, the Investment Manager will investigate the underlying business model with a particular emphasis on the residual free cash flow available to management to create shareholder value. An in-depth review of the financial history of the company across economic cycles is undertaken to see what the patterns have been for free cash flow generation and to gauge what they are likely to be in the future. Management's track record regarding return on capital trends and capital allocation decisions is also examined. The Investment Manager seeks to identify management teams who remain disciplined in devoting capital to the best return opportunities, whether they be capital investments, acquisitions, share buybacks, or dividends. Alternatively, the Investment Manager looks for restructuring candidates where the new management catalyst or new strategic direction is likely to lead to significant improvements in capital returns and free cash flow generation. In these cases the analysis will focus more on prospective potential rather than historical patterns, with profit and cash flow margin levels for similar well-run industry competitors as potential guideposts. Short investment ideas are expected to be fundamental in nature, with the analysis described above focusing on the identification of material competitive deficiencies, accounting irregularities, declining business trends, bankruptcy risk, and other negative criteria. To the extent the Kerrisdale Funds invests in "new issues," the companies must meet the above criteria.

External Communications on Investments

The Investment Manager may write articles, reports or other communications explaining the rationales for certain investments and may distribute these communications externally. The Investment Manager may distribute these communications on its own website at www.kerrisdalecap.com or on third party websites. The Investment Manager may distribute these communications to email recipients. The Investment Manager typically does not charge a fee to the readers or recipients of our external investment research communications.

The identified author of external communications may be the Investment Manager, General Partner, employees of the Investment Manager or General Partner, or other affiliates. The Investment Manager will also write or otherwise generate communications and research on investments that it provides to third parties who may then share the communications

externally. In certain cases, the Investment Manager may enter into a contract with such third parties, and may provide or receive financial compensation.

Strategy with Respect to Special Situations Funds

The Special Situations Funds have investment objectives, investment horizons and risk appetites that are different from the other Client Accounts. Typically, the Special Situations Funds invest in a significantly smaller number of positions than the other Client Accounts, and investments may be more concentrated than investments in the other Client Accounts. Such investments may involve concentrated positions in unique, unusual or otherwise "special situation" investments, rather than the broader and more diversified approach employed by the Kerrisdale Funds.

As such, the Firm believes that the Special Situations Fund can bear more risk at certain times than the Kerrisdale Funds.

Investment Risks

All investments involve the risk of a loss of capital. The Adviser believes that its investment program and its research and risk management techniques moderate this risk through the careful selection of securities and other financial instruments. No guarantee or representation is made that Kerrisdale's investment program will be successful, and investment results may vary substantially over time.

As part of its investment program, Kerrisdale will buy and sell many financial instruments, including equities, debt and other income securities, high-yield bonds, small-capitalization stocks, new issues, exchange traded funds, convertible securities, options and other derivatives, distressed securities, repurchase agreements, and non-US and emerging market securities. The Adviser's investment program will utilize such investment techniques as limited diversification, margin transactions, short sales, and futures and forward contracts, which practices may, in certain circumstances, increase the adverse impact to which the Client Accounts' may be subject.

We utilize leverage in our investment program, and we invest in products, such as options, that are inherently leveraged. When we consider it appropriate, we engage in short sales, options and futures transactions that generate gains when the markets or the price of particular securities fall.

There are risks associated with our communication of our investment rationales externally for certain investments. Other investors, or the underlying companies of the stocks in question, may disagree with our investment rationales and may respond to our communications, thereby influencing market perception on our investments in a way that is adverse to our investment position. Companies may sue us for defamation and report our articles to regulatory authorities, which may distract us from our business of researching attractive investments for our clients. As a consequence, litigation expenses incurred to defend lawsuits brought against the funds or persons who are indemnified by the funds may adversely affect our returns, even when our investment rationales are fundamentally correct.

Furthermore, our general practice is to expense litigation costs in the period in which they are incurred, or to create a reserve if the litigation costs are expected to be material in a given case. In general, we will not attempt to reallocate litigation costs or a reserve for litigation costs to a prior accounting period in which the gains that resulted in the litigation were generated. This practice could result in an allocation of expenses to investors other

than those who benefited from the investment idea. For example, new investors may effectively bear litigation costs for investment ideas that generated profits that were realized before they became an investor. Conversely, an investor who withdraws its capital prior to the initiation of litigation may effectively receive the benefit of investment ideas without paying all of the costs associated with those investment ideas. Also, the Adviser will not be obligated to refund any management fees or performance fees paid in prior periods that were derived from gains on investment ideas that later result in significant litigation costs.

We may modify our investment objectives and strategies at any time, subject to the terms of the agreements that govern our Client Accounts.

Because we utilize a similar investment strategy that we apply in managing the Kerrisdale Funds to all of our Client Accounts, the risk factors detailed in the Confidential Explanatory Memorandum for our Offshore Feeder Fund and the Confidential Private Placement Memorandum for the Domestic Feeder Fund apply to all Investors, and we refer Investors and approved potential clients to the Confidential Explanatory Memorandum of the Offshore Fund.

In addition to the general risks involved in implementing our investment strategy that we note above, the risks described in our Confidential Explanatory Memorandum relate to, among other things: the use of leverage; non-diversification; rapid turn-over; investment in derivative securities and other derivative instruments, including option transactions of all kinds and distressed and special situation securities; the cost and uncertain success of hedging; short selling; the possibilities that our investments may not have the liquidity that we anticipate and that trading could be suspended on the markets in which we invest; investment in non-U.S. securities and other instruments, including emerging market securities, and on non-U.S. exchanges and markets, including currency risk; investing in foreign sovereign debt; investing in debt securities, including interest rate and credit risk; engaging in over-the-counter transactions; broker-dealer failure; the impact of future regulatory changes; and the possibility that our incentive fees could motivate us to make riskier or more speculative investments than we otherwise would.

Other Risks

Limited Operating History

The Fund is a recently formed entity and has limited operating history upon which prospective investors can evaluate its likely performance. There can be no assurance that the Fund will achieve its investment objective.

Start-Up Periods

The Fund may encounter start-up periods during which it will incur certain risks relating to the initial investment of newly contributed assets. Moreover, the start-up periods also represent a special risk in that the level of diversification of the Fund's portfolio may be lower than in a fully invested portfolio.

Suspension of Redemption and Deferment of Redemption Proceeds

In certain circumstances, the Firm may suspend the valuation of the Fund's assets, and/or the right or obligation to redeem the Kerrisdale Funds' investments and/or extend the period for payment on redemption.

If the Adviser expects that a Kerrisdale Fund will incur material litigation expenses in a particular case, it may create a reserve to pay the estimated expenses. In that event, an investor who elects to withdraw part or all of its capital account will not be paid any portion of its capital account that is allocated to the reserve until the reserve is released, which

could result in substantial delays before the investor receives the complete return of its capital account.

Item 9: Disciplinary Information

Neither we nor any of our management personnel are subject to or have in the past been subject to any criminal or civil action in any domestic or foreign court, and neither we nor any of our management personnel have been subject to any administrative proceedings before the SEC or any other state, federal or foreign financial regulatory authority.

Item 10: Other Financial Industry Activities and Affiliations

No Kerrisdale management persons are engaged in other financial industry activities or affiliations.

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

Participation or Interest in Client Transactions

We and our affiliates and employees have a financial interest in the Client Accounts through a Performance Allocation and/or a direct investment interest in the Client Accounts. (Kerrisdale and its employees beneficially own approximately 20% of the Client Accounts.) As such, we could be considered to have recommended to Investors that they buy or sell securities or investments in which the Firm or a related person has some financial interest.

Code of Ethics & Personal Trading

Pursuant to Rule 204A-1 of the Advisers Act, we have adopted a Code of Ethics and an Employee Investment Policy that establishes various procedures with respect to investment transactions in accounts in which our employees and his or her immediate family have a beneficial interest or accounts over which an employee has investment discretion.

Kerrisdale employees are permitted to trade securities for their personal accounts, including securities purchased or sold for Client Accounts, subject to the following restrictions:

All employee trades must be pre-approved by the Chief Compliance Officer (“CCO”). The CCO may restrict employee trading for any reason, including the following:

- The Firm is in possession of material non-public information about an issuer;
- One of the Firm’s employees has accepted a position, such as a member of a board of directors or a member of a board or credit committee which will be likely to cause the Firm or such employee to receive material non-public information;
- The Firm has executed an agreement restricting trading in a company’s securities;
- An employee’s trading in a company’s securities could present a conflict of interest vis-à-vis Client Accounts; and

- The employee's trading could be considered improper and/or illegal, as determined by the CCO.

Kerrisdale employees may open separate accounts managed by Kerrisdale in the event they want to participate in Kerrisdale's investments or in situations that are being actively researched to be potential investments by Kerrisdale. In order to participate in the trading of a security that is a current or potential investment by Kerrisdale, employees would request this participation from the CCO. Because these accounts are not fee-paying and are reserved for specific investments as instructed by employees, they are not included under the classification of "Separate Accounts" as discussed in Item 4.

If the CCO determines that Client Accounts and Kerrisdale employees should purchase or sell the same securities at the same time, the Firm will allocate these purchases or sales as is considered equitable to each. The nature of the allocations will be determined on a case-by-case basis; for instance, trades may be allocated to Client Accounts and Kerrisdale employees based on average price. The CCO will review a given security's liquidity, market capitalization, short interest, availability of borrow, and/or other considerations in determining whether to grant or deny an employee's trade request for a personal account.

Kerrisdale employees are required to direct their brokerage firms to send duplicate monthly statements for all covered accounts (defined below) to the CCO. The CCO will review the statements to monitor employees' adherence to the Firm's policies.

Covered accounts include personal securities account(s) of each employee of Kerrisdale and the employee's spouse and children. The policy will also apply to any accounts over which the employee controls or influences investment decisions or has the right or authority to exercise any degree of control or discretionary authority, or any account in which the employee has a beneficial interest.

These policies apply to any personal transactions involving equity, debt, options, or futures. This policy does not apply to transactions involving open or closed end mutual funds including ETF's, or other instruments which afford the investor no discretion over individual securities transactions.

From time to time Kerrisdale uses the services of independent consultants for research purposes. These consultants sometimes work from Kerrisdale's offices. Consultants provide situational research and analysis to Kerrisdale on a non-exclusive basis and do not have knowledge of the Firm's trading strategy or positions. For these reasons, Kerrisdale does not monitor the personal trading of these independent consultants nor do we subject them to our employee investment policy.

Item 12: Brokerage Practices

We have adopted the following policies and practices to meet the Firm's fiduciary responsibilities and to ensure our trading practices are fair to all Client Accounts and that, except where noted below, no Client Account is advantaged or disadvantaged over any other.

Aggregation

The aggregation or blocking of client transactions allows an adviser to execute transactions in a more timely, equitable, and efficient manner and seeks to reduce overall commission charges to clients. Our policy is to aggregate Client Account transactions from the same

trading platform where possible and when advantageous to clients. In these instances, Client Accounts participating in any aggregated transactions will receive an average share price and transaction costs will be shared equally and on a pro-rata basis. Currently we have two trading platforms: Jefferies & Company, Inc. and Interactive Brokers LLC. Client Accounts that are primed with certain brokers will receive different transaction prices from those Client Accounts that are primed with other brokers due to different trading platforms required by different prime brokers.

Allocation

In allocating trades and investments between the Client Accounts, Kerrisdale strives to treat all Client Accounts on a *pari passu* basis. However, our Separate Account clients may have unique investment goals and risk appetites and may therefore direct us to invest their accounts in a different manner than our investment strategy for the Kerrisdale Funds. Although we generally invest in similar securities across all of our Client Accounts, the portfolio composition and performance of our Separate Accounts may be significantly different than the Kerrisdale Funds. The Special Situation Funds have different investment objectives, investment horizons and risk appetites than the Kerrisdale Funds, and therefore will have different portfolio composition and performance from our other Client Accounts. After each trading day, we allocate trades amongst our Client Accounts. Despite the different investment goals and risk appetites of our Separate Accounts and Special Situations Funds, we seek to allocate trades across our Client Accounts in a fair manner that recognizes our fiduciary duty to all of our Client Accounts. As well, the Firm has agreements in place with its Separate Account clients which provide that, in certain instances, it will favour the Kerrisdale Funds in its allocations largely due to that fact that we have two different trading platforms.

Best Execution

As an investment advisory firm, we have a fiduciary duty to seek best execution for client transactions. As a matter of policy and practice (and except when clients direct brokerage, as described below), we seek to obtain best execution for client transactions; in other words, we seek to obtain not necessarily the lowest commission but the best overall qualitative execution in the particular circumstances.

Soft Dollars

We do not currently use soft dollars. However, we may in the future use soft dollars generated by Client Accounts' trading activities to purchase research services or products that would otherwise have been an expense of the Firm. We intend to keep any such arrangements within the parameters of Section 28(e) of the Securities Exchange Act of 1934, as amended.

Directed Brokerage

Separate Account clients may instruct the Firm to direct transactions for their accounts through a specified broker. In that case, the Firm will make no attempt to negotiate commissions on its Separate Account client's behalf. In addition, the Firm will not seek better execution or prices from other brokers or be able to aggregate its Separate Account client's transactions through other brokers with orders for other clients. As a result, the Separate Account client may pay higher brokerage commissions or receive less favorable prices than might otherwise be possible. Moreover, the Separate Account client's accounts may not be traded in line with the Kerrisdale Funds and may not achieve the same performance results as the Kerrisdale Funds.

Item 13: Review of Accounts

Review of Accounts

The Client Accounts managed by the Firm are reviewed on a continual basis to assure conformity with investment objectives and guidelines.

Reporting

Kerrisdale will distribute an audited financial report for the Kerrisdale Funds with respect to the previous fiscal year to all Investors within 120 days of year-end. In addition, each Kerrisdale Fund will generally distribute net asset value updates and performance reports with attribution analysis on a monthly basis.

Item 14: Client Referrals and Other Compensation

KJM Securities Inc. ("KJM") and Corinthian Partners LLC ("Corinthian") serve as third party placement agents for the Kerrisdale Funds and may receive a portion of our Management Fees and Performance Allocations as compensation for their services. KJM and Corinthian are not authorized to, and do not, solicit Separate Account clients for us; however, if an institutional client requests a Separate Account arrangement and we agree to that request, we may pay KJM or Corinthian compensation with respect to such a particular Separate Account client. The fees we pay to KJM and Corinthian do not result in an increase in the Management Fees and Performance Allocations paid by our clients, and our clients do not pay fees to KJM or Corinthian directly.

Item 15: Custody

Kerrisdale Funds

Custody of the assets of each Kerrisdale Fund will be maintained with a qualified custodian selected by Adviser, which selection may change from time to time without the consent of investors in the fund. The Firm may be authorized to provide instructions to the qualified custodian for the transfer of the funds and securities of a Kerrisdale Fund. Under its governing agreement, the Firm may cause management fees and performance-based allocations to be paid out of the Fund, by the qualified custodian.

Special Situations Funds

Custody of the assets of each Kerrisdale Fund will be maintained with a qualified custodian selected by Adviser, which selection may change from time to time without the consent of investors in the fund. The Firm may be authorized to provide instructions to the qualified custodian for the transfer of the funds and securities of a Kerrisdale Fund. Under its governing agreement, the Firm may cause management fees and performance-based allocations to be paid out of the Fund, by the qualified custodian.

Separate Accounts

Separate account assets will typically be deposited with a qualified custodian selected by the Separate Account client and Kerrisdale. The Firm may be authorized to provide instructions

to the qualified custodian for the transfer of the funds and securities of such an Account. Under the Advisory Agreement, Adviser may cause management fees and, if applicable, performance-based compensation to be paid out of the Separate Account by the qualified custodian.

Item 16: Investment Discretion

Prior to assuming full discretion in managing a client's assets, the Adviser enters into an investment management agreement or other agreement that sets forth the scope of the Adviser's discretion.

Kerrisdale possesses discretionary portfolio management authority over the Client Accounts with respect to asset allocations and direct investments as per the advisory agreements and offering documents in place.

Kerrisdale has the authority to determine (i) the securities to be purchased and sold for the client account (subject to restrictions on its activities set forth in the applicable investment management agreement and any written investment guidelines) and (ii) the amount of securities to be purchased or sold for the client account.

Item 17: Voting Client Securities

To the extent Kerrisdale has been delegated proxy voting authority on behalf of its clients, Kerrisdale will attempt to vote on each proxy in the best interests of the Kerrisdale Funds after careful review of each proposal. Kerrisdale will utilize the analytical talent of the firm to determine the correct vote on a case-by-case basis in order to maximize the economic interests of its Investors. Kerrisdale will maintain voting records on-site. Kerrisdale Investors will be able to view the voting records on-site during normal business hours upon request. Kerrisdale Advisers generally does not vote on proxies from the separate accounts where it serves as sub-advisor. Nevertheless, Kerrisdale Advisers may advise the separate accounts advisers or owners on the proxy voting.

Item 18: Financial Information

We are not required to provide a balance sheet in response to this item and are not subject to any financial condition that is reasonably likely to impair our ability to meet our financial obligations to our clients.