



# Kenmar Preferred Investments, L.P.

## Form ADV Part 2A

*As of April 30, 2013*

*This Brochure provides information about the qualifications and business practices of Kenmar Preferred Investments, L.P. (formerly Kenmar Preferred Investments Corp.) ("**Kenmar Preferred**"). If you have any questions about the contents of this Brochure, please contact us at 914-307-7000. 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.*

*Kenmar Preferred is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training. Additional information about Kenmar Preferred also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

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**KENMAR ■ OLYMPIA**

## Item 2: Material Changes

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The most recent annual amendment to Kenmar Preferred's Form ADV Part 2A was dated March 31, 2013. This version has been updated to reflect changes in assets under management (item 4).

Currently, our Brochure may be requested by contacting Esther E. Goodman, Senior Executive Vice President & Chief Operating Officer, at 914-307-7007 or eegoodman@kenmarolympia.com. Additional information about Kenmar Preferred is also available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about any persons affiliated with Kenmar Preferred who are registered, or are required to be registered, as investment adviser representatives of Kenmar Preferred.

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## Item 4: Advisory Business

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Kenmar Preferred Investment Solutions Corp. was established in December 1995 and was converted to Kenmar Preferred Investments, L.P. ("**Kenmar Preferred**") in July 2012. Upon such conversion to a limited partnership, Kenmar Group Inc. became the General Partner of Kenmar Preferred and held 99% of both the general partnership and limited partnership interests of Kenmar Preferred. Kenmar Holdings Inc. held 1% of both the general partnership and limited partnership interests of Kenmar Preferred. Kenmar Group Inc. and Kenmar Holdings Inc. are Delaware corporations which are owned equally by Marc S. Goodman and Kenneth A. Shewer.

The Kenmar Group and the Olympia Group merged on August 10, 2012. As of this date, Kenmar Group Inc. contributed its 99% limited partnership interests in Kenmar Preferred to a newly formed Delaware limited partnership called Kenmar Olympia Group LP and its 99% general partnership interests in Kenmar Preferred to a newly formed Delaware limited liability company called Kenmar Olympia Group GP LLC (together with Kenmar Olympia Group LP "**Kenmar Olympia Group**"). In exchange for this capital contribution, Kenmar Group Inc. received a 50% ownership in Kenmar Olympia Group and the remaining 50% is held by individual investors, none of whom beneficially own more than 25% individually. As of the same date Kenmar Holdings Inc. transferred its 1% limited partnership and 1% general partnership interest in Kenmar Preferred to Kenmar Group Inc. such that following the above referenced contribution by Kenmar Group Inc., Kenmar Group Inc. holds a 1% limited partnership interest and 1% general partnership interest in Kenmar Preferred.

Kenmar Preferred has been a registered investment adviser with the SEC since June 2009 and is now part of the Kenmar Olympia Group. Kenmar Olympia Group manages investments across a broad range of products and services including a proprietary managed account platform, CLariTy Managed Account & Analytics Platform; customized solutions offering a high level of transparency and liquidity; multi-strategy, macro-focused and thematic funds of hedge funds; long-only funds of funds; a private bank offering family office services to large private investors; and, life insurance multi-managers contracts using a range of mutual funds in open architecture offered through dedicated platforms to IFAs. Kenmar Olympia Group has a global presence with offices in New York, Paris, London, Geneva, Zurich and Singapore..

Kenmar Preferred provides discretionary investment management services to certain private investment funds or pools (collectively, "**Private Funds**") that in turn, invest (directly or indirectly) in other private investment funds ("**Portfolio Funds**") advised and/or managed by alternative investment managers that are unrelated third parties (each, a "**Manager**").

Kenmar Preferred also provides non-discretionary investment advisory services to the investment manager of a third-party private investment fund.

In addition to its advisory business, Kenmar Preferred also serves as the Managing Member/Owner of several private managed futures commodity pools. See also Item 10 below.

The Portfolio Funds may invest, at the discretion of the applicable Manager, in a wide and substantially unrestricted variety of securities and other financial instruments including:

- (a) any and all securities, whether listed, unlisted, publicly traded or privately-offered, including but not limited to
  - (i) equity securities (such as common stock, preferred stock, and convertible securities),
  - (ii) debt securities (such as corporate bonds, government or government agency debt obligations, debentures and any other evidence of indebtedness such as money market obligations and certificates of deposit),
  - (iii) groups of securities, exchange-traded funds and indices,
  - (iv) warrants, rights, options or privileges on any of the foregoing;

(b) commodities, futures contracts, forward contracts, foreign exchange commitments, swap contracts, spot (cash) commodities and other items, options on the foregoing, any rights pertaining to the foregoing contracts, instruments or investments throughout the world, and securities approved by the U.S. Commodity and Futures Trading Commission (“**CFTC**”) for investment of customer funds;

(c) interests of other entities engaged in trading the items enumerated in (a) and (b) above; and

(d) any other investment or transaction that a Manager deems to be consistent with the objectives of such Manager’s trading methods, regardless of whether such interest is traded on an exchange, market or otherwise and regardless of where in the world such interest is traded or located (collectively, “**Investment Interests**”). The Investment Interests in which each Private Fund may invest (through Portfolio Funds) are found in each Private Fund’s offering memorandum and related documents (collectively, “**Offering Documents**”).

Please see Item 8 below for a brief discussion of Kenmar Preferred’s current investment strategies (collectively, the “**Strategies**”). Important information regarding an investment in a Private Fund, including information about the Managers responsible for making the trading and investment decisions for the Portfolio Funds, including the specific investment strategies and policies, fees and expenses, risk factors and other material terms, are set forth in each Private Fund’s Offering Documents.

As of March 31, 2013, Kenmar Preferred serves as investment manager for one Private Fund with approximately \$20 million of discretionary assets under management, provides non-discretionary investment advisory services to the investment manager of a third-party private investment funds with approximately \$10 million of non-discretionary assets under management and serves as commodity pool operator for two private commodity pools with approximately \$106 million of assets under management in such pools.

## Item 5: Fees and Compensation

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Kenmar Preferred does not have a standardized fee schedule. Kenmar Preferred generally receives a management fee ranging from 0% to 4% per annum of assets under management for the Private Funds (a) based on beginning of period or end of period assets, (b) generally charged monthly and (c) payable either in advance or in arrears. Advisory fees greater than 3% of assets under management, which are charged in limited circumstances to certain clients on a case-by-case basis, may be higher than the fees charged by another investment adviser providing similar discretionary advisory services, and accordingly, such clients may be able to obtain such similar advisory services with another adviser at a lower cost.

Kenmar Preferred also provides non-discretionary investment advisory services to the investment manager of a third-party private investment fund and for such services receives a monthly fixed fee.

Kenmar Preferred does not receive incentive (or performance-based) fees.

Management fees charged in arrears will be prorated, and management fees charged in advance will be refunded for any partial period. Management fees may be negotiable depending upon a variety of factors including, among others, the investment strategy employed by Kenmar Preferred, the amount of the investor's assets under management, or the overall relationship with the investor.

Fees paid to Kenmar Preferred are generally deducted from the Private Fund assets as more fully set forth in the Offering Documents. Private Funds also pay certain other fees and expenses such as legal, administrative, offering, audit, and custodian, among others. All such fees and expenses and other important information regarding an investment in a Private Fund, such as risk factors, are more fully set forth in each Private Fund's Offering Documents.

Each of the Private Funds invests in a Portfolio Fund managed by an unrelated third-party alternative investment manager and, as such, the Private Funds will bear their prorata share of the Portfolio Fund's fees and expenses, including but not limited to management fees and incentive fees paid to the Manager, brokerage and other transaction fees, legal, audit, administrative, offering and operating fees and expenses.

The Board of Directors of each Private Fund generally may terminate Kenmar Preferred's advisory services at any time without penalty upon prior written notice (generally 30 days). Withdrawals or redemptions by investors in a Private Fund are governed by each Private Fund's Offering Documents.

Certain supervised persons of Kenmar Preferred may receive a bonus based in part on the assets managed by Kenmar Preferred and its affiliated advisers (together, "Kenmar"). Such persons are also registered with Kenmar Securities, L.P. (formerly Kenmar Securities Inc.) ("KSEC"), an affiliate of Kenmar Preferred, and a broker-dealer registered with the U.S. Securities and Exchange Commission ("SEC") and is a member of the Financial Industry Regulatory Authority ("FINRA"). See Item 10 below for additional information about Kenmar Preferred's affiliates, including KSEC.

This practice may present a conflict of interest as it gives Kenmar Preferred and/or its supervised persons an incentive to recommend the investment advisory services of Kenmar taking into account the fact that compensation may be received based upon an increase in Kenmar's assets. We do not believe this conflict to be material because, among other things, such supervised persons are not incentivized to sell one investment product over another and thus will generally consult with each prospective investor to select the investment product(s) most appropriate for their specific investment objectives and requirements. Further, the relationship between Kenmar Preferred and its affiliates is disclosed to Clients and investors.

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

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Kenmar Preferred does not receive performance-based fees.

## Item 7: Types of Clients

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Kenmar Preferred provides discretionary investment management services to Private Funds that in turn, invest in Portfolio Funds advised and/or managed by a Manager. Kenmar Preferred also provides non-discretionary investment advisory services to the investment manager of a third-party private investment fund.

Each Private Fund has a minimum investment requirement for investors as set forth in such Private Fund's Offering Documents. Investors also are required to meet certain eligibility standards as set forth in each Private Fund's offering memorandum and related documents.

In its discretion, Kenmar Preferred has entered into (and may in the future enter into) side letter arrangements with certain investors in Private Funds managed by Kenmar Preferred ("**Side Letter Investors**") whereby Kenmar Preferred and a Side Letter Investor have agreed (or may agree in the future) to vary the Side Letter Investor's investment terms from those made available to other investors in Private Funds, including but not limited to (1) the greater availability to the Side Letter Investor of certain information, disclosures and/or reports (including personnel or other changes to Kenmar Preferred or the Private Fund, or portfolio holdings and other information concerning the Private Fund's investments or the Side Letter Investor's investment), (2) the timing of the delivery to the Side Letter Investor of such information or other Private Fund information, disclosures and/or reports, and (3) certain other investment terms, including but not limited to reduced fees to be charged to a Side Letter Investor (management and/or incentive), shorter notice periods for redemption, more frequent dates for redemptions, timing of redemption payouts, and/or timing for subscriptions. As a result, certain Side Letter Investors may be able to act (i.e., request redemptions) on such additional information that other investors do not receive. Granting more favorable liquidity terms to certain investors may have a material adverse effect on investors not receiving such terms. A Private Fund also may issue additional classes that are subject to such different terms and conditions which are similar or the same as a side letter arrangement.



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

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## A. Methods of Analysis

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Kenmar Preferred reflects the conviction that carefully selected alternative investments can produce superior returns without undue risks if informed decision making and skilled management are applied. This requires in-depth manager due diligence and monitoring, the ability to blend qualitative judgments with quantitative analysis, knowledge of global markets and continuous attention to every detail of the investments.

Kenmar Preferred's investment approach applies both quantitative and qualitative analyses to the evaluation of investment strategies, markets and global investment opportunities. Kenmar Preferred manages the Private Fund assets by investing in Portfolio Funds managed by those Managers that Kenmar Preferred believes are experienced, high quality Managers that offer the potential for superior risk-adjusted returns

In evaluating Managers, Kenmar Preferred does extensive manager due diligence, applying a "bottom up" approach. Kenmar Preferred conducts thorough quantitative and qualitative analysis, including an evaluation of the risks assumed by each manager and strategy, in order to fully understand the strengths and weaknesses of the individual investment strategies and performance of each manager. Kenmar Preferred also performs full operational due diligence on each Manager's infrastructure, middle-office and back-office, which includes onsite visits, background checks on the principals, audit reviews, legal review of all relevant documents and confirmation that specific trade and operating procedures are documented and followed in practice. The process is designed to ensure that Kenmar has accumulated, comprehended and documented the relevant information about the Manager.

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## B. Investment Strategies

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The current investment strategies employed by the Private Funds is described briefly below:

The Signature Advisors Strategy ("SAS Strategy") has the objective of attaining superior risk-adjusted returns across a wide range of different market conditions and economic cycles. The SAS Strategy trades in global financial markets throughout the world by employing a multitude of primarily arbitrage strategies including (among others) computerized statistical systems combined with discretion.

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## C. Risk of Loss

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Investing in securities involves risk of loss that clients should be prepared to bear.

An investment in the Strategies involves a high degree of risk and may not be suitable for all investors. They are speculative and investors may lose all or a substantial portion of their investment. Investors must have the financial ability, sophistication/experience and willingness to bear the risks of such an investment. An investment in the Strategies should be discretionary capital set aside strictly for speculative purposes.

Private Funds and Portfolio Funds are unregistered private investment funds or pools that may invest and trade in many different markets, strategies and Investment Interests (including securities, commodity interests and derivatives) and are NOT subject to the same regulatory requirements as mutual funds, including mutual fund requirements to provide certain periodic and

standardized pricing and valuation information to investors. They are not guaranteed by the FDIC or by any bank and they may lose value.

Private Funds and Portfolio Funds are illiquid investments and may be subject to significant restrictions regarding transfers. There is no secondary market for an investment in a Private Fund and/or Portfolio Fund and none is expected to develop.

Offering Documents are not reviewed or approved by federal or state regulators.

Private Funds and Portfolio Funds may have substantial fees and expenses, which may offset the trading profits of the Private Funds and/or Portfolio Funds.

Private Funds and/or Portfolio Funds may use leverage, execute a substantial portion of trades on foreign exchanges and trade commodity interests. The risk of loss from such activities is substantial and may increase the volatility of performance.

There is no guarantee that any of the Strategies will achieve its goals, objectives, or targeted returns.

Kenmar Preferred and its principals, officers and supervised persons will devote such time as they deem necessary for the management of Private Fund assets. However, Kenmar Preferred and its principals, officers and supervised persons will be involved, from time to time, with other related investment management activities and consequently will not devote all of their time specifically to any one Private Fund. However, this may be mitigated by the fact that Kenmar Preferred employs a broad group of investment and administrative professionals who will devote time and attention to the business and affairs of Kenmar Preferred and its Private Funds as they, in their discretion, deem reasonably necessary.

A Strategy may at certain times hold a few, relatively large positions (in relation to their assets), with the result that a loss in any position could have a material adverse impact on the Private Fund's assets.

The Managers, through Portfolio Funds, have the overall responsibility for making investment and trading decisions for Private Fund assets. Therefore, Private Funds will be relying almost exclusively on the judgment and ability of the Managers. No assurance can be given that the advice of a Manager will result in profitable trades for its Strategy or that the applicable Strategy will not incur substantial losses.

To achieve a Strategy's investment objective, its Manager will trade Investment Interests. Investment Interests are speculative and may involve substantial risk of loss. The prices of Investment Interests are highly volatile and market movements are difficult to predict. Supply and demand for Investment Interests change rapidly and are affected by a variety of factors, including interest rates, rates of inflation and general trends in the overall economy or particular industrial or other economic sectors. Government actions, especially those of the Federal Reserve Board and other Central Banks, have a profound effect on interest rates that, in turn, affect the price of Investment Interests. In addition, a variety of other factors that are inherently difficult to predict, such as domestic and international political developments, governmental trade and fiscal policies, monetary and exchange control programs, currency devaluations and revaluations, emotions of the marketplace, patterns of trade and war or other military conflict. None of these factors can be controlled by a Manager.

The Managers may also manage other accounts (including other funds, related and unrelated, as well as accounts in which the Managers may have an interest) which may employ different or similar trading strategies, and which together with accounts already being managed could increase the level of competition for the same trades, including the priorities of order entry. These factors could make it costly or impossible to take or liquidate a position in a particular Investment Interest of the Portfolio Fund.

Trading decisions made by each Manager may be based on the judgment of one or a limited number of key individuals (each, a "**Key-Man**"). If any Key-Man were to die or become

incapacitated or otherwise terminate his relationship with a Manager, such event could have a material adverse effect on the applicable Private Fund and its performance.

General economic and business conditions may affect a Manager's activities. Unexpected volatility or illiquidity in the markets in which a Portfolio Fund, directly or indirectly, holds positions could impair the Portfolio Fund's ability to carry out its business or cause it to incur losses. Moreover, although there can be no assurance that they will, certain Managers trade profitably during periods when major price movements occur. Such movements generally occur in any given market only infrequently, and during periods of static or "whipsaw" markets it is unlikely that those Managers will achieve profits for Portfolio Funds.

Managers may employ various risk reduction strategies designed to minimize the risk of their trading positions. A substantial risk remains, nonetheless, that such strategies will not always be possible to implement and even when possible will not always be effective in limiting losses. If a Manager analyzes market conditions incorrectly, or employs a risk reduction strategy that does not correlate well with a Manager's investments, such risk reduction techniques could result in a loss, regardless of whether the intent was to reduce risk or increase return. These risk reduction techniques may also increase the volatility of a Portfolio Fund and/or result in a loss if the counterparty to the transaction does not perform as promised.

Substantially all trading in commodities and futures has as its basis a contract to purchase or sell a specified quantity of a particular asset for delivery at a specified time, although certain Investment Interests, such as market index futures contracts, may be settled only in cash based on the value of the underlying composite index. Futures trading involves trading in contracts for future delivery of standardized, rather than specific, lots of particular assets.

Futures prices are highly volatile. Price movements for the futures contracts that the Managers may trade are influenced by, among other things, changing supply and demand relationships, government, trade, fiscal, and economic events, and changes in interest rates. Governments from time to time intervene, directly and by regulation, in certain markets, often with the intent to influence prices directly.

The CFTC has jurisdiction to establish, or cause exchanges to establish, position limits with respect to all commodities traded on exchanges located in the U.S. and may do so, and any exchange may impose limits on positions on that exchange. No such limits presently exist in the forward contract market or on certain non-U.S. exchanges. Insofar as such limits do exist, all commodity accounts owned, held, controlled or managed by a Manager and its principals and affiliates may be combined (that is, aggregated) for position limit purposes.

U.S. commodity exchanges may limit fluctuations in futures contracts prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits." In addition, even if futures prices have not moved the daily limit, a Manager may not be able to execute futures trades at favorable prices if little trading in such contracts is taking place (a "thin" market).

Futures are typically traded on "margin." The "margin" is the amount of escrow or performance bond deposit that a Portfolio Fund will have to make and maintain with its futures commission merchants (futures brokers) to secure its future obligation to close out open positions. The initial margin requirements may be satisfied by the deposit of cash (or, in some U.S. markets, certain U.S. Government obligations). The open positions must be "marked to market" daily, requiring additional margin deposits if the position reflects a loss that reduces a Portfolio Fund's equity below the level required to be maintained and permitting release of a portion of the deposit if the position reflects a gain that results in excess margin equity. The level of margin that must be maintained for a given position is sometimes subject to increase, requiring additional cash outlays. In the futures markets, margin deposits are typically low relative to the value of the futures contracts purchased or sold. Such low margin deposits are indicative of the fact that any futures contract trading typically is accompanied by a high degree of leverage. Because margin requirements normally range upward from as little as 2% or less of the total value of the contract, a comparatively small commitment of cash or its equivalent may permit trading in futures contracts of substantially great value. As a result, price fluctuations may result in a contract profit or loss that is disproportionate to the amount of funds deposited as margin. Such a profit or loss may

materialize suddenly, since the prices of futures frequently fluctuate rapidly and over wide ranges, reflecting both supply and demand changes and changes in market sentiment.

Depending upon the amount of assets managed overall by a Manager, it may be difficult or impossible for the Manager to take or liquidate a position in a particular commodity, method or strategy.

Important information regarding an investment in a Private Fund and the Portfolio Fund in which each Private Fund invests, including the specific investment strategies and techniques employed to achieve the Strategies and risks associated with such Strategies, as well as other material terms, are more fully set forth in each Private Fund's Offering Documents..

## Item 9: Disciplinary Information

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Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Kenmar Preferred or the integrity of Kenmar Preferred's management. Kenmar Preferred has never had any legal or disciplinary events to report.

## Item 10: Other Financial Industry Activities and Affiliations

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Kenmar Preferred is registered as an investment adviser under the Investment Advisers Act of 1940, as amended (the “**Advisers Act**”) with the U.S. Securities and Exchange Commission (“**SEC**”) and as a commodity pool operator and commodity trading advisor under the Commodity Exchange Act (“**CEA**”) with the CFTC and is a member of the National Futures Association (“**NFA**”). As of March 1, 2013, the following members of Kenmar Preferred’s management and employees are registered as Associated Persons (“**APs**”) of Kenmar Preferred with the NFA: Melissa Cohn, Esther E. Goodman, Marc S. Goodman, Joshua Migliardi, Joanne Rosenthal, Kenneth A. Shewer, David Spohr and Hudnall Ware.

Kenmar Preferred is part of the Kenmar Olympia Group; six of Kenmar Preferred’s affiliated companies are described below:

Kenmar Global Investment Management, L.P. (“**KGIM LP**”), an affiliate of Kenmar Preferred, is registered as an investment adviser under the Advisers Act with the SEC and as a commodity pool operator and commodity trading advisor under the CEA with the CFTC and is a member of the NFA. As of March 31, 2013, KGIM LP serves as investment manager for approximately \$93 million of discretionary assets. KGIM LP also serves as an asset allocator with approximately \$305 million of discretionary assets under management. As of March 1, 2013, the following members of Kenmar Preferred’s management and employees are registered as Aps of KGIM LP with the NFA: Esther E. Goodman, Marc S. Goodman, Joanne Rosenthal and Kenneth A. Shewer.

CLariTy Managed Account & Analytics Platform, L.P. (“**CLariTy**”), an affiliate of Kenmar Preferred, is registered as an investment adviser under the Advisers Act with the SEC and as a commodity pool operator and commodity trading advisor under the CEA with the CFTC and is a member of the NFA. As of March 31, 2013, CLariTy serves as the investment manager for CLariTy Managers with approximately \$27 million of assets under management and serves as managing member of CTA Choice with approximately \$478 million of assets under management. As of March 1, 2013, the following members of Kenmar Preferred’s management and employees are registered as APs of CLariTy with the NFA: Esther E. Goodman, Marc S. Goodman and Kenneth A. Shewer.

Kenmar Securities, L.P. (“**KSEC**”), an affiliate of Kenmar Preferred, is a broker-dealer registered with the SEC, and is a member of the Financial Industry Regulatory Authority (“**FINRA**”). KSEC is also registered as an introducing broker under the CEA with the CFTC and is a member of the NFA. KSEC may solicit potential investors for Private Funds managed by Kenmar Preferred and receive compensation for such services. Such arrangement could create certain conflicts of interest because KSEC and its employees are not neutral third parties and may be compensated based on their ability to sell interests in the Private Funds. As of March 1, 2013, the following members of Kenmar Preferred’s management and employees are registered as APs of KSEC with the NFA: Esther E. Goodman, Justin Lofaro, Joshua Migliardi, Joanne Rosenthal, David Spohr and Hudnall Ware. Similarly, the following members of Kenmar Preferred’s management and employees are registered as Registered Representatives of KSEC with FINRA: Esther E. Goodman, Joseph Iraci, Justin Lofaro, Maya Merson, Joshua Migliardi, James Purnell, Matthew Root, Joanne Rosenthal, Wilson Santos, David Spohr, Lori Walker and Hudnall Ware.

Olympia Capital Management SA (“**OCM SA**”), an affiliate of Kenmar Preferred, is a corporation organized under the laws of France. OCM SA is registered as an investment management company with the French financial regulator (“**Autorité des Marchés Financiers**”) and as an investment adviser under the Advisers Act with the SEC. As of March 29, 2013, OCM SA provides allocation management services for private investment funds and for French regulated mutual funds with approximately \$390 million of discretionary assets under management and approximately \$123 million of non-discretionary assets under management.

Olympia Capital Gestion SA (“**OCG SA**”), a subsidiary of OCM SA and an affiliate of Kenmar Preferred, is a corporation organized under the laws of France. OCG SA is registered as an

investment management company with the French financial regulator (“Autorité des Marchés Financiers”). As of March 29, 2013, OCG SA provides allocation management services for French regulated mutual funds and for High Net Worth Individuals with approximately \$21 million of discretionary assets under management.

Olympia Capital Management Limited (“**OCM Ltd**”), a subsidiary of OCM SA and an affiliate of Kenmar Preferred, is a corporation organized under the laws of the UK. OCM Ltd is registered as an investment services provider with the UK Financial Services Authority. OCM Ltd provides research services and distribution services to its parent company OCM SA.

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

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Kenmar Preferred strives to adhere to the highest industry standards of conduct based on principles of professionalism, integrity, honesty and trust. As such, Kenmar Preferred has adopted a Code of Professional Conduct (“**Code**”) which describes Kenmar Preferred’s high standard of business conduct, and fiduciary duty to its clients. The Code of Professional Conduct includes provisions relating to the confidentiality of client information, a prohibition on insider trading, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All employees must acknowledge the terms of the Code annually, or as amended.

Kenmar Preferred’s principals, officers, supervised persons and related accounts (“**Employees**”) are permitted to maintain personal trading accounts provided that such accounts are disclosed to Kenmar Preferred and are held at designated brokerage firms.

Any personal trading by Employees must be consistent with applicable law and with the Code. Subject to compliance with applicable laws, rules and regulations and the Code, Employees may buy, sell or hold for their own personal trading accounts securities, including Portfolio Funds that Kenmar Preferred also may buy, sell or hold for its clients. Employee investments in Portfolio Funds are permissible subject to compliance with the Code, pre-approval, and a determination that no conflict of interest exists.

The Code contains policies and procedures that, among other things:

- prohibit Employees from taking personal advantage of opportunities belonging to clients;
- prohibit trading on the basis of material nonpublic information;
- generally prohibit personal trading by Employees during business hours;
- require pre-clearance of any private placements (including investments in hedge funds, fund-of-funds, private equity funds, venture capital funds and other unregistered pooled investment vehicles) and “new issues”;
- require initial and annual reports of securities holdings by Employees, as well as copies of monthly and/or quarterly account statements and trade confirmations; and
- prohibit trading by employees of securities of any issuers on Kenmar Preferred’s restricted issuer list.

Subject to satisfying this policy and applicable laws, Employees of Kenmar Preferred and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for Kenmar Preferred’s clients. The Code is designed to assure that the personal securities transactions, activities and interests of the Employees of Kenmar Preferred will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of Kenmar Preferred’s clients. Employee trading and identified brokerage accounts are continually monitored under the Code via Compliance<sup>11</sup>, an internet-based compliance monitoring application, and to reasonably prevent conflicts of interest between Kenmar Preferred and its clients.

Kenmar Preferred’s Code also addresses misappropriation of material nonpublic or proprietary information (e.g., insider trading) and outside business activities. Kenmar Preferred’s insider trading prohibitions (i) apply to all Employees, (ii) extend to activities within and outside their duties as Employees of Kenmar Preferred, and (iii) apply to Investment Interest-related information that is internal to Kenmar Preferred. Employees are permitted to engage in limited outside business activities provided these activities do not create an actual or potential conflict of interest due to the amount of time spent on such activities and the investment-related nature of certain activities.



Investors or prospective investors of a Private Fund may request a copy of the Code by contacting Kenmar Preferred's Investor Services at (914) 307-7000.

## Item 12: Brokerage Practices

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As more fully described above, Kenmar Preferred provides discretionary investment management services to Private Funds that in turn, invest in Portfolio Funds advised and/or managed by a Manager. As such, Kenmar Preferred does not select clearing or executing brokers. Limitations on Kenmar Preferred's authority are guided by, among other things, (i) its responsibility to act as a fiduciary when handling clients' accounts, (ii) the investment strategies and objectives of its clients, and (iii) with respect to a Private Fund, the Private Fund's Offering Documents.

The clearing brokers and executing brokers (together, "**Brokers**") for the Portfolio Funds managed by Managers are selected by the Managers themselves. In selecting Brokers, the Managers need not solicit competitive bids and do not have an obligation to seek the lowest available commission cost. Also, they are not obligated to (and may not) negotiate "execution only" commission rates. As such, Portfolio Funds may be deemed to be paying for other products and services provided by the Broker which are included in the commission rate. In selecting Brokers, it is expected that Managers may take into account the Broker's reliability, reputation, financial strength and responsibility, stability, ability to execute trades, block trading and block positioning capabilities, nature and frequency of sales coverage, net price, depth of available services, operations, market making, the availability of stocks to borrow for short trades, willingness to execute related or unrelated difficult transactions in the future, order of call, back office, processing and special execution capabilities, efficiency of execution, error resolution and execution or commission rate.

In selecting securities Brokers, the Managers also take into account the value of certain products and/or services (whether or not for research purposes, in whole or in part), either provided by a Broker, or paid for by a Broker (either by direct or reimbursement payments (in whatever form) or by commissions, mark-ups or credits or by any other means) to be provided by others (collectively, "**Products and Services**"). Products or Services may be in any form (e.g., written, oral or on-line) and may include research products or services and other products and services. A Manager's use of Products and Services may or may not meet the "safe harbor" of Section 28(e) of the Securities Exchange Act of 1934, as amended.

Research may include, among other things, proprietary research from Brokers, which may be written or oral. Research Products and Services may include, among other things, research concerning market, economic and financial data, a particular aspect of economics or on the economy in general, statistical information, data on pricing and availability of securities, non-mass-marketed financial publications, electronic market quotations, performance measurement services, analyses concerning market, economic and financial data, a particular aspect of economics or on the economy in general, statistical information, data on pricing and availability of securities, analyses concerning specific securities, companies, industries or sectors and market, economic and financial studies and forecasts.

In some instances, a Manager seeking to rely on the safe harbor of Section 28(e) may receive a research product or service that may be used for both research and non-research purposes. In such instances, it is expected that the Manager will make a good faith effort to determine the relative proportion of the research used to assist the Manager in carrying out its investment decision-making responsibilities and the relative proportion used for administrative or other non-research purposes. The proportion of the research attributable to assisting the Manager in carrying out its investment decision-making responsibilities is expected to be paid through brokerage commissions generated by client transactions; the proportion attributable to administrative or other non-research purposes is expected to be paid for by the Manager from its own resources. The receipt of "mixed-use" research products and services and the determination of the appropriate allocation creates a potential conflict of interest between the Manager and its clients, including the Portfolio Funds and Managed Accounts, regarding the Brokers it selects.

Generally, Managers will not adhere to any rigid formulas in making their selection of Brokers, but will weigh a combination of the criteria set forth above. In recognition of the value of overall brokerage services provided by a Broker, Managers may select a Broker that charges brokerage commissions in excess of that which another Broker might have charged for effecting the same transaction. In connection therewith, Managers will make a good faith determination that the amount of commission is

reasonable in relation to the value of the brokerage services received, viewed in terms of either the specific transaction or Portfolio Fund transactions overall. In exchange for the direction of commission dollars to certain Brokers, credits may be generated which may be used by the Managers to pay for the Products and Services provided by, or paid by, such Brokers.

Each Private Fund's Offering Documents detail more fully the applicable brokerage placement practices.

## Item 13: Review of Accounts

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Kenmar Preferred's Investment Committee ("IC") meets periodically. The IC's responsibilities include: (1) preparing (either directly or through its affiliated companies) all due diligence on its prospective managers and approving the Managers; (2) reviewing (either directly or through its affiliated companies) each Private Fund, Portfolio Fund and Manager on an ongoing basis with respect to policies, guidelines, strategies and operations; (3) performing (either directly or through its affiliated companies) ongoing due diligence of the Managers; and, (4) where appropriate, terminating a Manager.

Investors in Private Funds are provided with monthly statements prepared by the Private Funds' independent fund administrator and audited fiscal year-end financial statements prepared by the Private Funds' independent accounting firm. Investors in a Private Fund may also receive other periodic reports concerning such investment as Kenmar Preferred determines to be appropriate.

## Item 14: Client Referrals and Other Compensation

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The Private Funds may compensate third parties for referring investors, at no additional cost to the Private Funds. Referral fees are generally a percentage of the management fees earned by Kenmar Preferred. Third parties referring investors will generally determine the share class of the Private Fund that will be offered to the investor. Each share class generally charges a different management fee. See above Item 5. As applicable, such referral arrangements will conform to Rule 206(4)-3 under the Advisers Act.

## Item 15: Custody

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Kenmar Preferred does not have custody of any client's funds or securities. Notwithstanding the foregoing, audited financial statements are furnished annually to all investors in the Private Funds.

## Item 16: Investment Discretion

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Kenmar Preferred has the authority to determine, without obtaining specific client consent, the securities to be bought or sold; the amount of securities to be bought or sold; the broker or dealer to be used; and the commission rates paid. Such authority is generally established through each Private Fund's governing and Offering Documents and through investment management and other agreements. Nonetheless, Kenmar Preferred generally delegates the aforementioned authorities to the selected Managers. Limitations on Kenmar Preferred's authority are guided by, among other things, (i) its responsibility to act as a fiduciary when handling clients' accounts, (ii) the investment strategies and objectives of its clients, and (iii) with respect to a Private Fund, the Private Fund's Offering Documents.

Kenmar Preferred (i) selects the Managers in which to invest and (ii) makes the determination as to when to remove Managers. As previously stated, investments in the Managers are made through Portfolio Funds. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular Private Fund. See also Item 12 above.

## Item 17: Voting Client Securities

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Kenmar Preferred has adopted Proxy Voting Policies and Procedures whereby it exercises discretion to vote proxies for client securities, including investments in Portfolio Funds, addresses situations where conflicts of interest are identified.

Each proxy proposal is reviewed on a case-by-case basis by Kenmar Preferred's IC. Kenmar Preferred will generally support proposals aimed at effectuating standard and necessary aspects of business operations, which will not typically have a significant effect on the value of the investment, such as name changes, elections of directors, etc. Kenmar Preferred's IC will communicate in writing its decision(s) relative to each proxy to Kenmar Preferred's Director of Funds Administration, who will effectuate the actual proxy vote.

A copy of Kenmar Preferred's proxy voting procedures, as well as a record of all proxy decisions and any documentation maintained with respect to proxy votes, is available by contacting Kenmar Preferred's Investor Services at (914) 307-7000.



## Item 18: Financial Information

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Kenmar Preferred has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has never been the subject of a bankruptcy proceeding.