

**Item 1 – Cover Page**

**Part 2A of Form ADV  
Brochure for:**



**One Sansome Street, Suite 3430  
San Francisco, CA 94104  
(415) 391-4600  
[www.sensatoinvestors.com](http://www.sensatoinvestors.com)**

**February 8, 2013**

**This brochure provides information about the qualifications and business practices of Sensato Investors LLC. If you have any questions about the contents of this brochure, please contact us at (415) 391-4600. 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.**

**Registration of an Investment Adviser does not imply any certain level of skill or training.**

**Additional information about Sensato Investors LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Item 2 – Material Changes**

This brochure was prepared for Sensato Investors, LLC's annual updating amendment. Our previous brochure was completed on February 8, 2013 and filed as part of our annual updating amendment. In this annual updating amendment, we have:

- Item 4. Updated our assets under management and included two new funds which we advise;
- Item 8. Updated our Methods of Analysis, Investment Strategies and Risk of Loss disclosures.

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## Item 4 – Advisory Business

### ***Description of Sensato Investors and Our Services***

Sensato Investors LLC (“Sensato Investors”) provides specialized discretionary advisory services to investment limited partnerships and offshore investment funds (collectively the “Funds” or “Clients”), with the goal of achieving capital appreciation while managing risk. Sensato Asia Pacific Fund, L.P., a Delaware limited partnership (the “US Funds”) and Sensato Asia Pacific Offshore Fund, Ltd., a Cayman Islands investment fund (the “Offshore Funds”) each invests its assets in Sensato Asia Pacific Master Fund, L.P., a Cayman Islands exempted limited partnership (the “Master Funds”). Sensato additionally advises the Sensato S1 Asia Pacific Fund, L.P., a Delaware limited partnership (the “US Funds”), and Sensato S1 Asia Pacific Offshore Fund, Ltd., a Cayman Islands investment fund (the “Offshore Funds”), which invest their assets in Sensato S1 Asia Pacific Master Fund, L.P., also a Cayman Islands exempted limited partnership (the “Master Funds”). Sensato advises the Sensato S2 Asia Pacific Fund, Ltd., a Cayman Islands exempted limited partnership. Sensato also advises a segregated portfolio for a Cayman Islands investment fund.

Sensato Investors was formed in 2009 by two former managing directors of Barclays Global Investors, Ernest Chow and Jonathan Howe, who are also the Sensato Investors’ owners. The founding partners have a long history of working together on strategy development and fund management. Sensato Investors is committed to creating value for its clients through delivery of consistent, risk controlled portfolio returns from investments in the Asia Pacific region. Sensato Investors’ investment process starts with rigorous research on company fundamentals and market dynamics. The analysis of investment opportunities is forward looking and holistic with attention to financial statements, published research, media, market data and other sources of publicly available information.

**Ernest Chow, PhD, CFA.** Ernie Chow is a founding partner of Sensato Investors with 15 years of experience in the investment management industry. Prior to co-founding Sensato Investors, he was a managing director and co-head of active equities at Barclays Global Investors (“BGI”), where he developed and managed active strategies for Japan, Asia ex-Japan and Global Emerging Markets. Before BGI, Mr. Chow worked at County Investment Management / National Australia Bank as a quantitative analyst and investment technologist, and as a researcher and lecturer in Applied Mathematics at Monash University in Australia.

Mr. Chow is a Chartered Financial Analyst Charterholder, and has earned a Ph.D. in Applied Mathematics, a Bachelor of Laws (with Honors) and a B.Sc. in Applied Mathematics (with Honors) from Monash University, Melbourne, Australia.

**Jonathan Howe, PhD.** Jonathan Howe is a founding partner of Sensato Investors with 18 years of experience in the investment management industry. Prior to co-founding Sensato Investors, he was a managing director and co-head of active equities at Barclays Global Investors, where he developed and managed active strategies for Japan, Asia ex-Japan and Global Emerging Markets. Before BGI, Mr. Howe worked as a quantitative analyst with the international equity team at Hotchkis & Wiley in Los Angeles. His prior professional experience also includes three years with the Federal Reserve Bank of New York as a senior financial analyst and two years of service with the United States Peace Corps in the Philippines.

Mr. Howe has earned a Ph.D. in Finance from the Anderson School of Business, University of California, Los Angeles, an MPA in Economics from the Woodrow Wilson School, Princeton

University, and a BA in Economics and Political Science, Summa Cum Laude, from Yale University.

***Client Tailored Services and Client Imposed Restrictions***

Sensato Investors does not tailor its portfolio management services to the individual needs of investors in the Funds.

***Wrap Fee Programs***

Sensato Investors does not participate in wrap fee programs.

***Assets Under Management***

As of January 31, 2012, Sensato Investors had discretionary assets under management of \$3,625,351,366. Sensato Investors does not manage assets on a non-discretionary basis.

**Item 5 – Fees and Compensation**

***Management Fee***

For its services to the Funds, the Sensato Investors generally receives management fees at a rate of 2% per annum of the balance in an investor's capital account. The Management Fee is calculated and paid monthly in advance. As to capital contributed on a date other than the first day of a month, the Sensato Investors will be paid a prorated Management Fee. The Management Fee is paid by the Funds which results in a corresponding deduction in an investor's capital account.

Sensato Investors may vary the Management Fee as to particular investors in its Funds by separate agreement.

***Incentive Allocation***

Generally, Sensato Investors receives, through an affiliate, an "Incentive Allocation." The Incentive Allocation is generally calculated and made as of each December 31, equal to 20% of the net realized and unrealized appreciation in the Net Asset Value of each Funds' sub-capital accounts. The Incentive Allocation is also calculated and made (if appropriate) as to withdrawals other than as of December 31, as of the effective dates of those withdrawals but only as to the sub-capital account from which the withdrawal was made, and only in proportion to the reduction in that sub-capital account's balance caused by the withdrawal.

Sensato Investors may vary the Incentive Allocation as to particular investors by separate agreement.

Incentive Allocations are subject to a "high water mark" procedure. That is, Sensato Investors is eligible to receive an Incentive Allocation as to a sub-capital account for a calendar year (or portion of a year, if the allocation is being made as a result of a mid-year withdrawal from that sub-capital account) only if and to the extent that the appreciation in the Net Asset Value of that sub-capital account for the calendar year exceeds any depreciation in that Net Asset Value for that sub-capital account that has not been recouped. Generally, the "high water mark" procedure prevents Sensato Investors from receiving an Incentive Allocation on profits that simply restores previous losses. If an investor makes a withdrawal as to a sub-capital account that has unrecovered losses, those unrecovered losses as to that sub-capital account will be reduced in proportion to the withdrawal that is being made. Once made, an Incentive Allocation will not be reduced by losses incurred in later periods.

The Incentive Allocation is only allocated to investors who are qualified clients and in accordance with Rule 205-3 under the Investment Advisers Act of 1940.

### ***Expenses***

The Master Fund pays to the Administrator, on behalf of itself and each Fund, customary fees based on the nature and extent of services provided to the Funds and the Master Fund pursuant to a Client Services Agreement.

The Master Fund will bear all of its and (except to the extent the Funds incur operating expenses in respect of its direct investment activities, if any) the Funds' ongoing operating expenses. These include, among other things, brokerage commissions on portfolio transactions, interest on margin and other borrowings; borrowing charges on securities sold short; custodial fees; bookkeeping, accounting audit and other professional fees and expenses; legal fees (including fees paid to Sensato Investors' counsel for services for the benefit of the Funds and the Master Fund); expenses Sensato Investors incurs for investment research and due diligence; governmental fees and taxes; costs of reporting to investors; cost of governance activities (such as obtaining investor consents); fees of the Funds' and the Master Fund's Administrator; fees paid to any other third-party administrator to perform, among other things, some of the services and functions described above; and all other reasonable expenses related to the management and operation of the Funds or the purchase, sale or transmittal of Fund assets.

Please refer to *Item 12 – Brokerage Practices* for more information on brokerage transactions and costs.

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

Sensato Investors receives a performance-based allocation (an Incentive Allocation) as discussed above in *Item 5 – Fees and Compensation*. The Incentive Allocation may create an incentive for Sensato Investors to cause the Funds to make investments that are riskier than the Funds would otherwise make. In addition, since the Performance Allocation is calculated on a basis which includes unrealized appreciation of the Funds' assets, it may be greater than if such allocation were based solely on realized gains.

Sensato Investors does not currently manage any accounts where it does not receive a performance based allocation. If Sensato Investors were to manage both accounts that receive performance-based allocations and accounts that do not receive a performance-based allocation, Sensato Investors and its supervised persons may have an incentive to favor accounts for which Sensato Investors receives a performance-based allocation.

### **Item 7 – Types of Clients**

Currently, Sensato Investors' clients consist entirely of private pooled investment vehicles. Sensato Investors' clients include the Sensato Asia Pacific Fund, L.P., a Delaware limited partnership (the "US Funds") and Sensato Asia Pacific Offshore Fund, Ltd., a Cayman Islands investment fund (the "Offshore Funds") each of which invests its assets in Sensato Asia Pacific Master Fund, L.P., a Cayman Islands exempted limited partnership (the "Master Fund"). Additionally, Sensato Investors' clients include the Sensato S1 Asia Pacific Fund, L.P., a Delaware limited partnership (the "US Funds"), and Sensato S1 Asia Pacific Offshore Fund, Ltd., a Cayman Islands investment fund ("the "Offshore Fund"), which invest their assets in the Sensato S1 Asia Pacific Master Fund, L.P., also a Cayman Islands exempted limited partnership; the Sensato S2 Asia Pacific Fund, Ltd., a Cayman Islands exempted limited partnership; and a

segregated portfolio for a Cayman Islands investment fund. The minimum investment into a Fund is \$5,000,000 and the minimum additional investment is \$250,000. Sensato Investors may waive or reduce these requirements in particular cases or change them as to new investors in the future.

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

### **Investment Objective**

The Funds' investment objective is to provide risk controlled and consistent returns by investing in the Asia Pacific region.

### **Investment Strategy**

*General.* The Funds employ an equity long/short investment strategy. The Sensato Investors uses a systematic investment approach that is grounded in economic and company fundamentals and quantitative in implementation. Sensato Investors seeks to implement its investment views through the development and use of a proprietary forecasting model that draws upon a wide range of financial statement, market, macroeconomic and other quantitative and non-quantitative information. Sensato Investors intends to analyze this information to form a view on the expected return of each stock in the Funds' investment universe. Its view will be driven by three major factors: (i) the valuation of the stock; (ii) the likelihood of fundamental surprise; and (iii) the likelihood of re-rating or discount rate news. It will also use the investment information and forecasting framework to form views on risk and expected returns of the region's industries, countries and currencies.

*Investment Scope.* The Funds will take long and short positions in companies listed in public equity markets in the Asia Pacific region, including the stock exchanges of Japan, China, Hong Kong, Taiwan, Korea, Australia, India, Thailand, Malaysia, Singapore, Indonesia, Philippines and New Zealand (the "*Region*"). The Funds seek to buy stocks that are, in Sensato Investors' opinion, reasonably valued, high quality companies with potential for fundamental improvement and growing attractiveness to investors. The Funds intend to short companies that are, in Sensato Investors' view, overvalued, "hyped" and prone to suffer from deterioration in fundamentals and investor sentiment.

*Investment Characteristics.* The Funds will target 10-12% return net of fees, with target volatility of 10-12%. The Funds intend to use leverage of up to 3.5 times 'per side,' typically in the range of 2.5 times long and 2.0 times short.<sup>1</sup> The Funds will typically have a net long exposure to the Region; however, Sensato Investors may vary this net exposure as part of the investment process. The Funds typically intend to hold between 200 to 1,000 positions at any one time (except that the Funds may own fewer than 200 securities during the initial weeks after the Funds' launch as the Funds' capital is deployed over time).

***No assurances can be given that the Funds' target returns will be met.***

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<sup>1</sup> For example, with \$1 NAV, the Fund will typically invest \$2.50 in long equity positions, and \$2.0 in short equity positions, resulting in a net long exposure of \$0.30. The size of this net position may vary through time. For example, the portfolio could be \$2.55 long and \$1.75 short, resulting in a net long exposure of \$0.80.

*Instruments.* The Funds principally anticipate holding cash, equity long positions, including preferred stock and warrants, and equity short positions in the major markets of the Region, and may also use equity derivatives to gain exposure to the same securities, including listed and over-the-counter instruments such as futures, contracts for difference and swaps. The Funds may hold listed securities that are traded on markets outside the Region if they provide exposure to the Region. These securities may include American depositary receipts (ADRs), global depositary receipts (GDRs), exchange traded funds (ETFs) and stocks of companies that operate primarily in the Region that are listed on North American or European exchanges. The Funds expect to use currency futures and forwards for trading and settlement, and for currency risk management and hedging. The Funds may use equity derivative instruments including options and variance swaps for risk management purposes. The Funds may hold short term fixed income securities for cash management purposes.

*Portfolio Construction.* Sensato Investors will perform portfolio construction using a ‘portfolio optimizer’ to manage the trade-off between expected return and risk of the portfolio and the cost of trading and closing positions. It will also take into account local market liquidity conditions and market constraints such as liquidity constraints, short selling rules and limited stock loan availability. In deciding to open or maintain short positions, Sensato Investors will additionally take into account the cost of stock borrowing. Sensato Investors intends to consistently execute trades created through the investment process.

### ***Investment Selection***

*Company Valuation.* Sensato Investors’ evaluation of a company takes into account its value as a going concern and potential value under conditions such as liquidation or restructuring. As appropriate for each company, Sensato Investors plans to employ valuation metrics such as earnings and cash flow yield, dividend yield, and other multiples based on sales, cash flows, EBITDA, operating income, book value of assets and capital employed by the business. It also intends to incorporate value-relevant information including growth prospects, the value of intangibles, or structural capital in the firm. The inputs to these metrics will be derived from the companies’ financial statements, Sensato Investors’ own forecasting models, and from the forecasts of external research analysts.

*Fundamental Surprise.* For each company, Sensato Investors seeks to forecast the likelihood whether the company will ‘surprise’ the market on the upside or downside. To do this, Sensato Investors will monitor company financial disclosures and other relevant information, including sell side analyst forecasts, media reports, disclosures of related or comparable companies and regulatory disclosures. Sensato Investors will emphasize indicators that, in its opinion, signal shifts in company earnings and cash flow quality as well as fundamental earning power and growth.

*Discount Rate Surprise.* Beyond fundamental effects, Sensato Investors intends to forecast the potential price impact of worsening or improving investor sentiment toward a company. Sensato Investors will pay attention to the actions of other market participants by monitoring trading flows, other investor positions, exchange data, regulatory disclosures of insider trades, and news. Using this data, Sensato Investors will attempt to form a view on whether a current trend is likely to continue or whether a position has become “crowded” or “neglected.”

*Country and Sector Views and Factor Weighting.* Sensato Investors’ perspective on aggregate country, sector and style bets in the portfolio will primarily be driven by its bottom-up forecasts for individual companies forming each group. Sensato Investors recognizes that the relevance, forecasting power and risk of each return driver will be different at the aggregate level and will



adjust its treatment accordingly. Weighting will reflect the impact of changing macroeconomic and market conditions on model forecasting power. The Fund will employ a variety of measures related to interest rates, credit conditions, growth expectations, investor sentiment, capital flows and exchange rates to characterize the investment environment.

*Currency.* While currency exposure is not a major driver of returns for the strategy, Sensato Investors actively seeks to forecast the returns for the currencies in the Region in order to manage currency risk. The forecast of currency returns will incorporate a variety of measures related to local interest rate environments, capital flows, currency fair value, and economic growth expectations as reflected in Sensato Investors' aggregated bottom up views.

### ***Risk Management***

*General.* The Funds will invest in a broad range of developed and emerging markets and will, consequently, be exposed to a variety of risks, including global and country specific economic, financial and political risks, market risk, derivative and counterparty risk, and company specific risks. Risk management and diversification are an integral part of Sensato Investors' strategy. The Funds will use a proprietary risk model to determine risk allocation to each position and hedging between positions, to maintain overall portfolio risk within the target range, and to appropriately 'risk-budget' among the investment themes represented in the portfolio. The Funds' risk model incorporates a range of structural and forward-looking information, striving to mitigate the portfolio's exposure to sharp losses and shocks. The risk model is integrated with the return forecasting model, aiming to achieve consistency and enable comprehensive assessment and control of the intentional risks Sensato Investors is taking in trading the portfolio.

The target maximum long or short exposure to any single equity security generally will be 5% of the Funds' net asset value. The target maximum net long or short exposure to any sector generally will be 40% of the Fund's net asset value. The maximum net long or short exposure to any country generally will be 30% of the Funds' net asset value.<sup>2</sup> The Funds' target net long exposure generally will be -.2 to .7 times the Funds' net asset value.

*Trading and execution.* Sensato Investors will seek to manage its counterparty risk through the use of multiple counterparties for stock loans and trading execution. It intends to select trading service providers to deliver best execution consistent with the investment goals of the strategy, as determined by Sensato Investors. We recognize that the Region's markets vary widely in liquidity, market micro-structure, and information conditions, creating the potential for strong differentiation in execution capabilities among service providers.

*Currency.* The Funds' net long positions will entail some currency risk based on the U.S. dollar denomination of the Funds and the foreign currency denomination of the Funds' portfolio companies. Sensato Investors intends to actively manage the risk exposure.

### ***Transaction Costs***

Sensato Investors will use a proprietary transaction cost model to forecast the cost of implementing each position. The forecast will take into account commissions, taxes, bid-ask spreads, borrowing costs and the potential for market impact based on each security's characteristics and the microstructure of the market in which it trades. This forecast

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<sup>2</sup> These bounds are indicative only, although most positions will be well within the stated limits. Sensato Investors will manage risk using a proprietary risk model and its own definitions of industry, sector and country exposure. However, these definitions will be structurally similar to other widely used classification models such as the Global Industry Classification Standard (GICS) developed by MSCI.

will be integrated in the portfolio construction process with an aim to achieve that trades are only executed if they improve the after-transaction-cost-expected portfolio return and risk.

### **Additional Considerations**

Sensato Investors and the Funds intend to pursue the Asia-Pacific long-short equity investment program (including any limitations) described in this Memorandum. The discussion above reflects Sensato Investors' investment philosophy, strategy and expectations as of the date of this Memorandum as to the focus, techniques and activities of the Funds. Although Sensato Investors currently expects the strategy described above to be the Funds' principal focus, neither the Investment Management Agreement nor the Partnership Agreement imposes any limits on the types of securities or other instruments in which the Funds may invest, the types of positions either may take, the concentration of their investments by sector, industry, fund, country, class or otherwise, the amount of leverage they may employ or the number or nature of short positions they may take. The Funds may invest in any type of security or financial instrument. Depending on conditions and trends in securities markets, Sensato Investors may cause the Funds to employ other strategies or techniques Sensato Investors considers appropriate and in the Funds' best interests at the time.

***The Funds' investment program is speculative and entails substantial risks. No assurances can be given that the Funds' investment objectives will be realized. See "Certain Risk Factors."***

### **Risk of Loss**

***An investment in a Fund involves a high degree of risk, including the risk that the entire amount invested may be lost.***

Prospective investors should carefully consider all potential risks, including but not limited to those summarized below. Prospective investors should carefully review the risk factors discussed in each Fund's Confidential Offering Memorandum as well as consult their own legal, tax and financial advisers as to all these risks and as to an investment in a Fund generally.

**Reliance on Sensato Investors.** The Funds' success depends on the ability of Sensato Investors and, particularly, Ernest Chow and Jonathan Howe, to develop and implement investment strategies to achieve the Funds' investment objectives.

**Not a Complete Investment Program.** The Funds may be deemed speculative investments and are not intended as a complete investment program.

**General Economic and Market Conditions.** The success of the Funds' investments may be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws, developments in governmental regulation and national and international political circumstances.

**Investment and Trading Risks.** The Funds invest in and actively trade securities and other financial instruments using strategies and investment techniques with significant risk characteristics, including risks arising from the volatility of the equity, fixed income, commodity and currency markets, the risks of borrowings and short sales, the leverage associated with trading on margin and in the currency and derivatives markets, the potential illiquidity of derivative instruments and the risk of loss from counterparty defaults.

**Equity Securities.** The equity and equity-linked securities in which the Funds invest are subject to general movements in the stock market and the value fluctuations of each particular issuer's stock.

**Arbitrage Strategies.** Identification and exploitation of the trading strategies to be pursued by the Funds involves uncertainty. No assurance can be given that Sensato Investors will be able to correctly locate trading opportunities or to exploit price discrepancies in the capital markets.

**Use of Leverage.** The Funds expects to leverage their investment positions by borrowing funds from securities brokers or dealers, banks, or others. They also expect to use derivatives to leverage its capital. Leverage increases both the possibilities for profit and the risk of loss.

**Short Selling.** The Funds may sell securities short as a regular part of their investing activities. A short sale theoretically involves the risk of unlimited loss in that the price at which the Funds must buy “replacement” securities could increase without limit. There can be no assurance that the Fund will not experience losses on short positions or that it will have long positions that appreciate in value enough to offset any such losses.

**Hedging, Generally.** Although hedging strategies in general are usually intended to limit or reduce investment risk, they may not achieve the anticipated effect. Sensato Investors may utilize a variety of instruments, including options and other derivatives, for hedging and risk management purposes, but it is not obligated to, and may not, hedge against certain risks. Furthermore, the Funds’ portfolios will always be exposed to risks that cannot be hedged.

**Risks of Investing in Non-U.S. Securities.** The Funds will be investing in securities and commodity interests of non-U.S. companies in Japan, China, Hong Kong, Taiwan, Korea, Australia, India, Thailand, Malaysia, Singapore, Indonesia, Philippines and New Zealand (the “Region”). Investing in securities, commodity interests and derivative contracts and instruments denominated in currencies other than U.S. dollars subjects the Funds to certain risks not typically associated with investing in securities and commodity interests in the U.S., including:

- *Political and Economic Instability.* Recent and future political developments in the Region may lead to policy changes that may adversely affect the Funds.
- *Currency Fluctuations.* The Funds invest in securities denominated in foreign currencies. A change in the value of any such currency against the U.S. dollar causes a corresponding change in the U.S. dollar value of the Funds’ securities that are denominated in that currency.
- *Characteristics of Non-U.S. Securities Markets.* The Funds generally trade securities, derivatives and other instruments on the principal stock exchange or over-the-counter market of the country in which the principal offices of the issuer of the security are located. Some non-U.S. markets are not as developed or efficient as those in the U.S. and may be more volatile than the U.S. markets.
- *Accounting and Financial Reporting Standards—Less Company Information.* Generally, there is less publicly available information about non-U.S. companies than about U.S. companies. Additionally, some countries lack uniform accounting, auditing and financial reporting standards, practices and requirements and/or their accounting, auditing and financial reporting standards and practices may differ in certain respects from those employed in the U.S. In considering a prospective investment, it may, therefore, be difficult for Sensato Investors to conduct the level of due diligence customarily conducted with respect to investments in the U.S.
- *Legal System.* The legal systems of countries in the Region may be well-developed but will differ from the U.S. legal system. There may be less regulation resulting in less

company information or investors in the Funds may be exposed to risks associated with efforts by regulators to manage and stabilize certain financial markets, resulting in more regulation, which may restrict and negatively impact performance.

- **Restrictions on Investment and Repatriation.** Certain countries impose restrictions and controls regarding investment by foreigners. These restrictions may at times limit or preclude the Funds' investment in certain countries and may increase the costs and expenses of the Funds.
- **Foreign Withholding Taxes.** Dividends, interest and other payment on or with respect to certain foreign securities the Funds may own may be subject to foreign withholding taxes, which will reduce net proceeds to the Funds.

**Currency Hedging.** To the extent the Funds invest in non-U.S. securities or securities traded in currencies other than U.S. dollars, the Funds may seek to hedge its exposure to currency fluctuations, and may enter into foreign currency forward contracts (agreements to exchange one currency for another at a future date). These contracts involve a risk of loss. A default by the forward contract counterparty may result in a loss to the Funds for the value of unrealized profits on the contract or for the difference between the value of its commitments, if any, for purchase or sale at the current currency exchange rate and the value of those commitments at the forward contract exchange rate.

**Valuation Risks.** Many of the securities in which the Funds may invest will be traded in markets that are not as active or deep as many other equity markets, resulting in unreliability of pricing information. Where third-party pricing information is not available, or where Sensato Investors considers the information not to be indicative of an investment's value, investments will be valued in Sensato Investors' discretion. Sensato Investors may face conflicts of interest in making valuation decisions. As a result, there can be no assurance that the valuation of the Funds' investment positions will accurately reflect the amount the Funds could obtain (or would be required to pay as to some types of derivatives positions) if they were to try to sell the security or close the position.

**Risk of Derivatives, Generally.** The Funds may trade and invest in a variety of derivative instruments, both to hedge the Funds' portfolios and for profit. Trading and investing in derivatives can be highly speculative and can entail risks that are greater than the risks of investing directly in securities or other assets. Prices of equity derivatives can be more volatile than indices, rates, or asset prices on which they are based.

**Counterparty and Settlement Risk.** The Funds may enter into over-the-counter derivative contracts or transactions (*i.e.*, transactions in options or other derivatives that are not cleared through the facilities of an exchange or clearing organization such as the Options Clearing Corporation), including "swaps" and specially-tailored options. If the Funds invest in these instruments, they may be exposed to the risk of default by its counterparty or to settlement difficulties.

**Options.** Among the derivatives in which the Funds may invest or trade are options on various underliers including options on specific securities, options on securities indices and options on security futures contracts. The trading of options is highly speculative and may entail risks that are greater than those present when investing in other securities. Prices of options are generally more volatile than prices of other securities. To the extent the Funds sell options and must deliver the underlying securities at the option price, the Funds have a theoretically unlimited risk of loss if the price of such underlying securities increases. Combinations of options positions, or

combinations of options positions with positions in stocks or other securities, can mitigate or can increase the risks inherent in each component option position.

**Forward Trading.** The Funds may trade in forward contracts. Unlike exchange-traded future contracts and options on futures, forward contracts are not regulated by the CFTC and accordingly the Funds will not receive any benefit of CFTC regulation of these trading activities. In addition, forward contracts are not guaranteed by an exchange or clearinghouse. Therefore, a default by the forward contract counterparty may result in a loss to the Funds for the value of unrealized profits on the contract or for the difference between the value of its commitments, if any, for purchase or sale at the current contract price and the value of those commitments at the forward contract price.

**Foreign Currency Forward Contracts.** Foreign currency forward contracts (agreements to exchange one currency for another at a future date) involve a risk of loss if the Funds fail to predict accurately the direction of currency exchange rates. In addition, forward contracts are not guaranteed by an exchange or clearinghouse. Therefore, a default by the forward contract counterparty may result in a loss to the Funds for the value of unrealized profits on the contract or for the difference between the value of its commitments, if any, for purchase or sale at the current currency exchange rate and the value of those commitments at the forward contract exchange rate.

**Swap Agreements.** The Funds may enter into swap agreements (“swaps”) as part of their investment program. Swaps may be subject to various types of risk, including market risk, liquidity risk, counterparty credit risk, legal risk and operations risk. In addition, swaps can involve considerable economic leverage and may, in some cases, involve significant risk of loss. Depending on how they are used, swap agreements may increase or decrease the overall volatility of the Funds’ portfolios.

**Credit Default Swaps.** In many cases the Funds will not hold a credit default swap open for its entire duration but will, instead, seek to close or unwind it before the end of its term. This could possibly result in a loss to the Fund. Factors that could cause such a loss could include that the market’s perception of the creditworthiness of the reference issuer had improved, reducing the amount that buyers would be willing to pay for protection, or that the demand for protection on the issuer’s obligations were otherwise to decline. Combinations of swap positions, or combinations of such positions with positions in other securities, can increase the risks inherent in each component of those combinations.

**Futures Activities.** As with some other derivatives, futures trading can provide a form of leverage, allowing the Funds to participate in market price fluctuations of securities indices or commodity interests underlying futures (or options on futures), while investing only a small percentage of the value of those underlying securities indices or commodity interests. Trading in futures can be highly speculative and may entail risks that are greater than investing in securities. Some of those risks include the following:

- Prices of commodity interests may be more volatile than prices of securities.
- The leverage aspects of futures trading can increase the risks involved in a particular activity as well as the potential return.
- Futures positions may be illiquid.

- The Funds' futures and options activities may include futures and options traded in non-U.S. markets, which may involve greater risks than trading in futures and options on U.S. exchanges.

**Exchange Traded Funds and Index Aggregates.** Exchange traded funds (“ETFs”) and other index aggregate products may be subject to the following risks:

- **Tracking Error.** Due to fees, expenses, and availability of the underlying portfolio securities, the performance of the particular ETF or aggregate may not equal or track the performance of the underlying index, market, industry or sector.
- **Index Decline.** A decline in the value of an index, market, industry or sector on which the ETF or aggregate is based will result in a decline in the value of the ETF or aggregate. In addition, leverage employed by an index aggregate fund will multiply the losses of an index.
- **Index Derivatives.** Some index aggregate products may seek to achieve their objectives by investing in index derivatives such as futures or swaps on an index. These index aggregate funds are subject to the additional risks generally presented by derivatives use, an enhanced risk of an imperfect correlation between the market value of securities in an index and the prices of futures and other derivatives purchased in lieu of the securities of an index, and other risks.

**Foreign Derivatives.** The Funds' futures and options activities may include futures and options traded in non-U.S. markets. The risks of these activities may be greater than those of trading in futures and options on U.S. exchanges.

**Debt Securities.** Debt securities have varying levels of sensitivity to changes in interest rates and varying degrees of credit quality. See “Interest Rate Risk” and “Credit Risk” below.

**Convertible Securities.** Unlike bonds, some preferred stocks and some convertible securities do not have a fixed par value at maturity, and in this respect may be considered riskier than bonds. Convertible debt securities and preferred stocks may depreciate in value if the market value of the underlying equity security declines or if rates of interest increase. In addition, debt securities, particularly convertible debt securities, are often subordinated to the claims of some or all of the other creditors of the corporation.

**Interest Rate Risk.** The value of convertible and other debt securities (and related investments) in the Funds' portfolio may fluctuate according to changes in interest rates.

**Default Risk; Credit Risk.** The Funds' performance could be adversely affected if issuers of debt instruments in which the Funds have an interest default on those instruments or if events occur that reduce the creditworthiness of those issuers. If a bond or other debt instrument were to become subject to such an event, the value of the instrument could be significantly reduced, conceivably to zero.

**Concentration of Investments.** The Funds do not limit the amount of capital that may be committed to any single investment, industry or sector. Although the Funds generally intend to limit their investments as described under the “Investment Strategies” section (above) and generally attempt to spread capital among a number of investments, at times the Funds may hold a relatively small number of positions, each representing a relatively large portion of a Fund's capital. The Funds may at times have a relatively large portion of their capital exposed to a particular industry or market sector. Losses in one or more large positions, or a downturn in an

industry or market sector in which a Fund is concentrated, could materially adversely affect a Fund's performance in a particular period and could have a materially adverse effect on a Fund's overall financial condition.

**Limited Liquidity of Some Investments; Valuation.** The Funds may invest in securities and derivative contracts that are relatively illiquid. The Funds may not be able to liquidate these illiquid positions if the need were to arise; rapid sales of such investments could depress the market value of those instruments, reducing the Funds' profits, or increasing its losses, in the positions. The values of those securities, and other securities that are illiquid due to thin markets, size of the Fund's holdings, or other factors, may not be accurately reflected in current market quotations. Sensato Investors has broad discretion in valuing these and other securities the Fund holds. Valuation decisions will affect, among other things, the Funds' profits and losses. **Changes in Investment Strategy.** The Funds give Sensato Investors broad discretion to expand, contract or otherwise change the Funds' activities without notice to or the consent of the investors. Any such change could result in the exposure of the Funds' capital to additional risks, which may be substantial.

**Portfolio Turnover.** The Funds may have higher portfolio turnover than other investment funds. If that occurs, the brokerage commissions incurred by the Funds may be higher than those incurred by a fund with a lower portfolio turnover rate.

**Other Fund Risks.** Investors in private pooled investment vehicles, such as the Funds, are subject to various additional risks that are related to the structure of the investment vehicles, including:

- An investment in a Fund is relatively illiquid.
- Substantial withdrawals may require the Funds to liquidate securities positions more rapidly than would otherwise be desirable.
- Sensato Investors will be subject to a variety of conflicts of interest in managing the Funds' assets and affairs.
- Investors may be subject to certain tax risks and potential investment company regulation.

Refer to each Fund's Confidential Offering Memorandum for more information regarding these and other Fund risks.

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

Neither Sensato Investors nor any of Sensato Investors' management persons has had any legal or disciplinary events that would be material to a client's evaluation of Sensato Investors or the integrity of Sensato Investors' management.

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

Neither Sensato Investors nor any of Sensato Investors' management persons are registered, or have an application pending to register as:

- a broker-dealer or registered representative of a broker-dealer; or

- a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

Sensato Investors is a sponsor and general partner of limited partnerships and other private investment vehicles, including Sensato Asia Pacific Fund, L.P., a Delaware limited partnership (the “US Fund”) and Sensato Asia Pacific Offshore Fund, Ltd., a Cayman Islands investment fund (the “Offshore Fund”) each of which invests its assets in Sensato Asia Pacific Master Fund, L.P., a Cayman Islands exempted limited partnership (the “Master Fund”); as well as the Sensato S1 Asia Pacific Fund, L.P., a Delaware limited partnership (the “US Funds”), Sensato S1 Asia Pacific Offshore Fund, Ltd., a Cayman Islands investment fund (the “Offshore Funds”), which invest their assets in the Sensato S1 Asia Pacific Master Fund, L.P., also a Cayman Islands exempted limited partnership; and Sensato S2 Asia Pacific Fund, Ltd., a Cayman Islands exempted limited partnership.

By acting as the Investment Advisor of these limited partnerships and by making direct investments in some of the vehicles it manages, Sensato Investors has an incentive to favor these investment vehicles over other clients should Sensato Investors accept any other clients. Notwithstanding these conflicts, Sensato Investors will allocate transactions and opportunities among the various accounts it manages in a manner it believes to be as equitable as possible, considering suitability and each account’s objectives, programs, limitations and capital available for investments, but even accounts with similar objectives will often have different investment portfolios.

Sensato Investors does not recommend or select other investment advisers for its clients for compensation.

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

**Code of Ethics.** Sensato Investors has adopted a Code of Ethics (“Code”) that describes the standards of business conduct that it requires of employees and accounts owned predominantly by persons associated with Sensato Investors, and establishes procedures intended to prevent Sensato Investors, and its personnel and certain of their relatives, from inappropriately benefiting from Sensato Investors’ relationships with its clients. The Code provides:

- Sensato Investors’ clients’ interests come before Sensato Investors’ or employees’ interests;
- Sensato Investors must disclose to clients all material facts about conflicts of which it is aware between Sensato Investors’ and its employees’ interests on the one hand and clients’ interests on the other;
- Employees must operate on Sensato Investors’ and their own behalf consistently with Sensato Investors’ disclosures to and arrangements with clients regarding conflicts and its efforts to manage the impacts of those conflicts;
- Sensato Investors and its employees must not take inappropriate advantage of Sensato Investors’ clients or their positions of trust with or responsibility to clients; and
- Sensato Investors and its employees must comply with all applicable securities laws.



Sensato Investors monitors all employees' securities transactions. The Code includes procedures for and restrictions on employee trading intended to prevent employees from benefiting from, or appearing to benefit from, any price movement that may be caused by client transactions. The Code also contains restrictions on and procedures to prevent inappropriate trading while Sensato Investors is in possession of material nonpublic information.

Sensato Investors will provide a copy of its Code of Ethics to any client or prospective client upon request. A request may be made by submitting a written request to Sensato Investors at the address on the cover page to this brochure.

**Participation or Interest in Client Transactions.** Neither Sensato Investors nor its officers, partners, directors, or employees may recommend to clients, or buy or sell for client accounts, securities in which they have a material financial interest. This involves a conflict of interest. As such, Sensato Investors prohibits its employees and related persons from engaging in these types of transactions.

**Personal Securities Transactions.** Sensato Investors, its officers, partners, directors, and employees may not invest in the same in the same securities (or related securities such as warrants, options or futures) that they recommend to clients, nor may they recommend securities to clients, or buy or sell securities for client accounts, at or about the same time that they buy or sell the same security for their own account. Sensato Investors' officers, partners, directors, and employees are required to sign and adhere to Sensato Investors' Code of Ethics. Among other things, employees agree not to trade or invest in Asia-Pacific securities (including ADRs, offshore-listed or derivatives) in their personal accounts. Employees are required to disclose their personal brokerage accounts, receive preclearance before making a personal securities transaction, and report their personal securities holdings and transactions to Sensato Investors.

## **Item 12 – Brokerage Practices**

### ***Types of Transactions and Transacting Parties***

The Funds will incur substantial brokerage commissions and other transaction expenses. Sensato Investors has complete discretion in deciding what brokers, dealers, and other financial intermediaries and counterparties through or with which to execute or enter into portfolio transactions (collectively, "*Transacting Parties*"). Sensato Investors also has complete discretion to negotiate compensation arrangements and transaction terms with Transacting Parties. These arrangements may include not only paying commissions for transactions effected on any agency basis, but also compensation implicit in prices of transactions directly with Transacting Parties acting as principal (such as market-makers for over-the-counter securities) and dealers in fixed income securities and derivatives. As a result, Sensato Investors will face conflicts of interest in exercising its discretion.

**Selection Criteria, Generally.** In choosing Transacting Parties, Sensato Investors is not required to consider any particular criteria. Nevertheless, Sensato Investors seeks "best execution" of the Funds' securities transactions. What constitutes "best execution" and determining how to achieve it are inherently uncertain. In evaluating whether a Transacting Party will provide best execution, Sensato Investors considers a range of factors, including historical net prices; Transacting Party's execution, clearance and settlement and error correction capabilities generally and in connection with securities of the type and in the amounts to be bought or sold; the Transacting Party's willingness to commit capital; the Transacting Party's reliability and financial stability; the size of the transaction; the availability of securities to borrow for short sales; the market for the security; and, as discussed more fully below, the nature, quantity and quality of research and

other services and products provided by the Transacting Party. Sensato Investors is not required to select the Transacting Party that charges the lowest transaction cost, even if that Transacting Party can provide execution quality comparable to other Transacting Parties. The Funds expect at times to pay more than the lowest transaction cost available in order to obtain for itself and/or Sensato Investors services and products other than the execution of securities transactions.

### ***“Soft Dollars”***

Sensato Investors may select Transacting Parties in recognition of the value of various services or products, beyond transaction execution, that they provide to the Funds or Sensato Investors. Selecting a Transacting Party in recognition of the provision of services or products other than transaction execution is known as paying for those services or products with “soft dollars.” This is common in the professional management of securities portfolios. Sensato Investors may acquire services or products with the Funds’ soft dollars.

A federal statute, Section 28(e) of the Securities Exchange Act of 1934, as amended, recognizes the potential conflict of interest involved in the use by an investment manager (such as Sensato Investors) of soft dollars generated by securities transactions to pay for various expenses but provides a safe harbor from breach of fiduciary duty claims if certain conditions and requirements are met. Under the safe harbor, soft dollars may be used to acquire “research” and “brokerage” services and products for which the Fund would not otherwise be required to pay. Services or products generally constitute “research” under Section 28(e) if they constitute advice, analyses or reports any of which express reasoning or knowledge as to the value of or investing in or trading securities, or as to issuers, industries, economic factors and trends, portfolio strategy or performance, but only to the extent Sensato Investors uses them for lawful and appropriate assistance in making investment decisions for the Fund and Sensato Investors’ other clients. “Brokerage” services and products are those used to effect portfolio transactions for Sensato Investors’ clients or for functions that are incidental to effecting those transactions (such as clearance, settlement or short-term custody related to effecting clearing or settling transactions) or regulatory required in connection with transactions. Using soft dollars to pay for services and products other than research and brokerage is not protected by the safe harbor, but does not necessarily constitute a violation of any law or fiduciary duty. Similarly, use of non-commission soft dollars or otherwise failing to satisfy procedural elements of the Section 28(e) safe harbor are not protected but are not necessarily prohibited. Section 28(e) only protects commissions or commission equivalents on transactions in securities; markups and markdowns on many principal transactions, commissions paid to futures commission merchants on transactions in futures contracts, and compensation from transactions in swaps or other derivative instruments are not protected.

*Conflict of Interest.* Because many services and products Sensato Investors may receive from Transacting Parties may benefit Sensato Investors, Sensato Investors’ interests in allocating the clients’ securities transactional business may conflict with the clients’. For example, Sensato Investors may have an incentive, in order to induce brokers and dealers to provide it with services or benefits to, among other things, cause the clients to: (i) pay higher commissions and other compensation than it would otherwise pay broker-dealers that do not provide soft dollar services or products; (ii) place more trades than would be optimal for the clients’ investment strategy; (iii) use broker-dealers that do not obtain for the clients the best possible price on portfolio transactions; and (iv) use (and pay) broker-dealers in effect to act as intermediaries with other broker-dealers who actually execute transactions. Investors into the Funds authorize Sensato Investors to use the Funds’ soft dollars for a wide range of purposes, notwithstanding the conflicts of interest those uses may involve. The extent of the conflicts of interest arising out of the use of soft dollars depends in large part on the nature and uses of the services and products acquired

with soft dollars. Sensato Investors may or may not use clients' soft dollars to pay for services and products other clients' pay for and, if they do, that use may not be in proportion to account size, transaction volume, or uses of those services and products. Sensato Investors may use client soft dollars to buy products or services that benefit other clients of Sensato Investors.

*“Research and Brokerage.”* The types of “research” Sensato Investors may receive from Transacting Parties include (but are not limited to): reports on or other information about particular companies or industries; economic surveys and analyses; recommendations as to specific securities; financial and industry publications; portfolio evaluation services; financial database software and services; computerized news, pricing and statistical services; analytical software; proxy analysis services and systems (to the extent used to assist in making investment decisions), quotation services; and other products or services that may enhance Sensato Investors' investment decision-making. “Brokerage” services and products (beyond typical execution services) include (but are not limited to): computer systems and facilities (including hardware) used for such things as communicating orders and settlement related information electronically to executing Transacting Parties and the Prime Broker, post-trade matching of trade information, communicating allocation instructions, and other clearance and settlement functions. Sensato Investors may use client soft dollars for “mixed use” products and services—products and services that are used in part for research or brokerage purposes and in part for other purposes. Even where Sensato Investors' use of soft dollars to acquire research and brokerage services and products is protected by Section 28(e), Sensato Investors will have a conflict of interest in connection with that use because it might otherwise have to pay cash for those services and products and it may have an incentive to use Transacting Parties who provide those services and products more than it otherwise would.

*Other Services and Products.* Sensato Investors has no formal arrangement with any party to use soft dollars to acquire services and products that provide benefits to Sensato Investors and that does not qualify as research or brokerage, and/or to pay expenses otherwise payable by Sensato Investors. However, certain services provided to the Funds may contain so-called “mixed-use items” – items that benefit both clients and Sensato Investors. Sensato Investors attempts to value the portions of these mixed-use items it benefits from, and pays for those portions directly. However, to the extent the value of any such benefit is deemed to exceed payments made by Sensato Investors, the difference could be considered soft dollars used outside the parameters of the safe harbor. Some examples of these products and services include order management systems consisting of safe harbor-eligible brokerage such as trading software used to route orders, and ineligible post-trade services such as recordkeeping, client reporting or portfolio management software. Sensato Investors will have a conflict of interest to the extent these services are paid for by Transacting Parties; it will have all the incentives described above (including to use those Transacting Parties regardless of whether using them would otherwise be in the Funds' best interests, to pay higher compensation and to effect more transactions than otherwise optimal).

*Procedures.* Transacting Parties from which Sensato Investors obtains soft dollar services or products generally establish “credits” based on past transactional business (including markups and markdowns on principal transactions, such as transactions with market-makers for Nasdaq securities), which may be used to pay or reimburse Sensato Investors for specified expenses. In some cases the process is less formal; a Transacting Party simply may suggest a level of future business that would fully compensate the broker or dealer for services or products it provides. The Funds' actual transactional business with a Transacting Party may be less than the suggested level but may exceed that level, and credits established may exceed the amounts used to acquire services and products. This may be in part because the Funds' investment activities generate aggregate commissions in excess of the levels of future business suggested by all Transacting

Parties who provide services and products. And it may be in part because those Transacting Parties may also provide superior execution and may therefore be most appropriate for particular transactions. Sensato Investors may ask a Transacting Party who is executing a transaction for several accounts (*see* the discussion below regarding aggregation of orders) to “step out” of a portion of the transaction in favor of a Transacting Party who has provided or is willing to provide products or services for soft dollars. That is, the executing Transacting Party will allow a portion of the overall commissions or other compensation to be paid to the soft-dollar Transacting Party. This assists Sensato Investors in acquiring products and services with soft dollars while providing the benefits of aggregated transactions. It may result in a client paying additional commissions or other transaction compensation to the Transacting Party to whom the client’s portion of an aggregated transaction is “stepped out” and therefore incurring higher transaction costs for that transaction than do other clients of Sensato Investors who are buying or selling the same security at the same time.

These procedures are generally consistent with the requirements of Section 28(e) when the products or services acquired constitute research and/or brokerage. However, Section 28(e)’s safe harbor is not available where transactions are effected on a principal basis, as most transactions with market-makers in over-the-counter securities are, with a markup or markdown paid to the Transacting Party. Sensato Investors may nonetheless determine to use such markups and markdowns as soft dollars with which to acquire services and products of the kinds described above.

#### ***Referrals of Investors and Advisory Clients***

In selecting a Transacting Party, Sensato Investors may consider the Transacting Party’s referrals of investors to the Funds, referrals of advisory clients to Sensato Investors, and the potential for future referrals. To the extent Sensato Investors would otherwise be obligated to pay for “finding” services, it has a conflict of interest in considering those services when selecting a Transacting Party. It also faces a conflict because it benefits from increases in the size of the Funds.

#### ***Directed Brokerage***

Sensato Investors does not request or require that a client direct Sensato Investors to execute transactions through a specified broker-dealer (i.e. “direct brokerage”). Additionally, Sensato Investors does not permit a client to direct brokerage.

#### ***Aggregation of Orders***

Sensato Investors may combine client orders. When it does, Sensato Investors will allocate the proceeds arising out of those transactions (and the related transaction expenses) on an average price basis among the various participants. Sensato Investors believes combining orders in this way will, over time, be advantageous to all participants. However, the average price could be less advantageous to a particular client than if that client had been the only account effecting the transaction or had completed its transaction before the other participants.

Sensato Investors may place orders for the same security for different clients at different times and in different relative amounts due to, among other things, differences in investment objectives, cash availability, size of order and practicability of participating in “block” transactions. The level of participation by different clients in the same security may also be dependent upon other factors relating to the suitability of the security for the particular client. Sensato Investors has adopted policies and procedures intended to ensure that its trading allocations are fair to all its clients.

In addition, Sensato Investors and/or its related persons or funds may buy or sell specific securities for its or their own account that are not deemed appropriate for a client at the time,

based on personal investment considerations that differ from the considerations on which decisions as to investments for the client are made. Where execution opportunities for a particular security are limited, Sensato Investors attempts in good faith to allocate such opportunities among clients in a manner that, over time, is equitable to all its clients.

### ***Cross Transactions***

Sensato Investors may (but is not obligated to) cause clients to effect “cross” transactions (*i.e.*, buy and sell securities from and to each other), subject to applicable law or regulation. Sensato Investors may do so, if Sensato Investors believes that the cross transaction will be beneficial to both parties. ERISA and other laws or regulations may prevent a client from engaging in “cross” transactions that could be beneficial to that client.

### **Item 13 – Review of Accounts**

All managed portfolios will be reviewed weekly by Ernest Chow, Jonathan Howe, or a portfolio manager for overall adherence with the investment philosophy employed by Sensato Investors. Managed portfolio holdings will also be reviewed at any time changing market conditions warrant.

Investors in the Funds receive monthly unaudited capital statements and an annual report that will include audited financial statements as of the end of the fiscal year.

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

In addition to the arrangements discussed above in Item 12, in the *Referrals of Investors and Advisory Clients* section, Sensato Investors may compensate certain third party marketers with portion of the management and performance fee, pursuant to a written agreement, for investor referrals to the funds.

Except as discussed above in Item 12, in the “*Soft Dollars*” section, Sensato Investors does not receive any economic benefit from a person who is not a client for providing investment advice or other advisory services to Sensato Investors’ clients.

### **Item 15 – Custody**

The Funds obtains custodial, clearing and related services through what is known as a “prime brokerage” arrangement. Under this type of arrangement, a Prime Broker (i) maintains custody of the Funds’ assets (either directly or through affiliated companies or subcustodians); (ii) provides margin credit and locates securities to borrow to facilitate short sales; (iii) arranges for the receipt and delivery of securities bought, sold, borrowed and lent; (iv) makes and receives payments for securities; (v) tenders securities in connection with tender offers, exchange offers, mergers or other corporate reorganizations; (vi) provides Sensato Investors detailed portfolio and related reports; and (vii) provides related services. The Funds’ arrangements with a Prime Broker permits the Funds to maintain a single custodial relationship, while using other brokers (in addition to the Prime Broker) to execute transactions. The arrangement permits the Funds to use not only the Prime Broker, but also other brokers to execute transactions, thereby permitting Sensato Investors to seek valuable research and to compare execution quality and commission rates. By using a Prime Broker rather than a bank or other institutional custodian for these functions the Funds also may avoid paying custodial fees that banks charge other institutional investors. The Funds compensate their Prime Broker through interest on credit balances, margin borrowings, stock

loans and brokerage commissions. It is possible that a material amount of the Funds' capital will be treated by the Prime Broker as margin and collateral.

**Credit Suisse Prime Securities Services, LLC, Deutsche Bank Securities Inc. and Goldman, Sachs & Co.** (each, a "*Prime Broker*") serve as the Funds' current Prime Brokers. The Funds may change their Prime Brokers, use additional Prime Brokers, alter the terms of their arrangements with each Prime Broker, or make alternative arrangements to receive the services currently provided by the Prime Brokers, all in Sensato Investors' discretion. Notwithstanding their prime brokerage arrangements, there may be times when a portion of the Funds' assets will be deposited as collateral with financial institutions that serve as counterparties to derivative instruments to which the Funds are a party. The Prime Broker may appoint sub-custodians for portions of the Funds' assets held in prime brokerage accounts.

The Prime Broker may provide services to Sensato Investors distinct from the custodial, lending and related services the Prime Broker provides to the Funds and other clients. These services may include, among other things, consulting services with respect to various aspects of Sensato Investors' business and introducing Sensato Investors to prospective advisory clients and prospective investors in the Funds. A Prime Broker may provide those services at prices that are lower than market prices for similar services or for no charge. The Prime Broker may also enter into financial transactions with Sensato Investors or its affiliates, including lending transactions and through providing initial or other investment capital for investment funds or products that Sensato Investors or its affiliates manage or sponsor. These transactions may be on terms more favorable than the terms available to Sensato Investors or its affiliates from other counterparties.

To the extent Sensato Investors or any of its affiliates receives services from a Prime Broker at lower than market prices, enters into transactions on terms better than terms otherwise available in the market, or collects fees from a Prime Broker's investments in the Funds, conflicts may exist between Sensato Investors' interests and the Funds' interests. That is, the services and benefits Sensato Investors receives in connection with the Funds' or other accounts' relationship with a Prime Broker may give Sensato Investors an incentive to cause the Funds to accept less favorable pricing for prime brokerage services (including interest and similar charges on margin borrowings and short positions and including brokerage transaction volume and compensation rates) than might be available otherwise or to continue to use a Prime Broker when it would not otherwise cause the Funds to do so. Sensato Investors believes the compensation the Funds pay each Prime Broker is reasonable and competitive with rates charged by other prime brokers and service providers for services of comparable quality.

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

Generally, clients give Sensato complete discretion over the selection and amount of securities to be bought or sold for clients (within the parameters established by the agreement of limited partnership or investment management agreement in the case of the Funds, and the advisory agreements for individually-managed accounts) without obtaining any consent or approval of any client.

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

Sensato Investors has adopted policies and procedures that address generally the guidelines it expects to follow in the exercise of its voting authority over proxies it receives from time to time on behalf of accounts. Sensato Investors will vote client proxies in the best interest of its clients.

Sensato Investors will consider a number of factors to determine whether exercising the clients' voting rights as to its securities is in the relevant clients' best interest.

When voting a proxy, Sensato Investors will generally follow its voting guidelines. Sensato Investors attempts to identify conflicts of interest that may arise in the proxy decision making process. If a material conflict of interest over proxy voting arises between Sensato Investors and a client, Sensato Investors will seek to resolve the conflict and vote the proxies in a manner that is in the relevant clients' collective best interests. Sensato Investors will provide, upon request, a copy of those policies and procedures and/or information concerning its voting record on account proxy matters. Such a request may be made either by contacting Sensato Investors at the telephone number or address on the cover page of this brochure.

**Item 18 – Financial Information**

Sensato Investors has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients. Sensato Investors has not been the subject of a bankruptcy petition.