

**Item 1 – Cover Page**

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



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**January 30, 2013**

**This brochure provides information about the qualifications and business practices of Parador Asset Management, LLC. If you have any questions about the contents of this brochure, please contact us at (415) 677-5474. 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.**

**Parador Asset Management, LLC is a registered investment adviser. Registration of an Investment Adviser does not imply any certain level of skill or training.**

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

**Item 2 – Material Changes**

Our previous brochure was completed on March 13, 2012 and filed as part of our annual updating amendment. This brochure has been updated to reflect the following:

- Item 4. The description of the advisory business has been updated to reflect recent ownership changes of Parador Asset Management. The firm's assets under management has been updated to reflect the assets as of December 31, 2012.

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**Item 4 – Advisory Business**

Parador Asset Management, LLC (“Parador Asset Management”), a Delaware limited liability company, was organized in September 2009 to serve as investment adviser and/or general partner of pooled investment vehicles (e.g. hedge funds), investment trusts, non-U.S. mutual funds, and other institutional clients. Roger Mortimer is Parador Asset Management’s principal owner.

Parador Asset Management provides portfolio management services to pooled investment vehicles, investment trusts, non-U.S. mutual funds, and other institutional clients. Parador Asset Management is the sole general partner of Canadian Shield Master Fund, L.P., a Cayman Islands exempted limited partnership formed in July 2010. Parador Asset Management is the investment manager of the Canadian Shield Offshore Fund, Ltd., an exempted limited liability company incorporated under the laws of the Cayman Islands in May 2010. Parador Asset Manager is also the sub-advisor and portfolio manager to the Mackenzie Universal Canadian Shield Fund, a Canadian mutual fund.

As of December 31, 2012, Parador Asset Management managed approximately \$119.2 million of client assets on a discretionary basis. Parador Asset Management does not manage any client assets on a non-discretionary basis. A client may by written agreement impose limitations and restrictions on Parador Asset Management’s discretionary authority. In all cases when exercising discretion, Parador Asset Management observes the policies, limitations and restrictions of the clients and exercises the discretion in a manner consistent with the stated investment objectives of the client.

Generally, Parador Asset Management clients’ portfolios are broadly-diversified and actively-managed investments in mainly Canadian securities, both long and short. However, Parador Asset Management retains the flexibility to invest in other markets, when in the opinion of Parador Asset Management their prospective risk/return is favorable.

*This brochure is a general summary of Parador Asset Management’s investment advisory services, fees and compensation, and advisory practices and is not specific to any one client. Clients should consult their agreements with Parador Asset Management for the specific terms and information applicable to their relationship with Parador Asset Management.*

**Item 5 – Fees and Compensation**

Generally, Parador Asset Management charges an asset-based fee (the “Management Fee”) equal to 1.75% *per annum* of the net asset value of a client’s portfolio. The Management Fee is calculated and paid as of the first business day of each calendar month. The Management Fee is prorated for management of a portfolio during the first month if the start of management is on a day other than the first day of a calendar month. The Management Fee is automatically deducted from a client’s portfolio. Parador Asset Management may vary the Management Fee as to particular clients or investors by separate agreement.

Parador Asset Management may also receive an “Incentive Allocation,” calculated and made as of each calendar year-end, generally equal to 20% of the net profit of a client’s account during that calendar year (including both realized and unrealized gains and losses). The Incentive Allocation will also be calculated and made (if appropriate) when a client withdraws capital other than as of a year-end. Parador Asset Management may vary the Incentive Allocation as to particular clients by separate agreement. Incentive Allocations are subject to a “high water mark” procedure. That is, Parador Asset Management is eligible to receive an Incentive allocation only

to the extent that the client account's net profit exceeds the client account's net loss. This prevents Parador Asset Management from receiving an Incentive Allocation on any net profit that simply restores prior net loss. Once made, an Incentive Allocation will not be reduced by losses incurred in later periods. Parador Asset Management may vary the Incentive allocation as to particular clients or investors by separate agreement.

Clients will bear all of their ongoing operating expenses. These expenses include, but are not limited to, brokerage commissions; interest on margin and other borrowings; borrowing charges on securities sold short; research and market data costs; and other investment transaction costs (including markups and markdowns); custodial and subcustodial fees; bookkeeping, accounting, audit and other professional fees and expenses; legal fees (including fees charged to Parador Asset Management for the benefit of the client); tax preparation fees; governmental fees and taxes; filing fees; costs of reporting; costs of client governance activities (such as obtaining limited partner and shareholder consents); fees paid to a client's administrator and registrar; and all other reasonable expenses related to the management and operation of the client and/or the purchase, sale or transmittal of a client's assets. Parador Asset Management may cause some of those costs to be paid using "soft dollars"—i.e., paid by securities brokerage firms in recognition of commissions or other compensation paid on securities transactions a client executes through those firms (including markups and markdowns on principal transactions).

A client will not pay or reimburse directly any of Parador Asset Management's general overhead costs or expenses, such as the rent of the Parador Asset Management's offices, the compensation and benefits of Parador Asset Management's administrative staff, maintenance of Parador Asset Management's books and records or the fixed expenses (e.g., telephone and general-purpose office equipment) of Parador Asset Management. However, Parador Asset Management may cause some of its costs to be paid using "soft dollars." Please refer to *Item 12 – Brokerage Practices* below for more information about soft dollars, brokerage commissions and other transaction expenses.

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

Differences in Parador Asset Management's compensation arrangements with its clients, particularly if some clients were to pay higher performance-based compensation, could create incentives for Parador Asset Management to manage client portfolios so as to favor those portfolios of clients paying higher performance-based compensation, as could Parador Asset Management's ownership interest (e.g., as the general partner) in some client accounts. Notwithstanding these conflicts, Parador Asset Management will allocate transactions and opportunities among the various client accounts it manages in a manner it believes to be as equitable as possible, considering each account's objectives, programs, limitations and capital available for investment, but even accounts with similar objectives will often have different investment portfolios.

### **Item 7 – Types of Clients**

Parador Asset Management's clients may include pooled investment vehicles (e.g., hedge funds), non-U.S. closed-end investment trusts, non-U.S. mutual funds, and other institutional investors. Parador Asset Management may in the future manage other investment funds and/or client accounts and/or form additional investment vehicles and serve as the investment manager, managing member or general partner of those entities.

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

Generally, client assets will be invested in actively-managed portfolios consisting of mainly Canadian securities. Client assets will be invested in securities and themes that offer downside capital protection together with an asymmetric opportunity to participate in capital appreciation. Parador Asset Management has latitude to invest client assets in other markets and in other asset classes when, in the opinion of Parador Asset Management, their prospective risk/return is favorable. Parador Asset Management has a conservative bias and places considerable focus on the price paid for a security and the implied resulting margin of safety for the investor. At an individual security level, Parador Asset Management utilizes a bottom-up, detailed, value-based investment philosophy focused on capital preservation and a measured risk approach to capital growth. Parador Asset Management also gives considerable weight to macroeconomic factors when assessing prospective Canadian investments, and in the opinion of Parador Asset Management, benefits from its location outside of Canada in assessing prospective investments objectively.

Parador Asset Management believes that the successful management of investments in the Canadian markets in particular requires a combination of skill sets, specifically:

- an ability to invest successfully in cyclical industries concurrent with an ability to assess the relevant macroeconomic inputs and influences; and
- an ability to invest defensively in a range of Canadian and non-Canadian securities when the risk-return ratio is not tilted in favor of the commodity sectors.

As a result, Parador Asset Management generally allocates client portfolios among two broad universes described below:

1. cyclical investments; and
2. non-cyclical or value-based investments.

***Cyclical Investments***

Successful investment in cyclical industries requires a combination of global macroeconomic view and company-specific insights. Macroeconomic analysis is highly relevant to a number of sectors in which Parador Asset Management has expertise and can identify a broad tailwind or headwind for securities being considered. In cyclical industries, it is not possible to look at company specific factors in isolation of factors beyond its control. These factors include: the global cost curve, the global demand picture for the commodity, and the range of global supply alternatives. Parador Asset Management will focus on the global reference points and perspective used by international investors and industry participants in valuing Canadian resource assets and companies.

Within this context, Parador Asset Management may from time to time invest in certain cyclical themes where Parador Asset Management feels investment value meets its asymmetric criteria. Thematic areas in which Parador Asset Management has considerable experience include basic industries (mining including gold), energy (oil and gas exploration, production and drilling), utilities (conventional and renewable electric power generation and distribution; natural gas and water distribution), and agricultural commodities. Mr. Mortimer has invested in Canadian equities since 1995 and is familiar with its constituents and influencing factors. Parador Asset Management utilizes a diligent bottom-up research process that includes frequent meetings with prospective investee companies, and leverages a large global network of research and industry contacts to provide insight and analysis into considered investments.

**Value-Based Investments**

Parador Asset Management also employs a bottom-up, value-based approach to investing, in which a conclusive floor value for a security can be established, providing a basis for capital protection and a margin of safety for the investor. The valuation method for this metric may vary but typically acknowledges the value of the underlying assets. As such, Parador Asset Management seeks to find companies where this value may not be fully reflected in a company's share price. Pursuant to this approach, Parador Asset Management seeks to remove economic forecasting from the investing process, purchasing what it refers to as 'certainty at a discount'. Parador Asset Management prefers companies generating predictable cash flow and typically avoids companies with high levels of financial leverage as this can constrain management flexibility and creates the conditions for potentially significant loss of capital.

Where this approach differs from the conventional style of value investing is in Parador Asset Management's attempts to identify a catalyst that may cause an investment's value to be realized over a particular time horizon. In Parador Asset Management's view, this can increase investment returns. Parador Asset Management has found that event-driven situations are often misunderstood, and therefore mispriced, by investors and can occur when a portion of the company's business is ignored or overly discounted by investors. In addition, the share prices of event-driven situations typically respond more to their catalysts and less to broader market trends.

**Other Considerations**

The discussion above reflects Parador Asset Management's general investment philosophy and strategy. However, depending on conditions and trends in securities markets, Parador Asset Management may cause clients to pursue additional or other strategies or employ other techniques Parador Asset management considers appropriate and in a client's best interests. Generally, clients do not impose any limits on the types of securities or other instruments in which Parador Asset Management may cause clients to invest, the types of positions clients may take, the concentration of client investments by sector, industry, fund, country, class or otherwise, the amount of leverage clients may employ or the number or nature of short positions clients may take.

**Risk of Loss**

Investing in securities involves risk of loss that clients should be prepared to bear. The following discussion describes some of the risks relevant to clients of Parador Asset Management.

**Not a Complete Investment Program.** An investment with Parador Asset Management may be deemed to be speculative and is not intended as a complete investment program. If Parador Asset Management's strategies are not successful, or if Parador Asset Management is unable to implement its strategies effectively, clients could lose some or all of their capital.

**Achievement of Investment Objectives.** There can be no assurance that Parador Asset Management's investment strategies will be successful or that clients' investment objectives will be achieved. Clients could realize substantial losses, rather than gains, from some of or all of the investments described above.

**General Economic and Market Conditions.** The success of a client's 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. These factors may affect the success of the businesses in which clients' portfolio companies are engaged as well as the markets for the securities clients hold. Unexpected volatility or illiquidity could impair client profitability or result in losses.

**Investment and Trading Risks.** Parador Asset Management may cause clients to 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. Parador Asset Management may utilize such investment techniques as option transactions, margin transactions, short sales, leverage, derivatives trading and futures and forward contracts. These transactions could impose substantial volatility and can, in certain circumstances, substantially increase the adverse impact to which a client's investment portfolio may be subject.

**Equity Securities.** Equities such as common and preferred shares give the holder part ownership in a company. The value of an equity security changes with the fortunes of the company that issued it. General market conditions and the health of the economy as a whole can also affect equity prices. Equity-related securities that provide indirect exposure to the equity securities of an issuer, such as convertible debentures, can also be affected by equity risk.

**Arbitrage Strategies.** The success of clients' trading activities will depend on Parador Asset Management's ability to identify overvalued and undervalued investment opportunities and to exploit price discrepancies in capital markets. Identification and exploitation of these trading strategies involves uncertainty. No assurance can be given that Parador Asset Management will be able to correctly locate trading opportunities or to exploit price discrepancies in the capital markets. Parador Asset Management's arbitrage strategies may result in greater portfolio turnover and, consequently, greater transaction costs.

**Event-Driven Situations.** Parador Asset Management will attempt to exploit potential event-driven situations where there is some form of corporate activity or catalytic change taking place, including mergers and takeovers, restructuring, reorganizations, spin-offs, asset sales, liquidations, bankruptcy and many others. The risks for individual transactions can potentially be significant. Many corporate events can be extremely complex in nature and require many steps and layers of approvals before they can be completed. Transactions can fail at any of these steps or layers for a wide variety of reasons and, therefore, Parador Asset Management may not correctly predict the outcome.

**Convertible Securities.** Convertible securities and preferred stock combine the fixed income characteristics of bonds with some of the potential for capital appreciation of equities, and thus may be subject to greater risk than pure fixed income instruments. 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, although debt securities are liabilities of a corporation that the corporation is generally obligated to repay at a specified time, debt securities, particularly convertible debt securities, are often subordinated to the claims of some or all of the other creditors of the corporation.

**Debt Securities and Credit Risk.** An issuer of a bond or other fixed income investment may not be able to pay interest or to repay the principal at maturity. The risk of such a failure to pay is known as credit risk. Some issuers have more credit risk than others. Issuers with higher credit risk typically pay higher interest rates than interest rates paid by issuers with lower credit risk because higher credit risk companies expose investors to a greater risk of loss. Credit risk can increase or decline during the term of the fixed income investment.



Companies, governments and other entities and the debt securities they issue, may be assigned credit ratings by specialized rating agencies such as DBRS. The ratings are a measure of credit risk and take into account many factors, including the value of any collateral underlying a fixed income investment. Issuers with low or no ratings typically pay higher yields, but can subject investors to substantial losses. Credit ratings are often relied upon by Parador Asset Management. A credit rating may be wrong, which can lead to losses on fixed income investments. If the market perceives that a credit risk rating is too high, then the value of the investments may decrease substantially. A downgrade in an issuer's credit rating or other adverse news regarding an issuer can reduce the value of the fixed income investments issued by the issuer.

The difference in interest rates between an issuer's bond and a government-issued bond that is identical in all respects except for the credit rating is known as the credit spread. Credit spreads widen if the market determines that a higher return is necessary to compensate for the increased risk of owning a lower rated fixed income investment. An increase in credit spread after the purchase of a fixed income investment decreases the value of that investment.

**Risks of Investing in Non-U.S. or Canadian Securities.** Although clients invest mainly in Canadian securities, Parador Asset Management may cause clients to also invest in non-Canadian (or U.S.) securities. Investing in securities and commodity interests of non-U.S. or Canadian companies subjects clients to certain risks not typically associated with investing in securities and commodity interests in the U.S. or Canada. These risks may include:

- *Political and Economic Instability.* Many economies are subject to instability due to, among other things, volatile internal political environments, relatively unstable monetary systems, and/or external political risks. Some governments participate in their economies through ownership or regulation in ways that can have a significant effect on securities prices. The economies of certain countries depend heavily on international trade and can be adversely affected by the enactment of trade barriers or changes in the economic condition of their trading partners. In some countries, especially developing or emerging countries, political or diplomatic developments could lead to programs that would adversely affect investments, such as confiscatory taxation or expropriation.
- *Characteristics of foreign Securities Markets.* Many foreign markets are not as developed or efficient as those in the U.S. and Canada and may be more volatile than the U.S. and Canadian markets. In particular, there is generally less government supervision and regulation of foreign exchanges, brokers and listed companies than in the U.S. Trading volumes in many markets are lower than in U.S. and Canadian markets, resulting in reduced liquidity and potentially rapid and erratic price fluctuations. Commissions for trades on foreign exchanges are generally higher as well. Settlement practices for transactions in foreign markets may involve delays beyond periods customary in the U.S. and Canada, possibly requiring a client to borrow funds or securities to satisfy its obligations arising out of other transactions. In addition, there could be more "failed settlements," which can result in losses to the client.
- *Less Company Information and Regulation.* Generally, there is less publically available information about foreign companies than about U.S. and Canadian companies. This may make it more difficult for Parador Asset Management to keep informed of corporate action that may affect the price of a particular security. Further, many foreign countries lack uniform accounting, auditing and financial reporting standards, practices and requirements. These factors can make it difficult to analyze and compare the performance of foreign companies.
- *Restrictions on Investment and Repatriation.* Certain countries impose restrictions and controls regarding investment by foreigners. Among other things, they may require prior

governmental approvals, impose limits on the amount or types of securities that may be held by foreigners, or impose limits on the types of companies in which foreigners may invest. These restrictions may at times limit or preclude a client's investment in certain countries and may increase the costs and expenses of a client. Indirect foreign investment may, in some cases, be permitted through investment funds that have been specifically authorized for that purpose. Because of the limited number of authorizations granted in such countries, however, units or share in most of the investment funds authorized in those countries may at times trade at a substantial premium over the value of their underlying assets. There can be no certainty that these premiums will be maintained and if the restrictions on direct foreign investment in the relevant country were significantly liberalized, premiums might be reduced, eliminated altogether or turned into a discount. In addition, certain foreign countries impose restrictions and controls on repatriation of investment income and capital.

- **Foreign Withholding Tax.** Dividend and interest payments on certain foreign securities a client may own may be subject to foreign withholding taxes, which will reduce net proceeds to the client.

**Currency Hedging.** Currency hedges entail a risk of illiquidity and, to the extent that foreign currency appreciates in U.S. or Canadian dollar terms, the risk that the use of hedges could result in losses greater than if the hedging had not been used. Hedging arrangements may have the effect of limiting or reducing the total returns to clients if Parador Asset Management's expectations concerning future events or market conditions prove to be incorrect. In addition, the costs associated with a hedging program may outweigh the benefits of the arrangements. Currency hedges also involve the risk of the possible default by the other party to the transaction (whether a clearing corporation in the case of exchange-traded instruments or other third party in the case of over-the-counter instruments) in that it may be unable to meet its obligations.

**Limited Liquidity of Some Investments.** Parador Asset Management may cause clients to invest in securities that are relatively illiquid. That may be because a security is thinly traded or because a client's position in a security is large in relation to the overall market for the security. Clients may not be able to liquidate illiquid securities positions if the need were to arise; rapid sales of such securities could depress the market value of those securities, reducing client profits, or increasing client losses, in the positions.

**Timing of Gains and Losses.** Some of clients' investments will be in positions the client must hold for significant periods before the success or failure of the investment becomes apparent or any gains can be realized. It may take longer for successful investments to realize their potential than for unsuccessful ones to reveal their weaknesses.

**Concentration of Investments.** Although Parador Asset Management generally attempts to spread client capital among a number of investments, at times a client may hold a relatively small number of positions, each representing a relatively large portion of the client's capital. A client may at times have a relatively large portion of its 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 client is concentrated, could materially adversely affect the client's performance in a particular period and could have a materially adverse effect on a client's overall financial condition.

**Use of Leverage.** Parador Asset Management may leverage client assets through margin borrowing and other means, including derivatives, as discussed below. Leverage increases both the possibilities for profit and the risk of loss. Borrowings will usually be from securities brokers and dealers and are typically secured by client's securities and other assets. Under certain

circumstances, such a broker or dealer may demand an increase in the collateral that secures the client's obligations, and if the client is unable to provide additional collateral, the broker or dealer could liquidate assets held in the client's account to satisfy the client's obligations. Liquidation in that manner could have extremely adverse consequences, including sales at disadvantageous times and prices and the acceleration of tax consequences.

**Short Selling.** The possible losses to a client from a short sale of a security differ from losses that could be incurred from a long position in the same security. Whereas the loss on a long position in a security is limited to the total amount of the investment, the loss on the short sale of security is theoretically unlimited. Short positions require the borrowing of stock from any other party. The recall of a borrowed stock may require a client to close out a short position at a disadvantageous price.

**Derivative Instruments, Generally.** Derivatives are financial instruments or arrangements, the risk and return of which are related to changes in reference rates, indices or the value of securities or other assets. They can provide a form of leverage in that they permit a client to speculate on fluctuations in the reference rates, indices or prices of securities or other assets while investing only a small percentage of the value of those assets. 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. A client's ability to profit or avoid risk through trading or investing in derivatives will depend largely on Parador Asset Management's ability to anticipate changes in the underlying reference rates, indices or asset prices. Derivative transactions also involve the risk of the possible default by the other party to the transaction (whether a clearing corporation in the case of exchange-traded instruments or other third party in the case of over-the-counter instruments) in that it may be unable to meet its obligations.

**Options.** A client is subject to the full risk of its investment position in the securities comprising its portfolio, including those securities that are subject to outstanding call options and those securities underlying put options written by the client, should the market price of such securities decline. In addition, a client will not participate in any gain on securities that are subject to outstanding call options above the strike price of the options.

The use of options may have the effect of limiting or reducing the total returns of the client's portfolio if Parador Asset Management's expectations concerning future events or market conditions prove to be incorrect. In such circumstances, a client may have to increase the percentage of its portfolio that is subject to call options to meet its targeted distributions. In addition, the premiums associated with writing call options may be outweighed by the foregone opportunity of remaining invested directly in the securities comprising the client's portfolio.

There can be no assurance that a liquid exchange or over-the-counter market will exist to permit a client to write call options or put options on desired terms or to close out option positions should a client desire to do so. The ability of a client to close out its positions may also be affected by exchange imposed daily trading limits on options or the lack of a liquid over-the-counter market. If a client is unable to repurchase a call option that is in-the-money, it will be unable to realize its profits or limit its losses until such time as the option becomes exercisable or expires. In addition, upon the exercise of a put option, a client will be obligated to acquire a security at the strike price that may exceed the then current market value of such security.

**Forward Trading.** A client 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 client 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 client 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. At times, certain market makers have refused to quote prices for forward contracts, or have quoted prices with an unusually wide spread between the price at which they are prepared to buy and sell. Should this occur, a client could experience significant losses.

**Swap Agreements.** A client may enter into swap agreements (“swaps”). Swaps are individually negotiated and structured agreements through which the client may obtain exposure to particular investment positions or market factors. 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 involve considerable economic leverage and may, in some cases, involve significant risk of loss. Depending on their structure, swaps may increase or decrease a client’s exposure to equity securities, long-term or short-term interest rates, foreign currency values, corporate borrowing rates or other factors.

**Commodities.** A client may trade commodities and/or commodity interests (e.g., future contracts on commodities, securities indices or currencies). As with some other derivatives, futures trading can provide a form of leverage, allowing a client 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 futures can be highly speculative and may entail risks that are greater than investing in securities.

Prices of commodity interests may be subject to greater volatility than the prices of other investments. The price of a commodity may be affected by changes in overall market movements, commodity index volatility, changes in interest rates, or factors affecting a particular industry or commodity such as drought, floods, weather, livestock disease, embargoes, tariffs and developments of an economic, political or regulatory nature.

Futures positions may be illiquid. They may be closed out only on the exchange on which they were entered into or through a linked exchange. Most commodity exchanges limit fluctuations in certain futures contract prices during a single day. These limitations could prevent a client from liquidating unfavorable positions and subject the client to substantial losses.

**Exchange Traded Funds and Index Aggregates.** A client may invest in exchange traded funds (“ETFs”) and other index aggregate products. ETFs are index funds or trusts that track the performance or inverse performance of a specific basket of securities (“benchmark”) and are listed on an exchange. Other types of ‘enhanced’ index aggregate products may combine tracking a specific benchmark with additional investment techniques such as leveraging and/or the use of derivatives. Due to fees, expenses, and availability of shares of the underlying portfolio securities of the particular benchmark, the performance of a particular ETF or aggregate may not equal or track the performance of the underlying benchmark. A decline in the value of the benchmark 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.

Some index aggregate products may not invest directly in the securities that comprise the index. Rather, they may seek to achieve their objectives by investing in 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.

**Changes in Investment Strategy.** Clients may give Parador Asset Management broad discretion to expand, contract or otherwise change the client's activities. Any such change could result in the exposure of the client's capital to additional risks, which may be substantial.

**Portfolio Turnover.** A client may have higher portfolio turnover than other investment portfolios. If that occurs, the brokerage commissions incurred by the client may be higher than those incurred by a portfolio with a lower turnover rate.

**Potential Conflicts of Interest.** Parador Asset Management and its affiliates may engage in the promotion, management or investment management of other accounts, funds or trusts that may have investment objectives that are similar in some respects, substantially identical to, or substantially different from, those of another client. Although officers, directors and professional staff of Parador Asset Management will devote as much time to each client as is deemed appropriate to perform their duties, the staff of Parador Asset Management may have conflicts in allocating their time and services among the clients and their portfolios. Differences in investment objectives and compensation arrangements between Parador Asset Management and its clients may also create conflicts with respect to trading activities, investment opportunities and particular portfolio positions.

Parador Asset Management may have an interest in some of the investment vehicles it manages. Parador Asset Management and its affiliates may also invest directly in securities and derivative instruments, including those in which clients invest, and neither Parador Asset Management nor any of its principals or affiliates is obligated to make any particular investment opportunity available to a client or to refrain from taking advantage of any opportunity.

Notwithstanding these conflicts, Parador Asset Management will allocate transactions and opportunities among the various accounts it manages in a manner it believes to be as equitable as possible, considering each account's objectives, programs, limitations and capital available for investments, but even accounts with similar objectives will often have different investment portfolios.

*The foregoing list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment with Parador Asset Management. Prospective investors and clients should read the entire Brochure as well the confidential offering documents for a private fund and other materials that may be provided by Parador Asset Management and consult with their own advisers prior to engaging Parador Asset Management's services.*

## **Item 9 – Disciplinary Information**

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

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

Parador Asset Management is not a broker dealer; nor is Parador Asset Management affiliated with any broker dealer. None of Parador Asset Management's management persons is a registered representative of a broker dealer.

Parador Asset Management is the sole general partner of Canadian Shield Master Fund, L.P., a Cayman Islands exempted limited partnership formed in July 2010. Parador Asset Management is the investment manager of Canadian Shield Offshore Fund, Ltd., an exempted limited liability company incorporated under the laws of the Cayman Islands in May 2010. Parador Asset Management is the sub-advisor and portfolio manager of The Canadian Shield Fund, a closed-end investment trust established under the laws of the Province of Ontario, Canada.

By acting as the general partner of the Canadian Shield Master Fund, L.P. and by making direct investments in some of the vehicles it manages, Parador Asset Management may be incentivized to favor these investment vehicles over other clients. Notwithstanding these conflicts, Parador Asset Management will allocate transactions and opportunities among the various accounts it manages in a manner it believes to be as equitable as possible, considering each account's objectives, programs, limitations and capital available for investments, but even accounts with similar objectives will often have different investment portfolios.

Parador Asset Management is registered with the Ontario Securities Commission ("OSC") in the category of Portfolio Manager.

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

### ***Code of Ethics***

Parador Asset Management 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 Parador Asset Management, and establishes procedures intended to prevent Parador Asset Management, and its personnel and certain of their relatives, from inappropriately benefiting from Parador Asset Management's relationships with its clients. The Code provides that (i) Parador Asset Management's clients' interests come before Parador Asset Management's or employees' interests; (ii) Parador Asset Management must disclose to clients all material facts about conflicts of which it is aware between Parador Asset Management's and its employees' interests on the one hand and clients' interests on the other; (iii) employees must operate on Parador Asset Management's and their own behalf consistently with Parador Asset Management's disclosures to and arrangements with clients regarding conflicts and its efforts to manage the impacts of those conflicts; (iv) Parador Asset Management and its employees must not take inappropriate advantage of Parador Asset Management's clients or their positions of trust with or responsibility to clients; and (v) Parador Asset Management and its employees must comply with all applicable securities laws. Parador Asset Management monitors all employees' securities transactions: employees must arrange for duplicate copies of their brokerage statements and trade confirmations to be sent to the Chief Compliance Officer (or his or her designee). 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 or Parador Asset Management's recommendations regarding securities. Among other things, these include requirements that employees not engage in personal trading (other than certain government securities and shares of mutual funds not managed by Parador Asset Management). The Code also contains restrictions on and procedures to prevent inappropriate trading while Parador Asset Management is in possession of material nonpublic information.

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

***Participation or Interest in Client Transactions***

Neither Parador Asset Management 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, Parador Asset Management prohibits its employees and related persons from engaging in these types of transactions.

***Personal Securities Transactions***

Parador Asset Management, 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. Parador Asset Management's officers, partners, directors, and employees are required to sign and adhere to Parador Asset Management's Code of Ethics. Among other things, employees agree not engage in personal trading (other than certain government securities, shares of mutual funds not managed by Parador Asset Management, and shares of certain ETFs). Additionally, employees are required to disclose their personal brokerage accounts and report their personal securities holdings and transactions to Parador Asset Management.

**Item 12 – Brokerage Practices**

Clients may incur substantial brokerage commissions and other transaction expenses. Generally, Parador Asset Management has complete discretion in deciding what brokers, dealers, and other financial intermediaries and counterparties through or with which to execute or enter into client transactions (collectively, "Transacting Parties"). Parador Asset Management generally 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.

***Selection Criteria, Generally***

In choosing Transacting Parties, Parador Asset Management is not required to consider any particular criteria. In general, Parador Asset Management seeks "best execution" of a client's securities transactions. However, what constitutes "best execution" and determining how to achieve it are ultimately uncertain. In evaluating whether a Transacting Party will provide best execution, Parador Asset Management considers a range of factors, including, among others, historical net prices (after markups, markdowns and other transaction-related compensation); 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; willingness to commit capital; reliability and financial stability; size of the transaction; availability of securities to borrow for short sales; market for the security; and nature, quantity and quality of research and other services and products provided by the Transacting Party. Clients may at times pay more than the lowest transaction cost available in order to obtain for themselves and/or Parador Asset Management services and products other than the execution of securities transactions.

***"Soft Dollars"***

When a Transacting Party provides a client or Parador Asset Management with services or products in addition to transaction execution, or pays for those services or products for the client

or Parador Asset management, the client or Parador Asset Management is said to have acquired those services or products with “soft dollars.” This is common in the professional management of securities portfolios. Parador Asset Management expects to acquire services or products with some clients’ 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 Parador Asset Management) of soft dollars 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 a client 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 an investment manager uses them for lawful and appropriate assistance in making investment decisions for its clients. “Brokerage” services and products are those used to effect portfolio transactions for the investment manager’s 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 regulatorily required in connection with transactions. In addition, only commission or commission equivalents on transactions in securities are protected by Section 28(e); using 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 to pay for research or brokerage is not protected. Section 28(e)’s “safe harbor” protects the use of a client’s soft dollars even when the investment manager uses research and brokerage services and products to benefit clients other than the client on behalf of whom the transaction was executed.

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.

Because many services and products Parador Asset Management may receive from a Transacting Party may benefit Parador Asset Management, Parador Asset Management’s interest in allocating clients’ securities transactional business may conflict with the interests of the clients. For example, Parador Asset Management may have an incentive to cause a client to pay higher commission than the compensation others would charge; select Transacting Parties that do not provide the best possible price; use (and pay) Transacting Parties who do not actually provide execution services; and effect more transactions than might otherwise be optimal. Parador Asset Management’s agreements with some clients may authorize Parador Asset Management to consider, in selecting Transacting parties, provision to it of a wide range of services and products, including those that benefit Parador Asset Management and/or its other clients, and does not limit the receipt of those benefits to circumstances that are protected by the safe harbor of Section 28(e).

Non-research or non-brokerage services that a Transacting Party may provide could potentially include some of Parador Asset Management’s costs of and equipment used in providing services to a client, such as computer and communications equipment Parador Asset Management uses in connection with its investment analysis and decision-making, mass-market periodical subscriptions, out-of-pocket expenses involved in soliciting prospective investors to Parador Asset Management’s investment vehicles and in evaluating potential investment opportunities



(including travel, meals and lodging related to such evaluation), the costs of computer software and equipment used for client reporting and other administrative activities, and other costs Parador Asset Management would otherwise bear. They may even include such “overhead” expenses as office rent, salaries, benefits and other compensation of employees or of consultants to Parador Asset Management, telephone expenses, legal and accounting expenses of Parador Asset Management and office services, equipment and supplies. Parador Asset Management has a conflict to the extent these services are paid for by Transacting Parties; it will have all the incentives described above.

For those clients who so expressly consent, Parador Asset Management may use the clients’ soft dollars for purposes, and in ways, that do not satisfy the requirements of the Section 28(e) “safe harbor.”

**Procedures.** Transacting parties from which Parador Asset Management obtains soft dollars services or products generally establish “credits” based on past transactional practices (including markups and markdowns on principal transactions, such as transactions with market-makers for Nasdaq securities), which may be used to pay or reimburse Parador Asset Management 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. A client’s 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 a client’s 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. Parador Asset Management may ask a Transacting Party who is executing a transaction for several accounts 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 Parador Asset Management in acquiring products and services with soft dollars while providing the benefits of aggregated transactions described below. 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 to other clients of Parador Asset Management 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. Parador Asset Management may nonetheless determine to use such markups and markdowns as soft dollars with which to acquire services and products of the kinds described above.

### ***Brokerage for Client or Investor Referrals***

In selecting a Transacting Party, Parador Asset Management may consider the Transacting Party’s referrals of investors to investment funds Parador Asset Management manages, referrals of advisory clients, the potential for future referrals, and/or the Transacting Party’s willingness to pay third-party finders’ fees for such referrals. To the extent Parador Asset Management 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 investment funds it manages.

**Aggregation of Orders**

In some cases, multiple clients may seek to buy or sell the same security or other financial instrument at the same time. In those cases, Parador Asset Management may combine purchase and sale orders for all clients with the same order. When it does so, Parador Asset Management will generally allocate the proceeds arising out of those transactions (and the related transactions expenses) on an average price basis among the various participants in the transactions. Parador Asset Management 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. Because of Parador Asset Management's interest in some of the investment vehicles it manages, there may be circumstances in which a client's transactions may not, under certain laws and regulations, be combined with those of some of Parador Asset Management's and its affiliates' other clients, and that client may obtain less advantageous execution than those other clients.

Parador Asset Management 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. In cases of that kind, some of a client's transactions in the security may not be aggregated with other clients. Parador Asset Management has adopted policies and procedures intended to ensure that its trading allocations are fair to all of its clients.

In addition, Parador Asset Management 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 another 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, Parador Asset Management attempts in good faith to allocate such opportunities among clients in a manner that, over time, is equitable to all its clients.

**Cross Transactions**

Parador Asset Management 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. Parador Asset Management may do so, if it believes that the cross transaction will be beneficial to both parties. ERISA and other laws may prevent some clients from engaging in "cross" transactions that could be beneficial to those clients.

**Item 13 – Review of Accounts**

Client investment positions are actively monitored and adjusted for risk/reward expectations subject to changes in price, valuation, and material developments.

At the end of each Fiscal Year, each pooled investment vehicle client's financial statements are examined and certified by an independent certified public accountant. Copies of the audited financial statements are furnished to each investor as soon as practicable after the end of each Fiscal Year. Parador Asset Management also provides monthly unaudited performance reports to each investor in an investment pool.

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

As described above under Item 12 – Brokerage Practices, Parador Asset Management may receive non-research or non-brokerage services from Transacting Parties. Non-research or non-brokerage services that a Transacting Party may provide could potentially include some of the Parador Asset Management's costs of and equipment used in providing services to clients, such as computer and communications equipment used in connection with its investment analysis and decision-making, mass-market periodical subscriptions, out-of-pocket expenses involved in soliciting prospective investors (including finders' fees or placement agent fees) and in evaluating potential investment opportunities (including travel, meals and lodging related to such evaluation), the costs of computer software and equipment used investment fund reporting and other administrative activities, and other costs that Parador Asset Management would otherwise bear. They may even include such "overhead" expenses as office rent, salaries, benefits and other compensation of employees or of consultants to Parador Asset Management, telephone expenses, legal and accounting expenses of Parador Asset Management and office services, equipment and supplies. Parador Asset Management will have a conflict of interest to the extent these services are paid for by Transacting Parties; it will incentives to use those Transacting Parties regardless of whether using them would otherwise be in the clients' best interests and to pay higher compensation and to effect more transactions than otherwise optimal.

Other than as described above in Item 12 – Brokerage for Client or Investor Referrals, Parador Asset Management does not directly or indirectly compensate any person who is not a supervised person for client referrals.

**Item 15 – Custody**

Parador Asset Management obtains custodial, clearing, settlement and related services on behalf of its clients through what is known as a "prime brokerage" arrangement. Under this type of arrangement, one or more Prime Brokers (i) maintains custody of each client's 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 Parador Asset Management detailed portfolio and related reports; and (vii) provides related services. A client's arrangement with the Prime Brokers permits the client to maintain a single custodial relationship, while using other brokers (in addition to the Prime Broker) to execute transactions. The Prime Broker is a "qualified custodian" and maintains custody of each client's funds and securities in a separate account for that client.

Each client compensates the Prime Brokers through interest on credit balances, margin borrowings, stock loans and brokerage commissions. It is possible that a material amount of a client's capital will be treated by the Prime Brokers as margin and collateral.

At the end of each Fiscal Year, each pooled investment vehicle client's financial statements are examined and certified by an independent certified public accountant. Copies of the audited financial statements are furnished to each investor as soon as practicable after the end of each Fiscal Year. Parador Asset Management also provides monthly unaudited performance reports to each investor in an investment pool.

**Item 16 – Investment Discretion**

Parador Asset Management usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

When selecting securities and determining amounts, Parador Asset Management observes the investment policies, limitations and restrictions of the clients for which it advises. For some clients, Parador Asset Management's authority to trade securities may also be limited by certain securities and tax laws that require diversification of investments and favor the holding of investments once made.

**Item 17 – Voting Client Securities**

Parador Asset Management will vote client proxies in the best interest of its clients. Parador Asset Management's policy is to vote all proxies from a specific issuer the same way for each client absent qualifying restrictions from a client. Parador Asset Management has granted Glass, Lewis & Co. ("Glass Lewis"), a proxy voting service provider, power of attorney to vote client proxies according to the best interests of shareholders. Glass Lewis votes the proxies according to their Proxy Paper Policy Guidelines and independent research. As an independent third party, Glass, Lewis provides voting recommendations that are not influenced by any conflicting interests of Parador Asset Management, if any.

If warranted Parador Asset Management can override the recommendations of Glass Lewis and vote one or more proxies according to its own determination of clients' best interests. If Parador Asset Management decides not to vote a proxy following the recommendations of Glass Lewis, Parador Asset Management maintains a record of the reasons for these votes.

Parador Asset Management will provide, upon request, a copy of those policies and procedures and/or information concerning its voting record on proxy matters. Such a request may be made by submitting a written request to Parador Asset Management at the address on the cover page of this brochure.

**Item 18 – Financial Information**

Registered investment advisers are required in this Item to provide clients with certain financial information or disclosures about Parador Asset Management's financial condition. Parador Asset Management has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

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

Parador Asset Management is not registered with any state securities regulatory agency. Therefore, Parador Asset Management has no information applicable to this item.