

---

## **Explora Investimentos Gestão de Recursos Ltda.**

Avenida São Gabriel, 477, 6º andar  
São Paulo, SP, Brazil 01435-001  
+55 11 3463 5220  
[www.explorainvest.com.br](http://www.explorainvest.com.br)

**This Brochure provides information about the qualifications and business practices of Explora Investimentos Gestão de Recursos Ltda. (“Explora Investments”). If you have any questions about the contents of this brochure, please contact us at +55 11 3463 5230 or via email at [coc@explorainvest.com.br](mailto:coc@explorainvest.com.br). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.**

**Explora Investments is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training. The oral and written communications of an adviser provide you with information that enable you to determine whether to hire or retain an adviser.**

**Additional information about Explora Investments also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**April 2013**

---

## ITEM 2 – MATERIAL CHANGES

---

On July 28, 2010, the SEC published “Amendments to Form ADV” which amends the disclosure document that registered investment advisers provide to clients as required by SEC Rules. This Brochure dated April, 2013, is prepared according to the SEC’s requirements and rules.

In the future, this item will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes. We will also reference the date of our last annual update of our Brochure.

Pursuant to SEC Rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business’s fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting the chief compliance officer, Marcos Horie, at +55 11 3463-5220 or [coc@explorainvest.com.br](mailto:coc@explorainvest.com.br).

Additional information about Explora Investments is also available via the SEC’s web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s web site also provides information about any persons affiliated with Explora Investments who are registered, or are required to be registered, as investment adviser representatives of Explora Investments.

## TABLE OF CONTENTS

---

<b>ITEM 2 – MATERIAL CHANGES .....</b>	<b>2</b>
<b>ITEM 3 – TABLE OF CONTENTS.....</b>	<b>3</b>
<b>ITEM 4 – ADVISORY BUSINESS .....</b>	<b>4</b>
<b>ITEM 5 – FEES AND COMPENSATION .....</b>	<b>5</b>
<b>ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT .....</b>	<b>6</b>
<b>ITEM 7 – TYPES OF CLIENTS .....</b>	<b>7</b>
<b>ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS .....</b>	<b>7</b>
<b>ITEM 9 – DISCIPLINARY INFORMATION.....</b>	<b>9</b>
<b>ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS.....</b>	<b>9</b>
<b>ITEM 11 – CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING .....</b>	<b>10</b>
<b>ITEM 12 – BROKERAGE PRACTICES.....</b>	<b>12</b>
<b>ITEM 13 – REVIEW OF ACCOUNTS .....</b>	<b>15</b>
<b>ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION .....</b>	<b>15</b>
<b>ITEM 15 – CUSTODY .....</b>	<b>16</b>
<b>ITEM 16 – INVESTMENT DISCRETION.....</b>	<b>16</b>
<b>ITEM 17 – VOTING CLIENT SECURITIES .....</b>	<b>17</b>
<b>ITEM 18 – FINANCIAL INFORMATION .....</b>	<b>17</b>
<b>ITEM 19 – REQUIREMENTS FOR STATE-REGISTERED ADVISERS.....</b>	<b>18</b>

## **ITEM 4 – ADVISORY BUSINESS**

---

### **Adviser’s Advisory Business**

Explora Investimentos Gestão de Recursos Ltda., a Brazilian *sociedade limitada* (“Explora Investments” or “Adviser”) established in 2007, is an asset management firm that provides direct investment management services for private investment companies. Explora Investments also provides direct investment management services for accredited investors and qualified clients on a discretionary basis. Explora is majority owned by Exp Holding LTDA.

### **Types of Advisory Services Adviser Offers**

Explora Investments provides investment advisory services, with expertise in investing primarily in Latin America and Latin American-related securities, especially Brazilian and Brazilian-related securities to various private investment companies (collectively, the “Funds”). In addition, Explora Investments may provide investment management services to managed accounts that invest in Brazilian equities, as well as Brazilian based funds regulated by the Comissao de Valores Mobiliarios (“CVM”), the Brazilian equivalent to the U.S. Securities and Exchange Commission (the “SEC”).

Interests in the Funds are not registered securities under the U.S. Securities Act of 1933, as amended (the “Securities Act”). In addition, the Funds are not registered as investment companies under the U.S. Investment Company Act of 1940, as amended (the “Investment Company Act”). Accordingly, interests in the Funds are offered and sold exclusively to investors satisfying the applicable eligibility and suitability requirements in private transactions pursuant to available exemptions under the Securities Act, the Investment Company Act and any applicable U.S. state securities laws.

Explora Investments provides investment advisory and management services to its clients in accordance with the objectives and guidelines of each private investment company, as stated in the offering document of each Fund (*e.g.*, the “Private Placement Memorandum”), or the managed account forms of its managed account clients, or in accordance with the risk profiles of individual clients.

### **Investment Restrictions**

Explora Investments develops customized investment strategies based on the stated investment objectives, risk tolerance and financial circumstances of the each client. The investment objectives, risk tolerance and financial circumstances of the Funds are generally described in their Private Placement Memoranda.

### **Wrap Fee Programs**

Explora Investments does not participate, sponsor or act as a portfolio manager for any wrap fee programs.

## **Assets Under Management**

As of January 01, 2013, Explora Investments had regulatory assets under management of approximately \$650 million, of which all was managed on a discretionary basis.

## **ITEM 5 – FEES AND COMPENSATION**

---

### **Explora Investments' Basic Management Fees**

The specific manner in which fees are charged by Explora Investments is established in a client's written agreement with Explora Investments and, with respect to the private investment companies it manages, are disclosed in their Private Placement Memoranda. Generally and pursuant to contract, fees for the management of private investment companies, such as the Funds, will be based upon a percentage of the total assets in the account (including margined assets).

Certain Fund investors may receive more favorable terms that are not afforded to other investors, such as reduced management and performance fees. Fund details, including the associated advisory fees, other expenses and investment strategies, are described in each Fund's Private Placement Memorandum.

Explora Investments' actual fees, minimum fees and minimum account sizes may also be negotiated and may vary from the fees described above. A client may pay more or less fees than similar clients depending on the particular circumstances of the client, size, liquidity terms, additional or differing levels of servicing or as otherwise agreed with specific clients.

### **Calculation and Deduction of Advisory Fees**

In addition to performance-based fees described in Item 6 below, Explora Investments will generally calculate and accrue its management fees daily. Its management fees will be payable monthly in arrears as of certain valuation dates. When Explora Investments provides direct investment advisory services for accredited investors and qualified clients on a discretionary basis, clients may elect to be billed directly for management fees or to authorize Explora Investments to directly debit management fees from client accounts. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable.

### **Other Fees and Expenses**

In addition to investment management fees and performance-based fees, investors in the Funds will indirectly bear any other costs charged to the Funds. Such costs will vary and typically include, though are not limited to, accounting, legal, fund administration fees and other related costs. Furthermore, Explora Investments' fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. The impact of mark-ups and mark-downs shall also be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, and other third parties such as fees charged by sub-managers, custodial fees, transfer taxes, wire transfer and electronic fund fees, and other fees

and taxes on brokerage accounts and securities transactions. Such charges, fees and commissions are exclusive of and charged before Explora Investments' fees, and Explora Investments shall not receive any portion of these commissions, fees, and costs.

Item 12 further describes the factors that Explora Investments considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

### **Prepaid Fees**

Explora Investments generally does not charge clients fees in advance.

### **Compensation for the Sale of Securities**

Neither Explora Investments nor Explora Investments' supervised persons accept compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of investment funds.

## **ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

In addition to management fees, Explora Investments will generally receive a performance fee or allocation from each private investment company, including the Funds, that it manages. The calculation of the performance fee or allocation is described in each Fund's Private Placement Memorandum. In general, for each Fund, Explora Investments will be entitled to a performance fee or allocation in respect of each fund investor's capital account generally equal to an amount between fifteen percent (15%) and twenty percent (20%) of the appreciation in the net asset value of the fund as described in the client's written agreement with Explora Investments or the Fund's Private Placement Memorandum. The performance fee may also be subject to a Highwater Mark as described in the client's written agreement with Explora Investments or the Fund's Private Placement Memorandum.

Currently, all the accounts that Explora Investments manages on a discretionary basis are charged both a performance based fee and a management fee. Because all such accounts are charged consistently, the performance based fee arrangements do not create an incentive for Explora Investments to favor certain accounts over other accounts. However, if in the future, Explora Investments manages accounts that are not charged consistently, performance based fee arrangements may create an incentive for Explora Investments to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. Such fee arrangements may also create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities. In such cases, Explora Investments would have procedures designed and implemented to ensure that all clients are treated fairly and equally, and to prevent this conflict from influencing the allocation of investment opportunities among clients.

## ITEM 7 – TYPES OF CLIENTS

---

Explora Investments primarily provides portfolio management services to private investment companies as well as accredited investors and qualified clients on a discretionary basis.

Generally, the minimum dollar value of assets required to establish an investment advisory account varies, depending on the view of the account's strategy and investors' profile. Moreover, Explora Investments reserves the authority to waive the account minimum as it deems appropriate.

Details concerning applicable suitability criteria for investment in the Funds are set forth in the respective Fund's prospectus and subscription application materials or investment management agreement.

## ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

---

### General Investment Strategies and Methods of Analysis

Explora Investments seeks to achieve superior returns for its clients by investing on a global basis in a broad range of securities and financial instruments with emphasis in the Latin American and Brazilian markets, including, but not limited to, investment funds and vehicles (including special purpose companies) of recognized standing with a compatible investment objective and strategy to that of Explora Investment's managed funds and accounts. Explora Investments primarily adheres to a long-term strategic approach while seeking to meet the investment objectives of capital appreciation.

Explora Investments generally manages its investment portfolios with little regard to index compositions (*i.e.*, in a benchmark-agnostic manner). Explora Investments believes that bottom-up stock selection is the primary source of excess returns. While analyzing investment opportunities, Explora Investments considers three fundamental beliefs:

1. *Asymmetry Risk/Reward*. Explora Investments seeks to identify publicly traded companies with asymmetric risk/reward profiles, which implies a wider margin of safety and meaningful upside optionality. It is Explora Investments' belief that companies in such situations tend to find themselves momentarily out-of-favor in the market, but defined realizable catalysts can lead to positive re-rating by the market.
2. *Business Sustainability*. Explora Investments seeks to understand sustainability aspects of the company's business by examining: the incentives of controlling shareholders and management; the alignment of controlling shareholders' interests and minority shareholders' interests; the management's track record; the company's corporate culture; and the importance the company gives to corporate governance.
3. *Knowledgeable Outsider*. Explora Investments seeks to gain an understanding of the market players that are integral to its investment strategy. Explora Investments relies on regular interactions with market players and elements of the productive chain (suppliers, clients,

competitors and regulators) to cross information of different sources, check available data and confront market beliefs. It leverages its knowledge of the industry with its network of contacts, which was built over nearly twenty years its analysts have been covering companies in Brazil and Latin America.

While implementing its investment strategies, Explora Investments favors investments with a long term horizon, primarily in Latin America and Latin American-related securities, especially Brazilian and Brazilian-related securities. Portfolios managed by Explora Investments may be composed by a wide range of equities, fixed income securities, currencies and related derivatives. They may also invest in securities and equities from outside the Latin American Countries in circumstances in which such securities and equities would have relevant business within the Latin American Countries. Notwithstanding, Explora's funds are anticipated focus its investments in Brazilian stock markets. Funds may invest in various types of depository receipts, shares of investment funds or other instruments providing investment exposure to underlying securities. Emphasis will generally be placed on stocks with mid and large capitalization so as to allow a rapid portfolio reallocation when necessary although a portion of the investments may be allocated to stocks with small capitalization as well.

Strategies may also include the holding of long only and long and short positions through a combination of a variety of direct investments and/or derivatives. Explora retains considerable flexibility in regard the choice of the instruments in which its Funds may invest and investment techniques it may use to achieve its investment objective. Therefore, the exact range of instruments in which the Funds may take positions cannot be specified in advance.

Despite the investments in funds managed by Explora Investments be denominated in US Dollars, its portfolios may be exposed to the fluctuation of the exchange rate of the Brazilian currency in relation to US Dollar. To have such Brazilian currency exposure and also to hedge against market and foreign exchange risks or to maximize returns, Explora Investments may enter into market transaction which may include, but not be limited to, forward foreign currency exchange contracts and currency futures contracts, as well as purchase and write call or put options on foreign currency. The portfolios may also buy and write covered put or call options on stock, stock indexes or other assets it might be holding in its portfolio.

### **Material Risks for Significant Investment Strategies**

While it is the intention of Explora Investments to implement strategies which are designed to minimize potential losses suffered by its clients, there can be no assurance that such strategies will be successful. The following is a discussion of certain material risks for Explora Investments' significant investment strategies, but it does not purport to be a complete explanation of the risks involved in Explora Investments' investment strategies. The particular risks associated with an investment in any of its funds are discussed in their offering documents, such as the funds' Private Placement Memoranda.

It is possible that a client may lose a substantial proportion or all of its assets in connection with investment decisions made by Explora Investments, and there is no guarantee that in any time period, particularly in the short term, a client's portfolio will achieve appreciation in terms of



capital growth or that a client's investment objective will be met by Explora Investments. The risks of investing in emerging markets, such as Brazil and other Latin American countries, as well as investing in non-U.S. securities are significant. In addition, Explora Investments may invest, on behalf of its clients, in lower-rated securities, distressed securities, derivatives and convertible securities, or engage in short-selling, which have inherent risks. A client's portfolio may also be subject to interest rate risks, sovereign debt risks and currency risks, which may adversely affect the value of a client's portfolio. Clients, as well as investors in the Funds, must also pay attention to the risks discussed in the Funds' Private Placement Memoranda.

### **Material Risks for Particular Types of Securities**

Explora Investments generally has considerable flexibility in the management of the portfolio, with some guidelines as to the proportion of its assets which may be invested in the securities of any one issuer, industry or class of securities.

Explora Investments does not recommend primarily a particular type of security. The material risks involved in Explora Investments' general investment strategies are described above.

## **ITEM 9 – DISCIPLINARY INFORMATION**

---

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of an adviser or the integrity of the adviser's management. Explora Investments has no information applicable to this Item 9.

## **ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

---

### **Broker-Dealer Registration**

Explora Investments and Explora Investments' management persons are not registered with the SEC as a broker-dealer or registered representatives, respectively.

### **Commodity Pool Operator, Commodity Trading Adviser, Futures Commission Merchant Registration**

Explora Investments is not registered with the Commodity Futures Trading Commission ("CFTC") as a futures commission merchant ("FCM"), a commodity pool operator ("CPO") or a commodity trading advisor ("CTA"). Explora Investments has made exemption filings with the CFTC pursuant to CFTC Rules 4.13(a)(4) and 4.14(a)(8).

### **Other Material Relationships**

Explora Investments does not have any relationships or arrangements that are material to Explora Investments' advisory business or to its clients that Explora Investments or any of its management persons have with any of the following related persons: (i) a broker-dealer, municipal securities dealer, or government securities dealer or broker; (ii) an investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment

trust, private investment company or “hedge fund,” and offshore fund) (other than the Funds); (iii) any other investment adviser or financial planner; (iv) a futures commission merchant, commodity pool operator, or commodity trading advisor; (v) a banking or thrift institution; (vi) an accountant or accounting firm; (vii) a lawyer or law firm; (viii) an insurance company or agency; (ix) a pension consultant; (x) and a real estate broker or (xi) dealer sponsor or syndicator of limited partnerships (other than sponsoring the Funds).

### **Receipt of Compensation from Investment Advisers**

Explora Investments generally does not recommend or select other investment advisers for its clients. In addition, Explora Investments does not receive compensation directly or indirectly from investment advisers and does not have other business relationships with other investment advisers.

## **ITEM 11 – CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

---

### **Code of Ethics**

Explora Investments has adopted a code of ethics set forth in its Compliance Manual (the “Code”). The Code governs the investment in securities by all officers, directors, partners and employees of Explora Investments (“Personnel”). The purpose of the Code is to ensure that personal transactions do not conflict with client transactions and that in any situation where the potential for conflict exists, client interests take precedence.

Specifically, the Code requires that Personnel shall abstain from committing any act that might give rise to conflict between their personal interests and those of Explora Investments when dealing with suppliers, clients, service providers and any natural person or legal entity doing business or who may do business with Explora Investments.

Situations that may occasionally cause conflict between the interests of Personnel and those of Explora Investments, in addition to dubious and unacceptable conduct, shall be carefully analyzed. In this case, Explora Investments recommends that Personnel consult the Chief Compliance Officer directly.

Explora Investments will provide a copy of the Code to any client or prospective client upon request.

### **Privacy Policy**

Explora Investments collects personal information primarily to provide investment management services, communicate information about its products and services and process subscriptions in its private investment vehicles. Personal information, which may be obtained from discussions with you and documents you may deliver to Explora Investments, may include your name, address, telephone number, social security number or tax identification number, assets, net worth, income, bank account information and occupation (collectively, “Personal Information”).

Explora Investments permits only authorized individuals, who have been advised as to the proper handling of investor information, and who need to access this information to perform services, to have access to this information. These authorized individuals are required to maintain and protect the confidentiality of Personal Information. Explora Investments maintains physical, electronic and procedural safeguards to protect Personal Information.

In order to service your account and process transactions for your account, Explora Investments may provide Personal Information to its affiliates and to non-affiliated third-party financial service providers that assist Explora Investments in servicing your account and have a need for such information, such as an administrator. In addition, Explora Investments may share Personal Information with non-affiliated third-party non-financial service providers, in order to process or service transactions or products. Unaffiliated third-parties in this instance may include service providers such as word processors and printers. Any such contract entered into by Explora Investments will include provisions designed to ensure that the third-party will uphold and maintain Explora Investments' privacy standards when handling Personal Information. Explora Investments may also disclose Personal Information to regulatory authorities as required or permitted by applicable law. Explora Investments does not otherwise provide information about you to outside firms, organizations or individuals except at your request or to Explora Investments' attorneys, accountants and auditors and as permitted by law. Except as described in this Privacy Policy, Explora Investments will not use Personal Information for any other purpose unless Explora Investments describes in advance how such Personal Information will be used and you are given an opportunity to decline approval of such use of your Personal Information.

### **Participation or Interest in Client Transactions and Associated Conflicts of Interest**

When engaging in such transactions, Explora Investments will seek to comply, as applicable, with the Advisers Act, the Investment Company Act, the Employee Retirement Income Security Act of 1974 ("ERISA"), and/or other applicable laws, rules or regulations, including any interpretations, modifications, exemptive or other relief or permission from or by the U.S. Securities and Exchange Commission (the "SEC"), SEC staff, the U.S. Department of Labor (the "DOL"), DOL staff or other authority with appropriate jurisdiction. Explora Investments has established policies and procedures designed to address and monitor potential conflicts of interest arising in connection with trading between accounts of its clients and accounts of its own.

### **Investments in Securities by Adviser and its Personnel**

It is possible that Explora Investments and its Personnel may buy or sell the same securities bought or sold for the investment companies or separately managed accounts managed by Explora Investments. The results of the investment activities of Explora Investments' account may differ from the results achieved by or for client accounts managed by Explora Investments. The conflicts raised by these circumstances are discussed below.

Personal transactions in securities by Explora Investments or its affiliated persons are subject to Explora Investments' policies and procedures in order to avoid conflicts of interest and misuse of non-public information. Moreover, Explora Investments has additional policies and procedures relating to certain personal securities transactions by Explora Investments' personnel which

Explora Investments deems to involve potential conflicts including conflicts involving Explora Investments' personnel and client accounts managed by Explora Investments.

Explora Investments does not maintain segregated, proprietary investment accounts for itself, and it invests only in funds that are open to clients. Furthermore, to reduce the occurrence of conflicts of interest Explora Investments' employees are encouraged to invest in funds managed by Explora Investments. Notwithstanding, client accounts managed by Explora Investments may trade in the same or similar securities as Explora Investments employees' own accounts. Explora Investments has policies and procedures in place to avoid that such trades occur simultaneously, or that such trades or investments have the effect of diluting or otherwise disadvantaging the values, prices or investment strategies of a client's account, particularly in small capitalization, emerging market or less liquid strategies. This may occur when portfolio decisions regarding a client's account are based on research or other information that is also used to support portfolio decisions for Explora Investments' own accounts. Explora Investments established a policy forbidding its Employees from implementing investment decisions for their own accounts that would imply trading ahead of, or contemporaneously with, similar portfolio decisions or strategies for a client's account. Explora Investments actively takes measures to prevent that trades on the account of its own Employees or itself cause adverse market impact, liquidity constraints, or others that could result in the client's account receiving less favorable trading results or in the costs of implementing such portfolio decisions or strategies increasing.

Explora Investments has established policies and procedures designed to address and monitor potential conflicts of interest arising under these circumstances.

### **Trading Alongside by Adviser and its Personnel**

Neither Explora Investments nor its Personnel would generally recommend securities to Explora Investments' clients, or buy or sell securities for its clients' accounts, on the same day that they would buy the same securities for their own accounts

## **ITEM 12 – BROKERAGE PRACTICES**

---

### **Broker-Dealer Selection**

Explora Investments has full discretion to select brokers or dealers as well as the commission rates at which the transactions for clients are effected. However, it is Explora Investments' policy to seek best execution at the best price available with respect to each transaction, in light of the overall quality of brokerage and research services provided to it or its clients. The best price means the best net price without regard to the mix between purchase or sale price and commissions. In selecting broker-dealers, and in negotiating commissions, Explora Investments considers a variety of factors, including best price and execution, the full range of brokerage services provided by the broker, as well as its capital strength and stability, and the quality of the research and research services provided by the broker.

In determining the abilities of a broker or dealer to obtain best execution for portfolio transactions, Explora Investments will consider all relevant factors, including the execution capabilities

required by the transactions; the ability and willingness of the broker or dealer to facilitate the portfolio transactions by participating therein for its own account; the importance to the account of speed, efficiency and confidentiality; the broker or dealer's apparent familiarity with sources from or to whom particular securities might be purchased or sold; the reputation and perceived soundness of the broker or dealer; as well as other matters relevant to the selection of a broker or dealer for portfolio transactions for any account. Explora Investments will not adhere to any rigid formula in making the selection of the applicable broker or dealer for portfolio transactions, but will weigh a combination of the preceding factors.

Explora Investments will have no duty or obligation to seek in advance competitive bidding for the most favorable commission rate applicable to any particular portfolio transaction or to select any broker on the basis of its purported or "posted" commission rate, but will endeavor to be aware of the current level of the charges of eligible brokers and to minimize the expense incurred for effecting portfolio transactions to the extent consistent with the interests and policies of the investment companies. Although Explora Investments will generally seek competitive commission rates, it will not necessarily pay the lowest commission or commission equivalent. Transactions may involve specialized services on the part of the broker or dealer involved and thereby entail higher commissions or their equivalents than would be the case with other transactions requiring more routine services.

### **Research and Other Soft Dollar Benefits**

Consistent with obtaining best execution, Explora Investments may direct brokerage commissions on client portfolio transactions to brokers in recognition of research or brokerage services received from them in connection with the execution of orders. Explora Investments may from time to time have formal soft dollar agreements with brokers-dealers by means of which its funds would direct client transactions to any particular broker-dealer in return for any soft dollar credits. In the last fiscal year Explora Investments received research and brokerage services from broker-dealers. However, it is generally Explora Investments' policy that the use of commission or "soft" dollars (including dealer markups or markdowns) to pay for proprietary and/or third party research or brokerage products or services will fall within the safe harbor for soft dollars created by Section 28(e) of the Exchange Act.

The research or brokerage products and services provided to Explora Investments by broker-dealers generally may include information on the economy, industries, groups of securities, individual companies, statistical information, accounting and tax law interpretations, political developments, legal developments affecting portfolio securities, technical market action, pricing and appraisal services, credit analysis, risk measurement analysis, performance analysis, analysis of corporate responsibility issues, and post-trade services or communication services related to executing, clearing and settlement of transactions. Such research services are received primarily in the form of written reports, telephone contacts, and personal meetings with security analysts. In addition, such research services may be provided in the form of access to various computer-generated data, computer software, and meetings arranged with corporate and industry spokespersons, economists, academics, and government representatives.

As a general matter, research and brokerage services are used to service all of Explora Investments' clients. The commission rates (or dealer markups and markdowns arising in connection with riskless principal transactions) charged to the Explora Investments Funds by brokers may be higher than those charged by other brokers who may not offer such proprietary or third-party services, capabilities or characteristics as described above. This may be done where Explora Investments has determined in good faith that such commission is reasonable in relation to the value of brokerage and research services received. In reaching such a determination, Explora Investments would not be required to place or attempt to place a specific dollar value on the brokerage or research services provided by such broker. However, as noted above, Explora Investments ensures that, when allocating trades to clients, each client is treated fairly and equitably over time in the execution of transactions.

### **Brokerage for Client Referrals**

Explora Investments generally does not consider, in selecting or recommending broker-dealers, whether Explora Investments or a related person receives client referrals from a broker-dealer or third party. We note that Explora Investments has full discretionary powers over its managed products and accounts, including the selection of broker-dealers for its clients (*i.e.*, Explora Investments does not merely "recommend" broker-dealers for its clients).

Explora Investments from time to time may participate in certain "capital introduction" programs organized or sponsored by certain prime or executing brokers to the Explora Investments Funds or affiliates of such prime or executing brokers, which programs may include the prime or executing brokers or their affiliates introducing Explora Investments to potential investors with which the prime or executing broker or its affiliate have a pre-existing relationship. Currently, neither Explora Investments nor the Funds compensate prime or executing brokers or their affiliates for organizing such programs or making such introductions or for any investments ultimately made by such prospective investors (although either may do so in the future). While such programs and introductions provided by a prime or executing broker or its affiliates may provide an incentive or influence Explora Investments in deciding whether to use such prime or executing broker in connection with brokerage, financing, trade execution and other activities of the Explora Investments Funds, Explora Investments will not commit to allocate a particular amount of brokerage to a prime or executing broker in any such situation.

### **Directed Brokerage**

Explora Investments generally has the discretionary authority to determine and direct execution of portfolio transactions within the client's specified investment objectives without prior consultation with the client on a transaction-by-transaction basis.

## **Aggregation of Trades**

Explora Investments has the fiduciary duty to execute orders for its clients fairly and equitably. Explora Investments follows written procedures pursuant to which it may, to the extent consistent with best execution, combine purchase or sale orders for the same security for multiple clients (sometimes called “bunching”) so that they can be executed at the same time. The procedures followed by Explora Investments may differ depending on the particular strategy or type of investment. Explora Investments is not required to bunch or aggregate orders if: (1) portfolio management decisions for different accounts are made separately; or (2) Explora Investments determines that bunching or aggregating is not practicable. Explora Investments may be able to negotiate a better price and lower commission rate on aggregated trades than on trades for accounts that are not aggregated. Where transactions for a client’s account are not aggregated with other orders, it may not benefit from the better price and lower commission rate. Because of prevailing trading activity, it may not be possible to receive the same price or execution on the entire volume of securities purchased or sold. When this occurs, the various prices may, in Explora Investments’ discretion, be averaged and accounts will be charged or credited with the average price. The effect of such aggregation may operate on some occasions to an account’s disadvantage.

## **ITEM 13 – REVIEW OF ACCOUNTS**

---

### **Review of Accounts**

Client portfolios are reviewed on a continuous basis by the investment team. These reviews are designed to monitor and analyze the transactions, positions, investment levels and mandates of each account. Particular attention is given to changes in company fundamentals, industry outlook, market outlook, and price levels. Generally, these reviews are performed by the investment committee of each investment team on a weekly basis. Extraordinary meetings may occur depending on changes in market conditions and companies’ fundamentals.

Explora Investments also performs reviews of its clients’ accounts as appropriate based on, among other things, changes in market conditions, security positions or changes in a clients’ investment objective or policies.

Explora Investments normally prepares and provides to its clients and investors in the Funds written reports on a monthly basis, which report account or Fund data and performance. These reports generally include statistical data (such as portfolio concentration, liquidity profile and historical returns).

## **ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION**

---

### **Other Compensation**

No person who is not a client of Explora Investments provides an economic benefit to Explora Investments for providing investment adviser or other advisory services to Explora Investments’ clients.

### **Compensation for Client Referrals**

Although Explora Investments has not signed any agreements to directly or indirectly compensate any person who is not a supervised person of Explora Investments, it reserves the rights of its Funds to have agreements with some placement agents for selling their interests, whereby such placement agents receive a portion of the management fees and performance-based fees or allocations paid to Explora Investments that are attributed to the interests sold by the agents, to the extent permitted by applicable law.

## **ITEM 15 – CUSTODY**

---

With respect to Explora Investments' "U.S. Clients" (as defined below), such clients should receive at least quarterly statements from the broker-dealer, bank or other qualified custodian that holds and maintains the clients' investment assets. Explora Investments urges U.S. Clients to carefully review such statements and compare such official custodial records to the account statements that Explora Investments may provide to them. Explora Investments' statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. The term "U.S. Clients" includes U.S. holders of Explora Investments' separate managed accounts and U.S. Funds (if any) managed by Explora Investments and excludes U.S. investors in non-U.S. Funds managed by Explora Investments.

Due to the fact that Explora Investments acts as an investment adviser and has an affiliated party that acts as a general partner, Explora Investments may be deemed to have custody of certain client assets under current applicable regulatory interpretations. As such, and as is required by the safekeeping requirement in Rule 206(4)-2 of the Investment Advisers Act of 1940, as amended, assets in the accounts of Explora Investments' clients are held by a qualified custodian. On an annual basis, the administrator delivers the audited financial statements to the investors in the respective fund within 120 days of fiscal year-end.

Under the "regulation lite" regime, a non-U.S. adviser is permitted to treat the non-U.S. funds that it manages as its clients for all purposes of the Investment Advisers Act of 1940, as amended (the "Advisers Act") other than for certain registration and reporting sections. The investors in the non-U.S. funds are not treated as the non-U.S. adviser's clients for these purposes. Thus, U.S. investors in non-U.S. funds that are managed by a non-U.S. adviser are not considered U.S. clients of the non-U.S. adviser. Accordingly, most of the substantive provisions of the Advisers Act, including the rules relating to custody, would not apply to Explora Investments with respect to the non-U.S. Funds that it manages. Explora Investments and the custodians will, however, be subject to the laws and regulations in their countries of residence.

## **ITEM 16 – INVESTMENT DISCRETION**

---

Explora Investments generally 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, Explora Investments observes the investment



policies, limitations and restrictions of the clients for which it advises. Investment guidelines and restrictions must be provided to Explora Investments in writing and, with respect to the Funds, are disclosed in the Private Placement Memorandum of each Fund.

## **ITEM 17 – VOTING CLIENT SECURITIES**

---

### **Proxy Voting Policies**

Explora Investments will be subject to the laws and regulations regarding proxy voting in its country of residence.

In general, Explora Investments has adopted policies and procedures designed to ensure that it votes proxies in the best interests of clients, disclose to clients information about those policies and procedures, and disclose to clients how they may obtain information on how Explora Investments has voted their proxies.

In relation to certain investments made by Explora Investments on behalf of its clients, Explora Investments has the authority to vote proxies. Proxy voting decisions are made in accordance with Explora Investments' proxy voting policies and procedures. Explora Investments' general policy regarding proxy voting is to consult with the CIO and Sector Heads, where applicable, and decide each proxy vote on a case-by-case basis.

Explora Investments shall take into account the best interests of its clients, as well as any potential conflicts of interest among its clients and Explora Investments or its affiliates. Explora Investments is responsible for identifying any potential conflicts of interest that may arise in the proxy voting process. Explora Investments will refer any conflicts of interest to the CCO.

We note that the proxy voting rules under the Advisers Act would generally apply only to Explora Investments' U.S. Clients (as defined under Item 15) under the regulation lite regime described above under Item 15. However, subject to the record keeping policies described in the paragraph below, the policies and procedures discussed above would generally apply to all Explora Investments' clients.

Thus, for Explora Investments' U.S. Clients, Explora Investments will follow the proxy voting procedures and policies discussed above. In addition, with respect to such U.S. clients, Explora Investments will retain (i) written proxy voting policies and procedures; (ii) proxy statements provided by the prime broker/custodian regarding client securities; (iii) records of votes cast on behalf of clients; (iv) records of clients requests for proxy voting information; and (v) any specific documents Explora Investments prepared that were material to making a decision how to vote, or that memorialized the basis for the decision.

Explora Investments' proxy voting policies and procedures and information on how specific proxies were voted is available to clients and prospective clients upon request.

## **ITEM 18 – FINANCIAL INFORMATION**

---

Registered investment advisers are required in this Item 18 to provide clients with certain financial information or disclosures about Explora Investments' financial condition. Explora Investments does not require prepayment of any fees, 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. Accordingly, no financial statements are required to be provided by Explora Investments to its clients.

#### **ITEM 19 – REQUIREMENTS FOR STATE-REGISTERED ADVISERS**

---

Advisers who are registered or are registering with state securities authorities are required in this Item 19 to provide clients with certain information about their business and management teams. Explora Investments is federally registered and is therefore not required to complete this Item 19.