

Axonic Capital LLC

Soma Specialty Management LLC

390 Park Avenue, 15th Floor
New York, NY 10022
(212) 259-0430

August 2, 2013

This brochure provides information about the qualifications and business practices of Axonic Capital LLC, a Delaware limited liability company (“**Axonic**”) and Soma Specialty Management LLC (“Soma Management” and collectively with Axonic, the “Firm”, “we”, “us” or “our”) If you have any questions about the contents of this brochure, please contact Jess Saypoff, Axonic's Chief Compliance Officer (“**CCO**”), at (212) 828-7297.

The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“**SEC**”) or by any state securities authority.

Additional information about Axonic and Soma Management also is available on the SEC’s website at www.adviserinfo.sec.gov.

Axonic and Soma Management are each an SEC-registered investment adviser. Registration does not imply a certain level of skill or training.

Item 2: Material Changes

This brochure contains certain changes from the Amendment which was filed with the SEC on April 1, 2013. The material changes that are reflected in this brochure from the last Form ADV filing dated April 1, 2013 are as follows:

The brochure, which formerly was the brochure solely for Axonic Capital LLC (“**Axonic**”), is now the brochure for both Axonic and Soma Specialty Management LLC (“**Soma Management**”). Soma Management, a wholly owned subsidiary of Axonic, is registered with the SEC as an investment adviser together with Axonic and, accordingly, is subject to Axonic’s supervision and control, code of ethics and compliance policies and procedures.

In the future, we will use this section to report any material changes.

Item 3: Table of Contents

Item 2: Material Changes	2
Item 3: Table of Contents	3
Item 4: Advisory Business	4
Item 5: Fees and Compensation	5
Item 6: Performance-Based Allocations and Side-By-Side Management.....	9
Item 7: Types of Clients.....	9
Item 8: Methods of Analysis, Investment Strategies and Risk of Loss.....	10
Item 9: Disciplinary Information	19
Item 10: Other Financial Industry Activities and Affiliations	19
Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading...	20
Item 12: Brokerage Practices.....	21
Item 13: Review of Accounts	24
Item 14: Client Referrals and Other Compensation	24
Item 15: Custody	24
Item 16: Investment Discretion	25
Item 17: Voting Client Securities	25
Item 18: Financial Information	25

Item 4: Advisory Business

Axonic

Formed in December 2010, Axonic serves as investment manager to the investment funds named below. Clayton DeGiacinto controls and is the principal owner of Axonic.

Axonic Credit Opportunities Overseas Fund, Ltd and Axonic Credit Opportunities Fund, LP (collectively, the “**Credit Opportunity Feeder Funds**”) invest substantially all of their assets in the Axonic Credit Opportunities Master Fund, LP (the “**Credit Opportunity Master Fund**” and, together with the Credit Opportunity Feeder Funds, the “**Credit Opportunity Funds**”).

Axonic Systematic Arbitrage Overseas Fund, Ltd and Axonic Systematic Arbitrage Fund, LP (collectively, the “**Systematic Arbitrage Feeder Funds**”) invest substantially all of their assets in the Axonic Systematic Arbitrage Master Fund, LP (the “**Systematic Arbitrage Master Fund**” and, together with the Systematic Arbitrage Feeder Funds, the “**Systematic Arbitrage Funds**”).

The OC 523 Offshore Fund Ltd invests substantially all of its assets in the OC 523 Master Fund, Ltd (together with OC 523 Offshore Fund Ltd, the “**OC 523 Funds**”).

Axonic Capital GP LLC is the general partner of Axonic Credit Opportunities Master Fund, LP and Axonic Systematic Arbitrage Master Fund, LP (collectively, together with OC 523 Master Fund, Ltd, the “**Master Funds**”) and Axonic Residential Asset Fund I GP, LLC is the general partner to Axonic Residential Asset Fund I, LP (the “**Residential Asset Fund**”). The Credit Opportunity Feeder Funds, the Systematic Arbitrage Feeder Funds and the OC 523 Offshore Fund Ltd are herein collectively referred to as the “**Feeder Funds**.” The Master Funds, the Feeder Funds and the Residential Asset Fund, are herein collectively referred to as the “**Funds**.” Axonic Capital GP, LLC and Axonic Residential Asset Fund I GP, LLC are herein collectively referred to as the “**General Partners**.” The General Partners are controlled by Clayton DeGiacinto. Accordingly, Axonic, the General Partners and the Funds may be deemed to be under common control.

Investors in the Funds include limited partners who invest in the Feeder Funds and the Residential Asset Fund, and are herein collectively referred to as the “**Investors**.”

Axonic’s clients consist of the Funds, and its investment advice is tailored to the principal investment objective for each Fund. See Item 8: Methods of Analysis, Investment Strategies and Risk of Loss. Investment restrictions (if any) for each Fund are set forth in the offering documents for that Fund.

As of December 31, 2012 Axonic managed \$2.3 billion in regulatory assets under management on a discretionary basis on behalf of its clients.

Soma Management

Formed in July 2013, Soma Management is a wholly owned subsidiary of Axonic. As noted above, Clayton DeGiacinto controls and is the principal owner of Axonic. Soma Management is registered with the SEC as an investment adviser together with Axonic and, accordingly, is

subject to Axonic's supervision and control, code of ethics and compliance policies and procedures.

Soma Management serves as investment manager to Soma Specialty Holdings LLC ("**Soma Holdings**"), an investment vehicle that invests substantially all of its assets in Soma Specialty Finance LLC ("**Soma**") a wholly owned operating subsidiary of Soma Holdings. Soma Management also makes all investment decisions on behalf of Soma. Investors in Soma Holdings are herein referred to as the "**Soma Investors**."

Soma Management's investment advice is tailored to the principal investment objective of Soma Holdings. See Item 8: Methods of Analysis, Investment Strategies and Risk of Loss. Investment restrictions (if any) for Soma Holdings are set forth in its offering documents.

Soma Management expects to commence operations on or about August 2, 2013. As of the date of filing this Form ADV Part 2A with the SEC, Soma Management has no assets under management.

This brochure does not constitute an offer to sell or solicitation of an offer to buy any securities. The securities of the Funds and Soma Holdings are offered and sold on a private placement basis under exemptions promulgated under the Securities Act of 1933, as amended, and other exemptions of similar import under U.S. state laws and the laws of other jurisdictions where any offering may be made. Persons reviewing this brochure should not construe this brochure as an offer to sell or solicitation of an offer to buy the securities of any of the Funds or Soma Holdings described herein. Any such offer or solicitation will be made only by means of a confidential private placement memorandum.

Item 5: Fees and Compensation

Axonic

The fees and compensation applicable to each Fund are set forth in detail in that Fund's offering documents and are summarized below.

Management Fees

As compensation for investment advisory services rendered, Axonic deducts a management fee calculated at the annual rate of not more than 2.0% of each Investor's capital account (the "**Axonic Management Fee**"). While specific to each Fund, the Axonic Management Fee is generally paid monthly in arrears based on the value of each capital account as of the last day of each calendar month (adjusted for contributions made during the month). Axonic may, in its sole discretion, waive or modify the Axonic Management Fee for Investors that are members, employees or affiliates of Axonic, relatives of those persons, and for certain large or strategic Investors.

Performance Allocations

For the Credit Opportunities Funds, the Systematic Arbitrage Funds and the OC 523 Funds, Axonic or an affiliate will receive an annual performance allocation of not more than 20.0% of each Fund's annual net profits (the "**Annual Performance Allocation**"), if any, subject to a "loss carry forward" provision. For the Residential Asset Fund, Axonic or an affiliate will receive a

performance allocation of not more than 20.0% in respect of amounts distributable to Investors in relation to disposed properties, subject to a cumulative 8% return on capital with respect to the disposed properties (such allocation, together with the Annual Performance Allocation, are referred to herein collectively as the “**Performance Allocations**”). The Performance Allocations are negotiable for Investors and Axonic may waive or reduce the Performance Allocation for Investors that are members, principals, employees or affiliates of Axonic, relatives of those persons, and for certain large or strategic Investors.

Withdrawal Fee

While specific to each Fund, Investors generally pay withdrawal fees of 5% to 10% for certain capital withdrawals. Withdrawal fees are generally deducted from amounts to be distributed to Investors upon redemption. The withdrawal fees are negotiable for Investors and we may waive or reduce the withdrawal fees for Investors that are members, principals, employees or affiliates of Axonic, relatives of those persons, and for certain other Investors.

Expenses

In addition to the Management Fees, Performance Allocations and withdrawal fees, each Fund will be subject to expenses, including but not limited to (i) investment-related expenses (whether related to investments that are consummated or unconsummated), such as brokerage commissions and fees, research, due diligence, acquisition and surveillance expenses (including data and software fees, related travel expenses, legal fees and expenses, and appraisal fees and expenses), interest on margin accounts and other indebtedness, custodial fees, bank service fees and other expenses related to the purchase, sale, financing or transmittal of the Fund’s assets and (ii) other expenses related to the operation and administration of the Fund, including fund administrator fees and expenses, directors’ and advisors’ fees and expenses, fees and expenses for legal, compliance, accounting, auditing, tax and other professionals, insurance premiums (including for E&O and D&O insurance), organizational and offering expenses (in certain cases), third-party valuation agent fees, licensing and filing fees, taxes and other governmental charges, and litigation and indemnification expenses. In general, the Feeder Funds will indirectly share the administrative and other expenses of the related Master Funds pro rata based upon their interests in the related Master Fund. The Residential Asset Fund will also incur expenses related to its real estate investments (whether related to investments that are consummated or unconsummated) and leasing activities. Some expenses may be capitalized. Please refer to Item 12 of this brochure for a discussion of Axonic’s brokerage practices.

Side Letters

Axonic may enter into agreements (sometimes referred to as “**side letters**”) with certain prospective, initial or existing Investors whereby such Investors may be subject to terms and conditions that are more advantageous than those set for other Investors. For example, such terms and conditions may provide for special rights to make future investments in the Funds, other investment vehicles or managed accounts; a reduction or rebate in Management Fees and/or Performance Allocations to be paid by the Investor; rights to receive reports from the Funds on a more frequent basis or that include information not provided to other investors (including, without limitation, more detailed information regarding portfolio positions) and such other rights which we may negotiate with such Investors. The terms of such side letters are provided solely at our discretion and may be based upon the size or timing of the Investor’s investment in the Funds (or in an affiliated entity), an agreement by the Investor to maintain such investment in the Fund for a certain period of time, or a similar or other type of commitment made by an Investor.

Soma Management

Management Fee

Soma is managed as an operating business. Accordingly, it will incur all expenses (“**Soma Operating Expenses**”) for operating a business, including all overhead expenses. Prior to the fifth anniversary of the date of the first closing of the issuance of the Series 1 interests of Soma Holdings (the “**Soma First Closing Date**”), certain services and overhead may be provided by Axonic or other affiliates of Soma Management and will be reimbursable at amounts (“**Soma Overhead Amounts**”) determined by Soma Management from time to time in its discretion (subject to certain caps, as described in Soma Holding’s offering documents).

Soma Management may pay or advance any expenses of Soma Holdings or Soma that exceed the available cash held by Soma. Any such payments or advancements will be reimbursed by Soma as a Management Fee, as described below.

Soma Management will receive a monthly management fee (the “**Soma Management Fee**”) for managing the affairs of Soma Holdings and Soma, payable at the end of each month. However, until the fifth anniversary of the Soma First Closing Date, the Soma Management Fee will equal the amount of Soma Operating Expenses paid or advanced by Soma Management (subject to an operating expense cap, as described in Soma Holding’s offering documents) plus the Overhead Amount.

On and after the fifth anniversary of the Soma First Closing Date, the monthly Soma Management Fee will equal 1/12 of 1.0% of net asset value of Soma.

In addition, on and after the fifth anniversary of the Soma First Closing Date, Soma Management will bear its general overhead expenses but will be entitled to reimbursement for any other Soma Operating Expenses that it pays for out of pocket.

Soma Management may, in its sole discretion, waive or modify the Soma Management Fee for Soma Investors that are members, employees or affiliates of Soma Management, relatives of those persons, and for certain large or strategic Soma Investors.

Carried Interest Distributions

An Axonic affiliate (the “**Soma Carried Interest Member**”) will receive a carried interest distribution (a “**Soma Carried Interest Distribution**”) representing a portion of each distribution of capital to each Soma Investor, as more fully described below.

As more fully described in Soma Holding’s offering documents, , distributions are, in general, apportioned between each Soma Investor and the Soma Carried Interest Member in the following order of priority (as more fully described in Soma Holdings’ offering memorandum): (i) first, to the Soma Investor until it has received an amount equal to the liquidation preference amount attributable to the aggregate capital contributions made by such Soma Investor; (ii) second, to the Soma Investor until it has achieved a preferred rate of return on its aggregate liquidation preference amount; (iii) third, to the Soma Carried Interest Member and the Soma Investor pursuant to a catch-up provision until the Soma Carried Interest Member has received 20% of the amounts distributed to the Soma Investor and the Soma Carried Interest Member; (iv) fourth, 20% to the Soma Carried Interest Member and 80% to the Soma Investor until cumulative distributions

to such Soma Investor under clauses (i)-(iii) above equal an amount that provides an additional preferred rate of return on its aggregate liquidation preference amount for such Soma Investor, (v) thereafter, 30% to the Soma Carried Interest Member and 70% to the Soma Investor. Such amounts may be reduced in accordance with the operating expense cap described in Soma Holdings' offering memorandum.

Organizational and Operating Expenses

In addition to the Management Fee and the Carried Interest Distributions, Soma Holdings will be subject to legal and other organizational and offering expenses incurred in connection with the formation of Soma Holdings, Soma and Soma Management.

As noted above, Soma will incur all Soma Operating Expenses for operating a business, including all overhead expenses such as rent, stationery, charges for furniture and fixtures; legal, accounting, audit and other professional fees and expenses; administrative fees and expenses and equivalent internal administration expenses; research expenses (including research-related travel) and expenses of third-party valuation agents (if any); commissions, custodial fees, bank services fees and insurance (including D&O and E&O insurance); compliance expenses (including expenses of registration and the development of compliance programs and other functions required of an adviser registered with the SEC, and expenses related to ongoing compliance obligations, including various filings (or portions thereof) that Soma Management and/or Axonic is required to make as a result of managing Soma Holdings and Soma, including Form PF); all expenses of the nature described herein that are paid out of pocket by Soma Management for the benefit of Soma; and until the fifth anniversary of the First Closing Date, all general operating overhead expenses of Soma Management, including the base compensation, benefits and bonuses of employees, employee insurance and payroll taxes of Soma Management employees hired to assist in the operation of Soma as a business.

CRE CLO Fees and Certain Other Fees

Soma Management or any of its affiliates may be entitled to senior and subordinate collateral management fees and/or incentive fees with respect to any subsidiary **Soma CRE CLO** (as defined below) that it manages. For as long as, and to the extent that, Soma Holdings holds all or substantially all the equity or residual interest in such Soma CRE CLO, such fees will be paid over to Soma or Soma Holdings or offset against the Management Fee. Any origination or arrangement fees with respect to funding an investment or a proposed investment or other fees paid to Soma Management or any of its affiliates by third parties will be paid over to Soma or Soma Holdings or offset against the Management Fee.

Side Letters

Soma Holdings (or Soma Management) may enter into side letters or other written agreements (sometimes referred to as "side letters") with certain Soma Investors whereby such Soma Investors may be subject to terms and conditions that are more advantageous than those set for other Soma Investors. For example, such terms and conditions may provide for (i) a lower Management Fee and/or Carried Interest Distribution to be paid by the Soma Investor, (ii) more favorable reporting rights, (iii) less restrictive transfer conditions, (iv) greater transparency on Investments or operations, (v) commitments to provide seats on the board of directors of Soma Holdings, (vi) rights to elect to convert Interests of one Series into another, (vii) rights to consent to the issuance of Interests at a discount to the amount of capital contributions deemed made and (viii) rights to vary the amount of capital contributions deemed made attributable to any Interest.

The terms of such side letters are provided solely at the discretion of Soma Holdings or Soma Management and may be based upon the size or timing of the Soma Investor's investment in Soma Holdings (or in an affiliated entity), an agreement by the Soma Investor to maintain such investment in Soma Holdings for a certain period of time, or a similar or other type of commitment made by a Soma Investor.

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

As stated in Item 5: Fees and Compensation, Axonic or an affiliate receives a Performance Allocation in relation to each Fund and the Carried Interest Member, an affiliate of Soma Management, is entitled to performance-based compensation in the form of Soma Carried Interest Distributions

The fact that Axonic and/or its affiliates are compensated through performance-based compensation may create an incentive for us to make investments that are riskier or more speculative, and/or to obtain greater leverage thereon, than would be the case in the absence of such compensation. In addition, in certain cases, the Performance Allocation may be based both on realized and unrealized gains and losses and, as a result, the Performance Allocation which we earn could be based upon unrealized gains that Investors may never realize.

In our allocation of investment opportunities to clients, the Performance Allocation and Soma Carried Interest Distribution arrangements could create an incentive for us to favor a higher or lower allocation of certain opportunities to certain clients over other clients. We have procedures in place aimed at preventing conflicts and intended to ensure that all clients are treated fairly and to prevent any potential conflicts from influencing our investment recommendations and the allocation of investment opportunities among clients. Please refer to Item 12 of this brochure for further information. Our procedures are intended to ensure fair and equitable allocation among clients. These areas are monitored by the CCO.

No other hourly, flat or asset-based fees are charged.

Item 7: Types of Clients

Axonic provides investment advisory services directly to the Funds, and Soma Management provides investment advisory services directly to Soma Holdings and Soma. Investors in the Funds and Soma Investors may include high net worth individuals, pension plans and retirement accounts, endowments, foundations, trusts, estates or charitable organizations, other funds (including other Axonic-managed Funds), family offices, private banks and investment managers, and other individuals and corporate or business entities for which such investment is suitable. Currently, only U.S. taxable investors are expected to invest in Soma Holdings.

Details concerning applicable Investor or Soma Investor suitability criteria and minimum investment amounts are set forth in the Funds' or Soma Holding's offering documents and subscription materials, as pertinent. Although we and our affiliates have the authority to accept subscriptions for lesser amounts, the minimum initial investment in the Funds or Soma Holdings is generally \$1 million. Each Investor or Soma Investor is required to meet certain suitability qualifications, such as being an "accredited investor" for purposes of Regulation D under the Securities Act of 1933, as amended, and a "qualified client" for purposes of Rule 205-3 under the Investment Advisers Act of 1940 (the "**Advisers Act**"). Additionally, Investors in the Systematic Arbitrage Funds must meet the criteria for "Qualified Eligible Persons" under Regulation 4.7 of the Commodity Futures Trading Commission (the "**CFTC**").

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

The descriptions set forth in this brochure of specific advisory services that we offer to clients, and investment strategies pursued and investments made by us on behalf of clients, should not be understood to limit in any way our investment activities. We may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this brochure, that we consider appropriate, subject to each client's investment objectives and guidelines.

Axonic

The following is a summary of the strategies and methods Axonic uses in formulating advice or managing assets for the Funds.

Methods of Analysis & Investment Strategy***Credit Opportunity Funds***

The Credit Opportunity Funds' principal investment objective is to achieve a positive return on capital by primarily investing in single credit and structured credit products, including public and private U.S. and non-U.S. mortgage-backed securities and consumer-receivable-backed securities including asset-backed securities ("ABS"), commercial mortgage securities ("CMBS"), collateralized debt obligations ("CDO"), collateralized loan obligations ("CLO"), insurance-linked securities ("ILS"), whole loans, whole loan mortgages, high-yield and corporate bonds, and various single-name and index credit default swaps. In addition, various over the counter and exchange traded derivatives, including various swaps, options, swaptions, futures and forward agreements (both listed and over-the-counter) on various financial instruments, equity securities, government securities, treasuries, currencies and commodities may be used for speculative or hedging purposes. Positions may be leveraged, and may be financed by various sources of funding, including bank lines, margin trading, short positions and repurchase arrangements.

Our investment strategy for the Credit Opportunity Funds relies primarily on three components: (i) our ability to identify and purchase appropriate securities, (ii) an intensive analytical approach to risk management and portfolio construction and (iii) our ability to construct a blended portfolio of risk-based assets and hedges with a return profile over time that demonstrates increased total return while mitigating discrete risks. We carry out our investment process and risk control procedures by applying various valuation tools including our own risk and valuation pricing engine.

OC 523 Funds

The OC 523 Funds' principal investment objective is to achieve a positive return on capital by primarily investing in mortgage and consumer receivable cashflow determined securities. The OC 523 Funds may invest in public and private U.S. and non- U.S. mortgage-backed securities and consumer-receivable-backed securities including ABS, CMBS, CDOs, ILS, whole loans, whole loan mortgages, high-yield and corporate bonds, and various single-name and index credit default swaps. In addition, various derivatives, including swaps, options, swaptions, futures and forward agreements (both listed and over-the-counter) on various financial instruments, equity securities, government securities, treasuries, currencies and commodities may be used for speculative or hedging purposes. Positions may be leveraged, and may be financed by various sources of funding, including bank lines, margin trading, short positions and repurchase arrangements.

The investment strategy for the OC 523 Funds relies primarily on three components: (i) our ability to identify and purchase appropriate securities, (ii) an intensive analytical approach to risk management and portfolio construction, and (iii) our ability to construct a blended portfolio of risk-based assets and hedges with a return profile over time that demonstrates increased total return while mitigating discrete risks. We carry out investment process and risk control procedures by applying various valuation tools including our own risk and valuation pricing engine.

Systematic Arbitrage Funds

The Systematic Arbitrage Funds' principal investment objective is to achieve a positive return on capital by primarily investing in agency mortgage-backed securities and global fixed income derivative markets. The Systematic Arbitrage Funds use a quantitative investment strategy and may invest in U.S. agency mortgage-backed securities, interest rate swaps, swaptions, fixed-income futures and options, as well as equity and FX variance swaps. In addition, derivatives, both listed and over-the-counter, such as options, futures, forwards and variance swaps on various financial instruments, U.S. and non-U.S. mortgage-backed securities, such as commercial mortgage securities, equity securities, government securities, treasuries, currencies and commodities, exchange traded funds, single-name and index credit default swaps may be used for speculative or hedging purposes. Positions may be leveraged, and may be financed by various sources of funding, including bank lines, margin trading, short positions and repurchase arrangements.

The Systematic Arbitrage Funds' investment strategy relies primarily on three components: (i) our ability to identify persistent inefficiencies and relative value opportunities based on a set of robustly tested systematic rules; (ii) an intensive analytical approach to risk management and portfolio construction; and (iii) our ability to construct a blended portfolio of risk-based assets and hedges with a return profile over time that demonstrates increased total return while mitigating discrete risks. We carry out the investment process and risk control procedures by applying various tools including our own return forecast engine and risk model.

Residential Assets Fund

The Residential Assets Fund's principal investment objective is to achieve significant current income and long-term capital appreciation through the acquisition, rental and ultimate sale of single family and multiple family residential properties principally located in the south-eastern part of United States.

We actively participate in the acquisition, management and disposition of the residential properties acquired by the Residential Assets Fund. We believe the Residential Assets Fund will benefit from our experience in (i) identifying and evaluating properties that can be acquired at "below-market" prices; (ii) coordination of acquisitions at favorable prices; (iii) assessing due diligence inspections and arranging for any necessary renovations or required periodic repairs on an economical and timely basis; (iv) managing and coordinating leasing and re-leasing services; and (v) determining the appropriate time to sell the properties for a profit and coordinating the sale process.

Risk Factors

Acquiring an interest in a private investment fund involves a number of risks, including complete loss of investment. An investment in the Funds may be deemed a speculative investment and is designed for sophisticated Investors who fully understand and are capable of bearing the risk of investment. No guarantee or representation is made that a Fund will achieve its investment objective or that Investors in a Fund will receive a return of their capital. The description contained below is a brief overview of different material risks related to our investment strategy and an investment in a Fund. This list does not purport to be a complete enumeration or explanation of the risks involved in our strategy or an investment in the Funds.

Limitations on Redemptions and Transfers of Interests in the Funds – An Investor's investment in the Funds is subject to the structure and terms of each Fund as set forth in that Fund's offering documents and subscription materials. Although Investors in certain Funds may request redemption of their interests on available redemption dates, the Funds may impose limitations on redemptions and may delay payment of a portion of the redemption price. There is no public market for interests in the Funds and those interests may not be sold, assigned, or transferred without our or our consent. Interests in the Funds will not be registered under federal or state securities laws and may not be transferred unless registered under applicable federal and state securities laws or unless an exemption from such registration is available.

Commercial and Residential Mortgage-Backed Securities – Investing in commercial and residential mortgage-backed securities involves the general risks typically associated with investing in traditional fixed-income securities (including interest rate and credit risk) and certain additional risks and special considerations (including the risk of principal prepayment and the risk of investing in real estate). Mortgage-backed securities generally provide for the payment of interest and principal on the mortgage-backed securities on a frequent basis and there also exists the possibility, particularly with respect to residential mortgage-backed securities, that principal may be prepaid at any time due to, among other reasons, prepayments on the underlying mortgage loans or other assets. As a result of prepayments, the Funds may be required to reinvest assets at an inopportune time, which may expose the Funds to a lower rate of return. The rate of prepayments on underlying mortgages affects the price and volatility of a mortgage-backed security, and may have the effect of shortening or extending the effective maturity beyond what was anticipated.

Asset-Backed Securities – Asset-backed securities are subject to interest rate risk and, to a lesser degree, prepayment risk. Asset-backed securities may also be subject to additional risks in that, unlike mortgage-backed securities, some asset-backed securities do not have the benefit of a security interest in the related collateral. Each type of asset-backed security also entails unique risks depending on the type of assets involved and the legal structure used. For example, credit card receivables are generally unsecured and the debtors are entitled to the protection of a number of state and federal consumer credit laws, many of which give debtors the right to set off certain amounts owed on the credit cards, thereby reducing the balance due. Asset-backed securities typically experience credit risk.

Structured Investments – The Funds may invest in entities organized and operated for the purpose of restructuring the investment characteristics of other debt securities. These investments will typically consist of equity or subordinated debt securities issued by a private investment fund that invests, on a leveraged basis, in debt instruments, including primarily senior loans and high yield bonds and mortgage-backed securities and asset-backed securities, directly or through total return swaps or other credit derivatives. The cash flow on the underlying instruments may be

apportioned among the newly issued security to create securities with different investment characteristics such as varying maturities, payment priorities and interest rate provisions, and the extent of the payments made with respect to such securities is dependent on the extent of the cash flow on the underlying instruments. Because the Funds will not own these assets directly, they will not benefit from rights that holders of the assets have, including indemnification and voting rights.

Changes in the Residential Mortgage Lending Market – The residential mortgage market has been an attractive environment for finding value in securities, loans and other instruments. There can be no assurance that we will be continue to be able to do so.

Bank Debt – The Funds may invest its assets in bank debt, which includes interests in loans to companies or their affiliates undertaken to finance a capital restructuring or in connection with recapitalizations, acquisitions, leveraged buyouts, refinancing or other financially leveraged transactions and may include loans that are designed to provide temporary or bridge financing to a borrower pending the sale of identified assets, the arrangement of longer-term loans or the issuance and sale of debt obligations. The Funds may also invest in collateral on financial instruments, including interests on whole commercial, consumer and other loans and lease contracts. These loans, which may bear fixed or floating rates, have generally been arranged through private negotiations between a corporate borrower and one or more financial institutions (“**Lenders**”), including banks. The Fund’s investment may be in the form of participations in loans (“**Participations**”) or of assignments of all or a portion of loans from third parties (“**Assignments**”).

Investments in Participations and Assignments involve additional risks, including the risk of nonpayment of principal and interest by the borrower, the risk that any loan collateral may become impaired and that the Fund may obtain less than the full value for the loan interests sold because they may be illiquid. Purchasers of loans depend primarily upon the creditworthiness of the borrower for payment of interest and repayment of principal. If scheduled interest or principal payments are not made, the value of the instrument may be adversely affected. Participations may also have the risk that the counterparty to the participation becomes insolvent.

Credit Derivatives – Credit derivatives are contracts that transfer price, spread and/or default risks of debt and other instruments from one party to another. Such instruments may include one or more debtors. Payments under credit derivatives may be made during the exercise period of the contracts. The market for credit derivatives may be illiquid and there are considerable risks that it may be difficult to either buy or sell the contracts as needed or at reasonable prices.

Interest Rate Risk – The Funds are subject to interest rate risk. Generally, the value of fixed income securities will change inversely with changes in interest rates. As interest rates rise, the market value of fixed income securities tends to decrease. Conversely, as interest rates fall, the market value of fixed income securities tends to increase.

Distressed Investments – The Funds may invest in debt and equity securities, accounts and notes payable, loans, private claims and other financial instruments and obligations of troubled companies that may result in significant returns to the Funds, but which involve a substantial degree of risk. The Funds may lose their entire investment in a troubled company, may be required to accept cash or securities with a value less than the Funds’ investment and may be prohibited from exercising certain rights with respect to such an investment. Troubled company investments may not show any returns for a considerable period of time.

Leverage – The Funds may utilize leverage. Leverage increases returns to Investors if the Funds earn a greater return on leveraged investments than the Funds' cost of such leverage. However, the use of leverage exposes the Funds to additional levels of risk including (i) greater losses from investments than would otherwise have been the case had the Funds not borrowed to make the investments, (ii) margin calls or changes in margin requirements may force premature liquidations of investment positions, (iii) losses on investments where the investment fails to earn a return that equals or exceeds the Funds' cost of leverage related to such investments and (iv) fluctuations in interest rates on the Funds' borrowings, which may have a negative effect on the Funds' profitability. In case of a sudden, precipitous drop in the value of the Funds' assets, the Funds might not be able to liquidate assets quickly enough to repay its borrowings, further magnifying the losses incurred by the Funds.

Concentrated Portfolio – At times, a Fund may have a concentrated portfolio. Accordingly, a Fund's portfolio may not be diversified among a wide range of issuers, industries, geographic areas, capitalizations or types of securities and may have relatively significant, concentrated positions. As a result, the investment portfolio of a Fund may be subject to more rapid changes in value than would be the case if the Fund were required to maintain a wide diversification among issuers, industries, geographic areas, capitalizations or types of securities.

Options – The purchase or sale of an option involves the payment or receipt of a premium by a party and the corresponding right or obligation, as the case may be, either to purchase or sell the underlying security, commodity or other instrument for a specific price at a certain time or during a certain period. Purchasing options involves the risk that the underlying instrument will not change price in the manner expected, so that the buyer loses its premium. Selling options involves potentially greater risk because the seller is exposed to the extent of the actual price movement in the underlying instrument rather than only the premium payment (which could result in a potentially unlimited loss). Over-the-counter options also involve counterparty solvency risk.

Non-U.S. Securities – Investing in securities of foreign governments and companies that are generally denominated in currencies other than the U.S. dollar, and utilization of foreign currency forward contracts and options on foreign currencies involve certain considerations comprising both risks and opportunities not typically associated with investing in securities of United States issuers.

Highly Volatile Markets – The prices of financial instruments in which the Funds may invest can be highly volatile. Price movements of forward and other derivative contracts in which a Fund's assets may be invested are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. The Funds are subject to the risk of failure of any of the exchanges on which its positions trade or of their clearinghouses.

Counterparty Risk – The Funds' assets may be held in one or more accounts maintained for the Funds by counterparties, including their prime brokers, and some of the markets in which we trade for the Funds are "over-the-counter", such as derivatives, repurchase transactions and certain short positions. This exposes the Funds to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem or a counterparty insolvency, thus causing the Funds to suffer a loss.

Residential Properties – The Residential Asset Fund invests in real estate properties. Accordingly, the Residential Asset Fund’s investments will be subject to the risks incident to the ownership of real estate, including risks associated with changes in the general economic climate, changes in the overall real estate market, local real estate conditions, the financial condition of tenants, buyers and sellers of properties, supply of or demand for competing properties in an area, accelerated construction activity, technological innovations that may dramatically alter space requirements, the availability of financing, changes in interest rates, competition based on rental rates, energy and supply shortages, various uninsured and uninsurable risks (including possible terrorist activity) and law and government regulations, including federal and state environmental laws, regulations and administrative rulings which, among other things, establish standards for the treatment, storage and disposal of solid and hazardous waste, and the imposition of joint and several liability on past and present owners of real property for hazardous substance remediation and removal costs, zoning laws and transfer taxes.

Other – To the extent that any of the Funds engage in frequent trading, such frequent trading can increase costs, including brokerage and other transaction costs and taxes, which can affect investment performance. Also, an Investor’s tax liability related to an investment in a Fund could exceed the amount distributed to the Investor by the Fund in a particular year.

For a comprehensive discussion of the risks involved in investing in the Funds please see the relevant offering documents and subscription materials.

Soma Management

The following is a summary of the strategies and methods Soma Management uses in formulating advice or managing assets for Soma Holdings and Soma.

Methods of Analysis & Investment Strategy

Soma Holdings’ principal investment objective is to achieve a positive return on capital through its ownership and ultimate disposition of its operating subsidiary, Soma, by means of a merger, sale or initial public offering of Soma (which may include the conversion of Soma to a real estate investment trust or taxable corporation), or the sale of all or substantially all the investments of Soma (excluding any sale to a Soma CRE CLO, or under repurchase agreements or other financing transactions) (each, a “**Soma Liquidity Event**”). The investment assets held by Soma, including interests in any Soma CRE CLO, are referred to herein as the “**Soma Investments**.”

Soma Management will use reasonable efforts to arrange a Soma Liquidity Event before the fifth anniversary of the Soma First Closing Date (the “**Soma Targeted Liquidity Date**”). If there is no Soma Liquidity Event by the Soma Targeted Liquidity Date, following the Soma Targeted Liquidity Date current income and disposition proceeds from Soma Investments in excess of amounts deemed necessary by Soma Management to pay expenses, fund reserves and manage the Soma Investments (including any real property acquired upon foreclosure of a Soma Investment) will be distributed by Soma to Soma Holdings, and in turn by Soma Holdings to the Soma Investors, and not reinvested (except in connection with the purchase of assets from a Soma CRE CLO). Soma Management may then also opportunistically seek to dispose of Soma Investments (including to one or more funds or other accounts managed by Axonic or its affiliates) and may distribute the proceeds thereof.

Soma's Business

Soma's business is to originate and/or acquire income-producing loans, debt and preferred equity instruments, participations and pass-through certificates, in each case, directly or indirectly secured or backed by commercial real estate, and to finance or leverage all or a portion of its assets. Soma's targeted assets primarily are mezzanine loans, but may also include whole mortgage loans, B Notes and preferred equity, and tranches of various seniority of commercial mortgage-backed securities (as defined above, "**CMBS**"). Soma will also seek opportunities to finance or leverage all or a portion of its assets, including through warehouse facilities, and by transferring the relevant assets to a wholly owned subsidiary or other entity that would issue debt to third parties and a subordinated tranche or residual interest to Soma (a "**Soma CRE CLO**"). Soma may repurchase assets (whether or not performing) previously transferred to a Soma CRE CLO.

Mezzanine loans are secured by one or more direct or indirect ownership interests (which may be only partial ownership interests) in a company, partnership or other entity owning, operating or controlling, directly or through subsidiaries or affiliates, one or more commercial properties and interests therein ("**Mezzanine Loans**"). Soma will originate Mezzanine Loans through several channels, including conduit lending programs and mortgage brokers.

Soma Risk Factors

Acquiring an interest in a private investment fund involves a number of risks, including complete loss of investment. An investment in Soma Holdings may be deemed a speculative investment and is designed for sophisticated investors who fully understand and are capable of bearing the risk of investment. No guarantee or representation is made that Soma Holdings will achieve its investment objective or that the Soma Investors will receive a return of their capital. The description contained below is a brief overview of different material risks related to Soma Management's investment strategy and an investment in Soma Holdings. This list does not purport to be a complete enumeration or explanation of the risks involved in Soma Management's strategy or an investment in Soma Holdings.

No Ability to Withdraw; Long-Term Commitment -- An investment in Soma Holdings requires the financial ability and willingness to accept significant risk and illiquidity. Soma Investors may not receive significant payments until a Soma Liquidity Event or any disposition of Soma Investments occurs. An investment represents a long-term commitment of at least five years. Soma Investors will not be able to voluntarily withdraw any portion of their investment in Soma Holdings, and interests in Soma Holdings are not transferable except with the consent of Soma Management. There is no public market for the interests and none is expected to develop.

Use of Leverage -- Soma will seek to finance or leverage all or a portion of its Investments, including by transferring the relevant Investments to a wholly owned Soma CRE CLO. The greater the total borrowings of Soma relative to its Soma Investments, the greater will be its risk of loss and possibility of gain due to market fluctuations in the values of its investments. Money borrowed by Soma will be subject to interest costs, which will be an expense of Soma, and, to the extent not covered by income attributable to the investments acquired, will adversely affect the operating results of Soma Holdings. In anticipation of creating a Soma CRE CLO, Soma may enter into warehousing arrangements with one or more lenders. Terms of warehouse financing may impose restrictions of the types of Soma Investments that Soma can make, and may require that Soma abide by certain covenants and maintain cash balances to meet margin calls. A default under a warehouse facility could materially and adversely affect Soma Holdings and the Soma

Investors' interest therein. There can be no assurance that Soma will be successful in arranging a Soma CRE CLO or otherwise obtaining leverage at all or on favorable terms. The failure to obtain leverage could adversely affect the returns to Soma Investors' and result in the failure of Soma's business and the winding up of Soma and Soma Holdings.

Uncertain Exit Strategies -- Due to the illiquid nature of many of the Investments that Soma expects to make, Soma Holdings is unable to predict with confidence what, if any, Soma Liquidity Event will ultimately be available for its investment in Soma. If there is no Soma Liquidity Event by the Soma Targeted Liquidity Date, following the Soma Targeted Liquidity Date current income and disposition proceeds from Soma Investments will be distributed by Soma to Soma Holdings, and in turn to the Soma Investors, and generally not reinvested. Soma Management may at any time also opportunistically seek to dispose of Soma Investments and distribute the proceeds. There can be no assurances that a market for Soma Investments will exist or that any Soma Investment may be realized at a profit. Accordingly, Soma Investors may remain invested in Soma Holdings (and indirectly in Soma) for a significant amount of time beyond such fifth anniversary.

Risk of Investing in Loans -- The Soma Investments will include Mezzanine Loans and may consist of other loans (together, "**Loans**"). The risks relating to Loans include (among others): (i) limited liquidity and secondary market support, (ii) the possibility that cash flow of the borrower of the Loan may be insufficient to meet its debt service, (iii) declining creditworthiness and potential for insolvency of the borrower of such Loan during periods of economic downturn, (iv) spread compression over the reference interest rate available for reinvestment during any period in which prepayments are received, (v) with respect to participations, in the event the holders of such participations cannot agree on a course of action, the related participation agreement may provide for one participant to act unilaterally, or the appointment of a third party operating advisor, or a buy/sell mechanism permitting such holders to specify the price at which party may elect to buy or sell its participation interest and (vi) if subordinated, subordination to the prior claims of senior lenders. Non-performing Loans may require substantial workout negotiations or restructuring that may entail, among other things, a substantial reduction in the interest rate and/or a substantial write down of the principal of the Loan. In addition, because of the unique and customized nature of a Loan, certain Loans may not be purchased or sold as easily as publicly traded securities.

Mezzanine Loans -- Typically, the ownership interests pledged by a mezzanine borrower as security for a Mezzanine Loan represents all or a portion of the direct or indirect equity in an entity that itself is a borrower under a commercial mortgage loan pursuant to which such mortgage borrower has pledged commercial property as security for such mortgage loan and perhaps other indebtedness and obligations (including derivatives and future advances), all of which will be senior in priority to the Mezzanine Loan. Also, typically, distributions in respect of its equity interest in the mortgage borrower constitute the sole source of income of the mezzanine borrower (and, therefore, the sole source of debt service payments on the related Mezzanine Loan). Accordingly, although a mezzanine borrower does not own or operate any commercial property, its ability to meet its obligations under its Mezzanine Loan depends upon the performance of the related commercial property. As with commercial mortgage loans, repayment of a Mezzanine Loan is thus dependent on the successful operation of the underlying commercial properties and, therefore, is subject to similar considerations and risks.

Risks Arising in Connection with Foreclosure and Taking Title to Real Property -- Soma Management does not have experience foreclosing on loans, nor does it have experience owning commercial properties. Soma Management's ability to promptly foreclose upon defaulted

Mezzanine Loans and operate the underlying real property and sell the interest therein obtained upon foreclosure, and the costs and expenses incurred in undertaking such foreclosures, including real estate transfer and recording taxes, is a material factor in the expected return on those investments. If Soma Management forecloses on an asset, Soma may take title to the property securing that asset, and if Soma Management does not or cannot sell the property, Soma would then come to own and operate it as “real estate owned.” Owning and operating real property involves risks that are different (and in many ways more significant) than the risks faced in owning an asset secured by that property. In addition, Soma may end up owning a property that Soma Management would not otherwise have decided to acquire directly at the price of Soma’s original investment or at all.

Soma CRE-CLO Residual Interests -- The Soma CRE CLO residual interest acquired by Soma will generally be the junior-most securities issued by the Soma CRE CLO. Subordinate classes of Soma CRE CLO securities generally are expected to provide that a deferral of interest thereon does not constitute an event of default and the holders of such securities will not have available to them any associated default remedies. During such periods of non-payment, such non-paid interest generally will be capitalized and added to the outstanding principal balance of the related security. Any such deferral will reduce the amount of current payments made on such Soma CRE CLO securities. Terms of a Soma CRE CLO may include interest coverage and overcollateralization coverage tests which, if breached, could divert cashflows otherwise intended for Soma as the residual interest holder to reduce the principal balance of the senior debt, thereby reducing the leverage obtained by Soma from the Soma CRE CLO more quickly than expected.

Loans are Illiquid -- There will be a limited trading market for the Soma Investments, and in certain instances there may be effectively no trading market therefor. The intercreditor agreement applicable to a Mezzanine Loan may prohibit the transfers of interests to persons other than certain institutional investors which may be required to have certain credit characteristics and/or capital resources. This will restrict Soma’s ability to dispose of these investments to a limited universe of investors and may affect the price at which such investments can be sold. In addition, local, state or federal law may impose transfer taxes in connection with the foreclosure on the collateral. These and other limitations on realization on the collateral for a Mezzanine Loan or the practical limitations on the availability and effectiveness of such a remedy may affect the likelihood of repayment in the event of a default. The illiquidity of certain Investments may restrict Soma’s ability to dispose of investments in a timely fashion and for an attractive price. Illiquid assets may trade at a discount from comparable, more liquid investments.

Investments in Mezzanine Loans generally should be considered non-recourse -- Mezzanine Loans generally are non-recourse loans and in the event of a default generally there will be recourse only against the specific assets that have been pledged to secure such Mezzanine Loans. In the event that the income generated by a real property were to decline as a result of the poor economic performance of that property, with the result that the property is not able to support debt service payments on the related mortgage loan, neither the related borrower nor any other person would be obligated to remedy the situation by making payments out of their own funds. In such a situation, the borrower could choose instead to surrender the related pledged assets to the lender or let it be foreclosed upon. Consequently, full and timely payment on Mezzanine Loans generally depends on one or more of the following: (i) the sufficiency of the net operating income of the applicable real property; (ii) the market value of the applicable real property at or prior to maturity; and (iii) the ability of the related borrower to refinance or sell the applicable real property. In general, the value of a multifamily or commercial property will depend on its ability to generate net operating income. The ability of an owner to finance a multifamily or

commercial property will depend, in large part, on the property's value and ability to generate net operating income.

Net Operating Income -- Net operating income is a key factor in determining the value of commercial real estate. The repayment of a Mezzanine Loan is typically dependent upon the ability of the applicable property to produce cash flow. Even the liquidation value of a multifamily, manufactured housing community or commercial property is determined, in substantial part, by the amount of the property's cash flow (or its potential to generate cash flow). However, net operating income and cash flow can be volatile and may be insufficient to cover debt service on the loan at any given time.

Dependence on Successful Property Management -- The operation of commercial properties is dependent upon successful management and depends in part on who controls the borrower and mortgaged property. A property manager may not be in a financial condition to fulfill its management responsibilities throughout the terms of their respective management agreements. Further, certain individuals involved in the management or general business development at certain mortgaged properties may engage in unlawful activities or otherwise exhibit poor business judgment that adversely affect operations and ultimately cash flow at such properties. Additionally, Soma does not expect to control the management, investment decisions or operations of the entities to which it makes Mezzanine Loans, and may not have the financial resources necessary to cure defaults on a mortgage loan related to its Mezzanine Loan.

Lack of Diversification -- Soma Holdings' strategy and Soma's business will be focused primarily, if not solely, on commercial real estate-related Investments. Accordingly, Soma Holdings will not have the benefit of an investment portfolio that is diversified across multiple sectors. Concentration of strategies exposes an account to significant losses in the event of market disruptions or other factors that negatively affect the relevant strategies, while such losses may otherwise have been mitigated with a more diversified investment portfolio.

For a more complete discussion of the risks involved in investing in Soma Holdings please see the relevant offering documents and subscription materials.

Item 9: Disciplinary Information

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

Item 10: Other Financial Industry Activities and Affiliations

Axonic applied for approval as a registered Commodity Pool Operator with the CFTC in December 2012 and was approved in February 2013. Axonic was simultaneously approved as a member of the National Futures Association ("NFA").

As noted above, Soma Management is a wholly owned subsidiary of Axonic. Soma Management is registered with the SEC as an investment adviser together with Axonic and, accordingly, is subject to Axonic's supervision and control, code of ethics and compliance policies and procedures. Soma Management is responsible for the investment decisions made on behalf of Soma Holdings, but relies on Axonic for certain administrative matters, such as office space, IT and telephone services and back-office support, pursuant to a services agreement. Clayton

DeGiacinto is the Managing Member of Axonic and Axonic is the managing member of Soma Management.

There are no restrictions on the ability of Axonic and its affiliates to manage accounts of other clients following the same, similar or different investment objective, philosophy, and strategy as those used for Soma Holdings. In fact, Axonic currently manages and expects to continue to manage other portfolios consisting primarily of securities that may invest pursuant to the same or different strategies as those employed by Soma Holdings. If a determination is made that Soma and a client of Axonic should trade in the same Investment at or about the same time, such investment will be allocated between Soma and other accounts in a manner that Soma Management and its affiliates determine in their discretion. Circumstances may occur in which an allocation could have adverse effects on Soma or the other client with respect to the price or size of positions obtainable or saleable.

Axonic and its employees do not have any relationships or arrangements with other financial services companies that pose material conflicts of interest.

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

Code of Ethics

Pursuant to Rule 204A-1 under the Advisers Act, we have adopted a written Code of Ethics predicated on the principal that we owe a fiduciary duty to our clients. The Code of Ethics is designed to address and avoid potential conflicts of interest and is applicable to the Firm's officers, directors, members, partners and employees (collectively referred to as "**employees**"). We require our employees to act in our clients' best interests, abide by all applicable regulations and avoid any action that is, or could even appear to be, legally or ethically improper.

Our Code of Ethics requires, among other things, that our employees:

- Act with integrity, competence, diligence, respect, and in an ethical manner with the public, clients, prospective clients, employers, employees, colleagues in the investment profession, and other participants in the global capital markets;
- Place the integrity of the investment profession, the interests of clients, and the interests of Axonic and Soma Management above one's own personal interests;
- Adhere to the fundamental standard that an employee may not take inappropriate advantage of his or her position with the Firm;
- Avoid and disclose any actual or potential conflict of interest;
- Conduct all personal securities transactions in a manner consistent with Firm policy;
- Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities;
- Practice and encourage others to practice in a professional and ethical manner that will reflect positively upon yourself and the profession;
- Promote the integrity of and uphold the rules governing the capital markets;
- Maintain and improve professional competence and strive to maintain and improve the competence of other investment professionals; and
- Comply with all applicable provisions of the federal securities laws.

In order to manage conflicts of interest, our Code of Ethics requires employees to:

- Pre-clear certain personal securities transactions;
- Report personal securities transactions on at least a quarterly basis; and
- Provide us with a detailed summary of certain securities holdings (both initially upon commencement of employment and annually thereafter) over which such employees have a direct or indirect beneficial interest.

A copy of our Code of Ethics will be provided to any current or prospective Investor or Soma Investor upon request.

Principal and Cross Trades

A principal transaction occurs when an investment adviser, acting for its own account (or the account of an affiliate) buys a security from, or sells a security to, a client's account. We will conduct all principal transactions, if any, according to the disclosure and client consent requirements of Section 206(3) of the Advisers Act. The precise application of these disclosure and consent requirements may depend on the transaction.

Our policy and practice is to not engage in any principal transactions for the account of Axonic Capital LLC.

With respect Soma Holdings, Soma Management may, to the extent permitted under applicable law, effect client cross-transactions or principal transactions where Soma Management causes a transaction to be effected between Soma and another account advised by it or any of its affiliates. Further, the independent director(s) on the board of directors of Soma Holdings may consent on behalf of Soma Holdings to principal transactions and other related-party transactions as described in the offering memorandum of Soma Holdings.

Item 12: Brokerage Practices

As an adviser and a fiduciary to the Funds and Soma Holdings, we require that the clients' interests must always be placed first and foremost, and our trading practices and procedures prohibit unfair trading practices and seek to disclose and avoid any actual or potential conflicts of interests or resolve such conflicts in the clients' favor. We have adopted the following policies and practices to meet the Firm's fiduciary responsibilities and to ensure our trading practices are fair to all clients and that no client is advantaged or disadvantaged over any other.

In selecting brokers for execution, we assess the reasonableness of their compensation and commissions charged based on the range and quality of a broker's services including execution capability, trading expertise, accuracy of execution, commission rates, research, reputation and integrity, fairness in resolving disputes, financial responsibility and responsiveness.

Soft Dollar Benefits

Although Fund specific, we are generally permitted by the Funds' governing documents to utilize "soft dollars", which are generated by trading activities to purchase research services or products that would otherwise have been an expense of the Firm.

Generally, research services provided by broker dealers 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, and analysis of corporate responsibility issues. Such research services are received primarily in the form of written reports, telephone contacts, industry conferences, and personal meetings with security analysts. In addition, such research services may be provided in the form of access to various computer-generated data, software, and meetings arranged with corporate and industry spokespersons, economists, academicians, and government representatives.

Presently, we do not use soft dollars. Should we decide to enter into such soft dollar arrangements, we intend to limit the usage of soft dollars for obtaining research and brokerage services so as to remain within the guidance set forth in Section 28(e) of the United States Securities Exchange Act of 1934, as amended.

Best Execution

As a matter of policy and practice, we seek to obtain best execution for client transactions, *i.e.*, seeking to obtain not necessarily the lowest commission but the best overall qualitative execution in the particular circumstances. Other components that we analyze in seeking best execution are timeliness of having a transaction executed by a broker, the value of research provided, the responsiveness of the broker to us and the financial responsibility of the broker.

Aggregated Trades

The aggregation or blocking of client transactions allows an adviser to execute transactions in a more timely, equitable, and efficient manner and seeks to reduce overall commission charges to the Funds.

Axonic currently conducts all trading activity within the Master Funds and in the Residential Assets Fund. Our policy is to aggregate transactions where possible and when advantageous to the Funds. In these instances, Funds participating in any aggregated transactions will receive an average share price and transaction costs will be shared on a pro-rata basis.

Allocations

Our policy prohibits any allocation of trades in a manner that results in more favorable treatment being provided to proprietary accounts, affiliated accounts or any client account (including each of the Funds and Soma Holdings) over another.

We have adopted a policy intended to achieve the fair and equitable allocation of transactions. We generally analyse each trade, taking into consideration the specifics of each trade and the characteristics of each Fund and/or Soma Holdings, as applicable. To the extent that multiple Funds or accounts participate in a particular transaction, such transaction will generally be allocated pro-rata, unless we determine that facts specific to the transaction and Funds or accounts warrant an alternative allocation methodology.

Trade Errors**Axonic**

As a fiduciary, we have the responsibility to effect orders correctly, promptly and in the best interests of the Funds. In the event that any error occurs in the handling of any Fund transactions, due to our actions, or inaction, or actions of others, our policy is to assess each trade error on a case-by-case basis, and to correct the error promptly and in the best interests of the Funds and so as to avoid incurring a loss to the Fund. The goal of the error correction is to make the Fund “whole”, subject to limits which are set forth in the investment management agreement for each Fund.

In correcting trade errors, any hedge fund gains from trade errors may not offset losses from trade errors, unless the underlying transactions constitute a single transaction. Any hedge fund gains caused by trade errors will be credited to the affected Fund(s). In addition, soft dollars may not be used to pay for correcting our trading errors.

Soma Management

Soma Management is under no obligation to reimburse Soma or Soma Holdings for any errors or mistakes made by the adviser with respect to placing or executing trades for its respective client(s) or any other administrative errors made (“Trade or Administrative Errors”). Trade or Administrative Errors are considered by Soma Holdings to be a cost of doing business. However, pursuant to the exculpation of liability and indemnification provisions contained in the operating agreements for Soma and Soma Holdings, Soma Management will be obligated to reimburse Soma and Soma Holdings for any Trade or Administrative Error resulting from its willful misconduct or gross negligence. Soma Management, subject to its fiduciary obligations, will determine whether or not any Trade or Administrative Error is required to be reimbursed in

accordance with such liability and exculpation provisions. Soma Management has an inherent conflict of interest with respect to the discovery and treatment of Trade or Administrative Errors. Any net gain resulting from Trade or Administrative Errors will be for the benefit of the pertinent client and will not be retained by Soma Management.

Item 13: Review of Accounts

Review of Accounts

The portfolio manager(s) and investment professionals of Axonic and Soma Management monitor and analyze the transactions, positions, and investment levels of the Funds and Soma Holdings, as pertinent, on an ongoing basis to ensure that they conform with the respective client's stated investment objectives and guidelines. In these reviews, we pay particular attention to any changes in the investment's fundamentals, overall risk management and changes in the markets that may affect price levels.

Reporting

Axonic distributes to Investors annual audited financial reports, monthly performance reports and annual tax information for the pertinent Fund.

Soma Management distributes to Soma Investors annual audited financial reports, unaudited quarterly reports and annual tax information for Soma Holdings.

Item 14: Client Referrals and Other Compensation

Axonic has and may continue to enter into arrangements to compensate third parties for referring potential clients or Investors to Axonic. Axonic compensates third parties only if the client or Investor is aware of the fee arrangements (through disclosures or acknowledgments included in a Fund's subscription document) and the arrangement otherwise complies with applicable law, rules and regulations, including, if applicable, Rule 206(4)-3 under the Advisers Act. Soma Management has no such arrangements.

Item 15: Custody

Axonic and Soma Management each will comply with the requirements of Rule 206(4)-2 under the Advisers Act with regard to custody of the assets of the Funds and Soma Holdings, respectively ("**Custody Rule**").

The Master Funds' and Feeder Funds' accounts are held in custody at qualified custodians including unaffiliated broker-dealers or banking institutions. The Residential Assets Fund's cash and liquid investments are held in custody at qualified custodians including unaffiliated broker-dealers or banking institutions. Title to real properties is generally taken in the name of a separate trust of which the Residential Assets Fund is the beneficiary and an affiliate of Axonic is the Trustee.

Both Axonic and the General Partners are deemed to have custody of client assets. In accordance with the SEC's custody rule, each of the Funds is audited on an annual basis. Copies of these audited financial statements are distributed to Investors in a Fund within 120 days of the Fund's fiscal year end.

Soma Management is deemed to have custody of the assets of Soma Holdings and Soma. Soma Holdings is audited on an annual basis, and copies of the audited financial statements are distributed to the Soma Investors within 120 days of Soma Holdings' fiscal year end.

Item 16: Investment Discretion

Axonic and Soma Management each has full discretionary authority to manage the Funds or Soma Holdings (and Soma), respectively, including authority to make decisions with respect to, as pertinent, which assets are bought and sold, the amount and price of those assets, the brokers or dealers or sellers or buyers to be used for a particular transaction, and the commissions paid. Our authority is limited by our internal policies and procedures and by the investment guidelines of each Fund and Soma Holdings (and Soma), as pertinent. These terms are set out in the private placement memoranda and in the governing documents of each Fund and Soma Holdings.

Item 17: Voting Client Securities

Proxy Voting Policy

Axonic accepts authority to vote proxies for clients' securities holdings. In accordance with Axonic's fiduciary duty to clients under Rule 206(4)-6 under the Advisers Act, we have adopted and implemented policies and procedures governing the voting of client securities. We will vote proxies and other issuer solicitations in the best interests of the Funds. All proxies that we receive will be treated in accordance with these policies and procedures. Investors may not direct proxy voting for particular solicitations.

We consider the reputation, experience, and competence of a company's management and board of directors when we evaluate a prospective investment. Generally, we will vote in favor of what would be deemed as routine corporate matters, including the election of directors (where no corporate governance issues are implicated), the selection of auditors and increases in or reclassification of common stock. For other proposals, we will determine whether a proposal is in the best interests of the Funds and may take into account the following factors, among others: whether the proposal was recommended by management (and, to this end, our opinion of management); whether the proposal acts to entrench existing management; and whether the proposal fairly compensates management for past and future performance.

If we identify any material conflict of interest, we will determine whether voting in accordance with our voting guidelines and factors is in the best interests of the Funds.

Soma Management does not expect to receive many proxies. However, to the extent Soma Management accepts authority to vote proxies on behalf of its clients and has occasion to vote proxies, it will do so in accordance with these policies and procedures.

A copy of our proxy voting policies and procedures is available upon request.

Item 18: Financial Information

Neither Axonic nor Soma Management has ever filed for bankruptcy, and neither is aware of any financial condition which would negatively affect its ability to manage client accounts.