

## **PAMLI Fund Management LLC**

**March 28, 2013**

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This brochure provides information about the qualifications and business practices of PAMLI Fund Management LLC (the "Adviser"), an investment adviser registered with the United States Securities and Exchange Commission (the "SEC"). If you have any questions about the contents of this brochure, please contact us at (212) 899-3370. This information has not been approved or verified by the SEC or by any state securities authority.

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

Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.

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#### Item 4. Advisory Business

**A. General Description of Advisory Firm.** The Adviser is an investment adviser with its principal place of business in New York, New York. The Adviser commenced operations as an investment adviser on December 29, 2010. Faisal Ayub Syed is the principal owner of the Adviser.

**B. Description of Advisory Services.** The Adviser provides investment advisory services on a discretionary basis to its clients, which include private pooled investment vehicles intended for sophisticated investors and institutional investors, and separately managed accounts for institutions.

**C. Availability of Tailored Services for Individual Clients.** The Adviser provides advice to client accounts based on specific investment objectives and strategies. The Adviser tailors its advisory services to the individual needs and specified investment objectives and strategies of each client, as set forth in each client's offering documents. Clients may impose restrictions on investing in certain securities or certain types of securities.

**D. Client Assets Under Management.** As of December 31, 2012, the Adviser managed approximately \$441.9 million of client assets (computed on a net asset basis) on a discretionary basis.

**A. Advisory Fees and Compensation.***Asset-Based Compensation*

The Adviser charges each client an investment management fee of up to 1.75% per annum based on the value of each client's assets under management. Investors in private pooled investment vehicles and other non-pooled investment vehicles managed by the Adviser are subject to such investment management fees indirectly through their investment in the pooled investment vehicle or directly in the case of non-pooled investment vehicles.

Investment management fees for some clients are charged each quarter in advance based on the net asset value of the client account (including net unrealized appreciation or depreciation of investments and cash, cash equivalents and accrued interest) on the first business day of the quarter. If a new client account is established during a quarter or a client makes an additional investment in its account during a quarter the investment management fee will be charged as of the effective date of the investment management agreement or the date of the additional investment based on the value of the assets as of the applicable date and will be prorated for the number of days remaining in the quarter.

Investment management fees for other clients are charged each month or quarter (as applicable) in arrears based on the net asset value of the client account (including net unrealized appreciation or depreciation of investments and cash, cash equivalents and accrued interest) on the last day of the month or quarter (as applicable) or as otherwise determined in accordance with the client's offering documents or investment management agreement. If a new client account is established during a month or quarter (as applicable) or a client makes an addition to its account during a month or quarter (as applicable), the investment management fee will be prorated for the number of days remaining in the month or quarter (as applicable). If a client's investment management agreement is terminated or a withdrawal or redemption (as applicable) is made from a client account during a month or quarter (as applicable), the investment management fee payable to the Adviser will be calculated based on the value of the assets on the termination date or withdrawal or redemption date (as applicable) and prorated for the number of days during the month or quarter (as applicable) in which the investment management arrangement was in effect or such amount was in the account.

The investment management fees are generally not negotiable; however, the Adviser, in its sole discretion, may waive or modify the fees for certain investors in pooled investment vehicles who are members, employees or affiliates of the Adviser or a related person of the Adviser, relatives of such persons and for certain large or strategic investors.

*Performance-Based Compensation*

The Adviser (or its related person) will also be paid or allocated, as applicable, a performance-based fee or allocation, which is compensation that is based on a share of capital gains on or capital appreciation of the assets of a client. This compensation may be paid or allocated, as applicable, to the Adviser (or its related person) and may equal up to 20% of net profits, subject to a loss carryforward.

The performance-based compensation paid or allocated to the Adviser (or its related person) is generally not negotiable; however, the Adviser, in its sole discretion, may waive or modify such compensation for certain investors in the pooled investment vehicles who are members, employees or affiliates of the Adviser or a related person of the Adviser, relatives of such persons and for certain large or strategic investors.

**B. Payment of Fees.** The Adviser deducts the investment management fee from client accounts by instructing the client's custodian. The Adviser deducts client accounts for investment management fees quarterly.

Performance-based compensation is deducted from client accounts at the end of each fiscal year or upon withdrawal or redemption by a client and paid to or reallocated to, as applicable, the Adviser (or its related person).

**C. Other Fees and Expenses.** In addition to paying investment management fees and, if applicable, performance-based compensation, client accounts will also be subject to other investment expenses such as custodial charges, brokerage fees, clearing fees, commissions and related costs; interest expenses; taxes, duties and other governmental charges; transfer and registration fees or similar expenses; costs associated with foreign exchange transactions; other portfolio expenses; and costs, expenses and fees associated with products or services that may be necessary or incidental to such investments or accounts. Please refer to Item 12 of this Firm Brochure for a discussion of the Adviser's brokerage practices. Client assets may be invested in a master-feeder structure. Feeder funds bear a *pro rata* share of the expenses associated with the related master fund.

**D. Prepayment of Fees.** Clients are required to pay the Adviser's investment management fees in advance. If the advisory contract is terminated or a withdrawal or a redemption is made from the account before the end of a billing period, any pre-paid investment management fee will be refunded on a *pro-rata* basis.

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## **Item 6. Performance-Based Fees and Side-by-Side Management**

The Adviser and its investment personnel provide investment advisory services to multiple portfolios for multiple clients. The Adviser (or its related person) is paid or allocated performance-based compensation by its private pooled investment vehicle clients and certain other client accounts. In addition, the Adviser's investment personnel are compensated on a basis that includes a performance-based component. The Adviser and its investment personnel, including investment personnel that share in performance-based compensation, manage both client accounts that are charged performance-based compensation and accounts that are charged an asset-based fee, which is a non-performance-based fee. In addition, certain client accounts may have higher asset-based fees or more favorable performance-based compensation arrangements than other accounts. When the Adviser and its investment personnel manage more than one client account a potential exists for one client account to be favored over another client account. The Adviser and its investment personnel have a greater incentive to favor client accounts that pay the Adviser (and indirectly the portfolio manager) performance-based compensation or higher asset-based fees.

The Adviser has adopted and implemented policies and procedures intended to address conflicts of interest relating to the management of multiple accounts, including accounts with multiple fee arrangements, and the allocation of investment opportunities. The Adviser reviews investment decisions for the purpose of ensuring that all accounts with substantially similar investment objectives are treated equitably. The performance of similarly managed accounts is also compared at least semi-annually to determine whether there are any unexplained significant discrepancies. In addition, the Adviser's procedures relating to the allocation of investment opportunities generally require that similarly managed accounts participate in investment opportunities *pro rata* based on net asset value, but also take into account investment objectives and strategies, available cash, risk tolerance, tax status, nature of the security to be allocated and timing of cash flows and account liquidity. The Adviser's procedures also require that, to the extent orders are aggregated, client orders are price-averaged. Finally, the Adviser's procedures also require the objective allocation of limited opportunities (such as initial public offerings and private placements) to ensure fair and equitable allocation among accounts. These areas are monitored by the Adviser's Chief Compliance Officer.

**A. Types of Clients**

The Adviser's clients consist of private pooled investment vehicles and a separately managed account intended for sophisticated investors and institutional investors.

With respect to such clients, initial and additional subscription minimums, if any, are disclosed in the offering memorandum or investment management agreement for such clients.

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

**A. Methods of Analysis and Investment Strategies.** The Adviser utilizes a variety of methods and strategies to make investment decisions and recommendations. The methods of analysis include fundamental research that is augmented by the Adviser's proprietary analytical tools and applications as well as macro analysis. The Adviser primarily invests across credit-based asset classes using liquid securities.

The Adviser employs the following investment strategies:

*Relative Value.* The Adviser's relative value strategies are structured to offer asymmetric payout profiles with identifiable catalysts. The catalysts may be based on fundamental or technical factors and may be long biased, short biased or market neutral. The Adviser has developed tools and applications to dynamically optimize trade construction. Relative value trades may include capital structure, basis, curve, long/short and other strategies.

*Directional Strategy.* The Adviser's directional strategy is driven by fundamental analysis of valuations and credit risk. Potential upside and downside is estimated and the optionality of the trade is assessed. Directional trades typically include both long positions and short positions that offer a high degree of optionality.

*Hedging.* The Adviser utilizes a variety of financial instruments, such as derivatives, options, interest rate swaps, futures and forward contracts for risk management purposes.

*Leverage.* The Adviser's investment program utilizes leverage which involves the borrowing of funds from brokerage firms, banks and other institutions in order to be able to increase the amount of capital available for marketable securities investments.

*Option Trading.* The Adviser utilizes options in carrying out its relative value and directional strategies. Options are investments whose ultimate value is determined from the value of the underlying investment.

*Short Selling.* The Adviser utilizes short selling in carrying out its relative value and directional strategies. In a short sale transaction, the Adviser sells a security it does not own in anticipation that the market price of that security will decline.

These methods, strategies and investments involve risk of loss to clients and clients must be prepared to bear the loss of their entire investment.

### **B. Material Risks (Including Significant, or Unusual Risks) Relating to Investment Strategies.**

*Relative Value Risk.* In the event that the perceived mispricings underlying the Adviser's relative value trading positions were to fail to converge toward, or were to diverge further from, relationships expected by the Adviser, client accounts may incur a loss.

*Hedging.* There can be no assurances that a particular hedge is appropriate, or that certain risk is measured properly. Further, while the Adviser may enter into hedging transactions to seek to reduce risk, such transactions may result in poorer overall performance and increased (rather than reduced) risk for the Adviser's investment portfolios than if the Adviser did not engage in any such hedging transactions.

*Leverage.* Leverage increases the returns of a client account if the client account earns a greater return on investments purchased with borrowed funds than the client account's cost of borrowing such funds. However, the use of leverage exposes a client account to additional levels of risk, including (i) greater losses from investments than would otherwise have been the case had the client account not borrowed to make the investments, (ii) margin calls or interim margin requirements which may force premature

liquidations of investment positions, and (iii) losses on investments where the investment fails to earn a return that equals or exceeds a client account's cost of borrowing such funds. In the event of a sudden, precipitous drop in value of a client account's assets, such client account might not be able to liquidate assets quickly enough to repay its borrowings, further magnifying its losses.

*Lack of Diversification.* Client accounts will not be diversified among a wide range of types of securities, countries or industry sectors. Accordingly, client portfolios are subject to more rapid change in value than would be the case if the Adviser were required to maintain a wider diversification among types of securities and other instruments.

*Short Selling Risk.* The Adviser's investment program includes a significant amount of short selling. Short selling transactions expose the Adviser to the risk of loss in an amount greater than the initial investment, and such losses can increase rapidly and without effective limit. There is the risk that the securities borrowed by the Adviser in connection with a short sale would need to be returned to the securities lender on short notice. If such request for return of securities occurs at a time when other short sellers of the subject security are receiving similar requests, a "short squeeze" can occur, wherein the Adviser might be compelled, at the most disadvantageous time, to replace the borrowed securities previously sold short with purchases on the open market, possibly at prices significantly in excess of the proceeds received earlier.

*Interest Rate Risks.* Generally, the value of fixed-income securities changes 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. This risk is greater for long-term securities than for short-term securities.

*Issuer-Specific Changes.* Changes in the financial condition of an issuer or counterparty, changes in specific economic or political conditions that affect a particular type of security or issuer, and changes in general economic or political conditions can increase the risk of default by an issuer or counterparty, which can affect a security's or instrument's value. The value of securities of smaller, less well-known issuers can be more volatile than that of larger issuers. Smaller issuers can have more limited product lines, markets, or financial resources.

### **C. Risks Associated With Types of Securities that are Primarily Recommended (Including Significant, or Unusual Risks).**

*Corporate Debt Obligations.* Corporate debt obligations are subject to the risk of an issuer's inability to meet principal and interest payments on the obligations (credit risk). The Adviser may intend to actively expose client accounts to credit risk. However, there can be no guarantee that the Adviser will be successful in making the right selections and thus fully mitigate the impact of credit risk changes on a client account.

*Credit Default Swap Agreements.* The "buyer" in a credit default contract is obligated to pay the "seller" a periodic stream of payments over the term of the contract in return for a contingent payment upon the occurrence of a credit event with respect to an underlying reference obligation. Generally, a credit event means bankruptcy, failure to pay or obligation acceleration. If a credit event occurs, the seller typically must pay the contingent payment to the buyer, which is typically the "par value" (full notional value) of the reference obligation. The contingent payment may be a cash settlement or by physical delivery of the reference obligation in return for payment of the face amount of the obligation. Client accounts may be either the buyer or seller in such a transaction. If a client account is a buyer and no credit event occurs, the client account may lose its investment and recover nothing. However, if a credit event occurs, the buyer typically receives full notional value for a reference obligation that may have little or no value. As a seller, the client account receives a fixed rate of income throughout the term of the contract, which typically is between one month and five years, provided that no credit event occurs. If a credit event occurs, the seller may pay the buyer the full notional value of the reference obligations. Credit default swaps involve greater risks than if the client account had invested in the reference obligation directly. In addition to general market risks, credit default swaps are subject to liquidity risk and credit risk.

*Derivatives.* Swaps, and certain options and other custom derivative or synthetic instruments are subject to the risk of nonperformance by the counterparty to such instrument, including risks relating to the financial soundness and creditworthiness of the counterparty. In addition, investments in derivative instruments require a high degree of leverage, meaning the overall contract value (and, accordingly, the potential for profits or losses in that value) is much greater than the modest deposit used to buy the position in the derivative contract. Derivative securities can also be highly volatile. The prices of derivative instruments and the investments underlying the derivative instruments may fluctuate rapidly and over wide ranges and may reflect unforeseeable events or changes in conditions, none of which can be controlled by the client or the Adviser. Further, transactions in derivative instruments are not undertaken on recognized exchanges, and will expose the client's account to greater risks than regulated exchange transactions that provide greater liquidity and more accurate valuation of securities.

*Fixed-Income and Debt Securities.* Investment in fixed-income and debt securities such as bonds, notes and asset-backed securities, subject a client's portfolio to the risk that the value of these securities overall will decline because of rising interest rates. Similarly, portfolios that hold such securities are subject to the risk that the portfolio's income will decline because of falling interest rates. Investments in these types of securities will also be subject to the credit risk created when a debt issuer fails to pay interest and principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the price of that debt to decline. Lastly, investments in debt securities will also subject the investments to the risk that the securities may fluctuate more in price, and are less liquid than higher-rated securities because issuers of such lower-rated debt securities are not as strong financially, and are more likely to encounter financial difficulties and be more vulnerable to adverse changes in the economy.

*Mortgage-Backed Securities.* Mortgage-backed securities are subject to credit risk associated with the performance of the underlying mortgage properties. Factors such as consumer spending habits, local economic and competitive conditions, tenant occupancy rates and regulatory or zoning restrictions, or the loss of a major tenant may adversely affect the economic viability of a mortgaged property. In addition, these securities are subject to prepayment risk. Some securities have a structure that makes their reaction to interest rates and other factors difficult to predict, making their value highly volatile.

*Asset-Backed Securities.* Asset-backed securities are subject to interest rate risk and, to a lesser degree, prepayment risk. Asset-backed securities are subject to additional risks in that, unlike mortgage-backed securities, asset-backed securities generally 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. In addition, asset-backed securities experience credit risk. There is also the possibility that recoveries on repossessed collateral may not be available to support payments on these securities because of the inability to perfect a security interest in such collateral.

*Non-U.S. Securities.* Foreign securities, foreign currencies, and securities issued by U.S. entities with substantial foreign operations can involve additional risks relating to political, economic, or regulatory conditions in foreign countries. These risks include fluctuations in foreign currencies; withholding or other taxes; trading, settlement, custodial, and other operational risks; and the less stringent investor protection and disclosure standards of some foreign markets. All of these factors can make foreign investments, especially those in emerging markets, more volatile and potentially less liquid than U.S. investments. In addition, foreign markets can perform differently from the U.S. market.

*Emerging Markets.* The risks of foreign investments typically are greater in less developed countries, sometimes referred to as emerging markets. For example, political and economic structures in these countries may be less established and may change rapidly. These countries also are more likely to experience high levels of inflation, deflation, or currency devaluation, which can harm their economies and securities markets and increase volatility. Restrictions on currency trading that may be imposed by emerging market countries will have an adverse effect on the value of the securities of companies that trade or operate in such countries.

*Equity Securities.* The value of equity securities fluctuates in response to issuer, political, market, and economic developments. Fluctuations can be dramatic over the short as well as long term, and different parts of the market and different types of equity securities can react differently to these developments. For example, large cap stocks can react differently from small cap stocks, and "growth" stocks can react differently from "value" stocks. Issuer, political, or economic developments can affect a single issuer, issuers within an industry or economic sector or geographic region, or the market as a whole. Changes in the financial condition of a single issuer can impact the market as a whole. Terrorism and related geopolitical risks have led, and may in the future lead, to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally.

*Security Futures and Options.* In connection with the use of futures contracts and options, there may be an imperfect correlation between the change in market value of a security and the prices of the futures contracts and options in the client's account. In addition, the Adviser's investments in security futures and options may encounter a lack of a liquid secondary market for a futures contract and the resulting inability to close a futures position prior to its maturity date.

*Distressed Securities.* Investments in unrated or low grade debt securities of distressed companies are subject to greater risk of loss of principal and interest than higher-rated debt securities. Also, securities of distressed companies are generally more likely to become worthless than the securities of more financially stable companies. In addition, evaluating credit risk for foreign debt securities involves greater uncertainty because credit rating agencies throughout the world have different standards, making comparison across countries difficult.

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**Item 9. Disciplinary Information**

This Item is not applicable.

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## Item 10. Other Financial Industry Activities and Affiliations

**A. Material Relationships or Arrangements with Industry Participants.** The Adviser has entered into a strategic relationship with another investment adviser, PAMLI Capital Management LLC ("PCM"). PCM identifies and researches investments for the Adviser to consider for investment by clients of the Adviser as well as provides operational and administrative services to the Adviser. The Adviser makes investment decisions and authorizes PCM to execute the trades based upon the recommendation of PCM. The Adviser directly compensates PCM for its services to the Adviser. Additionally, the Adviser and PCM are subject to a unified compliance program, operate under a single Code of Ethics (as described in Item 11 of this Firm Brochure) and share personnel and resources.

Each private pooled investment vehicle for which the Adviser or its related person serves as general partner or investment manager has and may in the future enter into agreements, or "side letters," with certain prospective or existing investors in such pooled investment vehicles whereby such investors may be subject to terms and conditions that are more advantageous than those set forth in the offering memorandum for the applicable pooled investment vehicle. For example, such terms and conditions may provide for special rights to make future investments in the pooled investment vehicle, other investment vehicles or managed accounts; a reduction or rebate in investment management fees or performance-based compensation; special withdrawal or redemption rights relating to frequency, notice, a reduction or rebate in withdrawal/redemption fees to be paid by the investor (to the applicable pooled investment vehicle) and/or other terms; rights to receive reports from the pooled investment vehicle on a more frequent basis or that include information not provided to other investors in such vehicle and such other rights as may be negotiated by the pooled investment vehicle and such investors. The modifications are solely at the discretion of the pooled investment vehicle and may, among other things, be based on the size of the investor's investment in such pooled investment vehicle or affiliated investment entity, an agreement by such investor to maintain its investment in such pooled investment vehicle for a significant period of time, or another similar commitment by such investor to the pooled investment vehicle.

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

**A. Code of Ethics.** The Adviser has adopted a Code of Ethics (the “Code”) that obligates the Adviser and its related persons (including PCM) to put the interests of the Adviser’s clients before their own interests and to act honestly and fairly in all respects in their dealings with clients. All of the Adviser’s personnel (as well as the personnel of PCM) are required to comply with applicable Federal securities laws. Generally, the Adviser’s personnel (as well as the personnel of PCM) must obtain prior written approval from the Adviser’s Chief Compliance Officer before engaging in any transaction in his or her personal account. The Chief Compliance Officer may approve the transaction if he concludes that the transaction would comply with the provisions of the Code and is not likely to have any adverse economic impact on clients. Personnel of the Adviser (as well as the personnel of PCM) are generally prohibited from executing any personal securities transaction in any security or other financial instrument then owned by a client or that a client is in the process of buying or selling, or that the Adviser is researching, analyzing or considering buying or selling for a client. Clients or prospective clients may obtain a copy of the Code by contacting Thomas DeFrancesch, the Adviser’s Chief Compliance Officer, by email at [tom.defrancesch@pamlicapital.com](mailto:tom.defrancesch@pamlicapital.com), or by telephone at (212) 899-3370. Please refer to Item 10 of this Firm Brochure for a discussion of the Adviser’s strategic relationship with PCM.

The Adviser, in the course of its investment advisory and other activities, may come into possession of confidential or material nonpublic information about issuers, including issuers in which the Adviser or its related persons have invested or seek to invest on behalf of clients. The Adviser is prohibited from improperly disclosing or using such information for its own benefit or for the benefit of any other person, regardless of whether such other person is a client. The Adviser maintains and enforces written policies and procedures that prohibit the communication of such information to persons who do not have a legitimate need to know such information and to assure that the Adviser is meeting its obligations to clients and remains in compliance with applicable law. In certain circumstances, the Adviser may possess certain confidential or material, nonpublic information that, if disclosed, might be material to a decision to buy, sell or hold a security, but the Adviser will be prohibited from communicating such information to the client or using such information for the client’s benefit. In such circumstances, the Adviser will have no responsibility or liability to the client for not disclosing such information to the client (or the fact that the Adviser possesses such information), or not using such information for the client’s benefit, as a result of following the Adviser’s policies and procedures designed to provide reasonable assurances that it is complying with applicable law.

**A. Factors Considered in Selecting or Recommending Broker-Dealers for Client Transactions.** The Adviser considers a number of factors in selecting a broker-dealer to execute transactions (or series of transactions) and determining the reasonableness of the broker-dealer's compensation. Such factors include: financial stability of the broker; the difficulty of execution and the ability to handle difficult trades; average commission rate charged by each broker; and the value of research provided by each broker. In selecting a broker-dealer to execute transactions (or series of transactions) and determining the reasonableness of the broker-dealer's compensation, the Adviser need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. It is not the Adviser's practice to negotiate "execution only" commission rates, thus a client may be deemed to be paying for research, brokerage or other services provided by a broker-dealer which are included in the commission rate. At least annually, selected employees of the Adviser meet to evaluate the broker-dealers used by the Adviser to execute client trades using the foregoing factors.

**1. Research and Other Soft Dollar Benefits.** Although the Adviser has not entered into any specific explicit "soft dollar" arrangements, the Adviser receives research or other products or services other than execution from broker-dealers in connection with client securities transactions. This is known as a "soft dollar" relationship. The Adviser will limit the use of "soft dollars" to obtain research and brokerage services to services that constitute research and brokerage within the meaning of Section 28(e) of the Securities Exchange Act of 1934 ("Section 28(e)"). Research services within Section 28(e) may include, but are not limited to, research reports (including market research); certain financial newsletters and trade journals; software providing analysis of securities portfolios; corporate governance research and rating services; attendance at certain seminars and conferences; discussions with research analysts; meetings with corporate executives; consultants' advice on portfolio strategy; data services (including services providing market data, company financial data and economic data); advice from broker-dealers on order execution; and certain proxy services. Brokerage services within Section 28(e) may include, but are not limited to, services related to the execution, clearing and settlement of securities transactions and functions incidental thereto (i.e., connectivity services between an adviser and a broker-dealer and other relevant parties such as custodians); trading software operated by a broker-dealer to route orders; software that provides trade analytics and trading strategies; software used to transmit orders; clearance and settlement in connection with a trade; electronic communication of allocation instructions; routing settlement instructions; post trade matching of trade information; and services required by the SEC or a self regulatory organization such as comparison services, electronic confirms or trade affirmations.

The Adviser's Chief Compliance Officer and the Head Trader meet annually to review and evaluate its soft dollar practices and to determine in good faith whether, with respect to any research or other products or services received from a broker-dealer, the commissions used to obtain those products and services were reasonable in relation to the value of the brokerage, research or other products or services provided by the broker-dealer. This determination will be viewed in terms of the Adviser's overall responsibilities to the accounts or portfolios over which the Adviser exercises investment discretion.

The use of client commissions (or markups or markdowns) to obtain research and brokerage products and services raises conflicts of interest. For example, the Adviser will not have to pay for the products and services itself. This creates an incentive for the Adviser to select or recommend a broker-dealer based on its interest in receiving those products and services.

The Adviser may cause clients to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for soft dollar benefits (known as paying-up), resulting in higher transaction costs for clients.

Research and brokerage services obtained by the use of commissions arising from a client's portfolio transactions may be used by the Adviser in its other investment activities, including, for the benefit of other client accounts. The Adviser does not seek to allocate soft dollar benefits to client accounts proportionately.

During the Adviser's last fiscal year, as a result of client brokerage commissions, the Adviser and/or its related persons received, research reports (including market research); attendance at certain seminars and conferences; discussions with research analysts; advice on portfolio strategy; data services (including services providing market data, company financial data and economic data); advice from broker-dealers on order execution; connectivity services between the Adviser and a broker-dealer and other relevant parties); trading software operated by a broker-dealer to route orders; software that provides trade analytics and trading strategies; software used to transmit orders; clearance and settlement in connection with a trade; electronic communication of allocation instructions; routing settlement instructions; post trade matching of trade information; and services required by the SEC or a self regulatory organization such as comparison services, electronic confirms or trade affirmations.

**2. Brokerage for Client Referrals.** From time to time the Adviser may participate in capital introduction programs arranged by broker-dealers, including firms that serve as prime brokers to a private fund managed by the Adviser. The Adviser may place client portfolio transactions with firms who have made such recommendations or provided capital introduction opportunities, if the Adviser determines that it is otherwise consistent with seeking best execution. In no event will the Adviser select a broker-dealer as a means of remuneration for recommending the Adviser or any other product managed by the Adviser (or an affiliate) or affording the Adviser with the opportunity to participate in capital introduction programs.

**3. Directed Brokerage.** The Adviser does not currently permit clients to direct the Adviser to execute such client's trades with a specified broker-dealer. If, however, the Adviser did permit a client to direct that the Adviser execute all or a portion of the transactions for such client through a specific broker in return for such broker providing the client with various services, such direction would restrict the Adviser's discretion to select brokers and negotiate commission rates and may adversely affect the Adviser's ability to obtain best execution with respect to such client.

**B. Order Aggregation.** The Adviser often purchases or sells the same security for many clients contemporaneously/at or near the same time using the same executing broker. It is the Adviser's practice, where possible, to aggregate client orders for the purchase or sale of the same security submitted contemporaneously/at or near the same time for execution using the same executing broker. Such aggregation may enable the Adviser to obtain for clients a more favorable price or a better commission rate based upon the volume of a particular transaction. In cases where trading or investment restrictions are placed on a client's account, the Adviser may be precluded from aggregating that client's transaction with others. In such a case, the client may pay a higher commission rate and/or receive less favorable prices than clients who are able to participate in an aggregated order. When an aggregated order is completely filled, the Adviser allocates the securities purchased or proceeds of sale *pro rata* among the participating accounts, based on the purchase or sale order. Adjustments or changes may be made under certain circumstances, such as to avoid odd lots or excessively small allocations. If the order at a particular broker is filled at several different prices, through multiple trades, generally all such participating accounts will receive the average price and pay the average commission, subject to odd lots, rounding, and market practice. If an aggregated order is only partially filled, the Adviser's procedures provide that the securities or proceeds are to be allocated in a manner deemed fair and equitable to clients. Depending on the investment strategy pursued and the type of security, this may result in a *pro rata* allocation to all participating clients.

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**Item 13. Review of Accounts**

**A. Frequency and Nature of Review.** Each client account is reviewed by the Chief Investment Officer of the Adviser (and one or more supervised persons of the Adviser, as necessary) at least monthly to determine whether securities positions should be maintained in view of current market conditions. Matters reviewed include securities held, adherence to investment guidelines and the performance of each client account.

**B. Factors Prompting a Non-Periodic Review of Accounts.** Significant market events affecting the prices of one or more securities in client accounts may trigger reviews of client accounts on an other than periodic basis.

**C. Content and Frequency of Regular Account Reports.** With respect to each client that is a pooled investment vehicle, investors in such clients receive reports from the client pursuant to the terms of such client's offering memorandum or as otherwise described in the offering document of the client.

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**Item 14. Client Referrals and Other Compensation****A. Economic Benefits Received from Non-Clients for Providing Services to Clients.**

Although the Adviser has not entered into specific explicit “soft-dollar” arrangements, the Adviser receives research or other products or services from broker-dealers. This may create an incentive for the Adviser to select or recommend broker-dealers based on the Adviser’s interest in receiving the research or other products or services and may result in the selection of a broker-dealer on the basis of considerations that are not limited to the lowest commission rates and may result in higher transaction costs than would otherwise be obtainable by the Adviser on behalf of its clients. Please see Item 12 for further information on the Adviser’s “soft-dollar” practices, including the Adviser’s procedures for addressing conflicts of interest that arise from such practices.

This Item is not applicable.

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## Item 16. Investment Discretion

The Adviser provides investment advisory services on a discretionary basis to clients. Please see Item 4 for a description of any limitations clients may place on the Adviser's discretionary authority.

Prior to assuming full discretion in managing a client's assets, the Adviser enters into an investment management agreement or other agreement that sets forth the scope of the Adviser's discretion.

Unless otherwise instructed or directed by a discretionary client, the Adviser has the authority to determine (i) the securities to be purchased and sold for the client account (subject to restrictions on its activities set forth in the applicable investment management agreement and any written investment guidelines), and (ii) the amount of securities to be purchased or sold for the client account. Because of the differences in client investment objectives and strategies, risk tolerances, tax status and other criteria, there may be differences among clients in invested positions and securities held. The Adviser determines the allocation of securities to (or from) client accounts for each trade/order submitted. The Adviser may consider the following factors, among others, in allocating securities among clients: (i) client investment objectives and strategies; (ii) client risk profiles; (iii) tax status and restrictions placed on a client's portfolio by the client or by applicable law; (iv) size of the client account; (v) nature and liquidity of the security to be allocated; (vi) size of available position; (vii) current market conditions; and (viii) account liquidity, account requirements for liquidity and timing of cash flows. Although it is the Adviser's policy to generally allocate investment opportunities to eligible client accounts on a *pro rata* basis (based on the net asset value of each participating account relative to the net asset value of all participating accounts), these factors may lead the Adviser to allocate securities to client accounts in varying amounts. Even client accounts that are typically managed on a *pari passu* basis may from time to time receive differing allocations of securities.

Allocations will be made among client accounts eligible to participate in initial public offerings (IPOs) and secondary offerings on a *pro rata* basis, except when the Adviser determines in its discretion that a *pro rata* allocation is not appropriate, which may include a client's investment guidelines explicitly prohibiting participation in IPOs or secondary offerings and a client's status as a "restricted person" or "covered investor" under applicable regulations.

Securities acquired by the Adviser for its clients through a limited offering will be allocated pursuant to the procedures set forth in the Adviser's general allocation policy. The Adviser will determine the proposed allocation of limited offering securities after considering the factors described above with respect to general allocations of securities and determining those client accounts eligible to hold such securities. Eligibility will be based on the legal status of the clients and the client's investment objectives and strategies.

The Adviser may effect cross transactions between discretionary client accounts, except as otherwise noted below. Cross transactions enable the Adviser to effect a trade between two clients for the same security at a set price, thereby possibly avoiding an unfavorable price movement that may be created through entrance into the market and saving commission costs for both accounts. Cross transactions include rebalancing transactions that are undertaken so that, after withdrawals or contributions have occurred, the portfolio compositions of similarly managed accounts remain substantially similar. The Adviser has a potentially conflicting division of loyalties and responsibilities regarding both parties to cross transactions. Cross transactions between client accounts are not permitted if they would constitute principal trades or trades for which the Adviser or its affiliates are compensated as a broker unless client consent has been obtained based upon written disclosure to the client of the capacity in which the Adviser or its affiliates will act. In addition, cross transactions are not permitted for benefit plan or other similar accounts that are subject to ERISA.

If it appears that a trade error has occurred, the Adviser will review the relevant facts and circumstances to determine an appropriate course of action. To the extent that trade errors and breaches of investment guidelines and restrictions occur, the Adviser's error correction procedure is to ensure that clients are

treated fairly and, following error correction, to seek to ensure that clients are in the same position they would have been if the error had not occurred. The Adviser has discretion to resolve a particular error in any appropriate manner that is consistent with the above stated policy. In the event that a client account incurs a trade error as a result of the Adviser's gross negligence or willful misconduct, trade errors will be corrected by the Adviser as soon as practicable, in a manner such that the client incurs no loss. Trade errors that result other than by breach of the standard of care above are borne by the client account.

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## Item 17. Voting Client Securities

**A. Policies and Procedures Relating to Authority to Vote Client Securities.** To the extent the Adviser has been delegated proxy voting authority on behalf of its clients, the Adviser complies with its proxy voting policies and procedures that are designed to ensure that in cases where the Adviser votes proxies with respect to client securities, such proxies are voted in the best interests of its clients. In voting proxies, the Adviser generally votes in favor of routine corporate housekeeping proposals, including, election of directors (where no corporate governance issues are implicated), selection of auditors and increases in or reclassification of common stock. The Adviser will generally vote against proposals that make it more difficult to replace members of a board of directors. For all other proposals, the Adviser will determine whether a proposal is in the best interests of its clients and may take into account the following factors, among others: (i) whether the proposal was recommended by management and the Adviser's opinion of management; (ii) whether the proposal acts to entrench existing management; and (iii) whether the proposal fairly compensates management for past and future performance.

The Adviser's clients are not permitted to direct their votes in a particular solicitation.

If a material conflict of interest between the Adviser and a client exists, the Adviser will determine whether voting in accordance with the guidelines set forth in the proxy voting policies and procedures is in the best interests of the client or take some other appropriate action.

Clients may obtain a copy of the Adviser's proxy voting policies and procedures and information about how the Adviser voted a client's proxies by contacting Thomas DeFrancesch, the Adviser's Chief Compliance Officer, by email at [tom.defrancesch@pamlicapital.com](mailto:tom.defrancesch@pamlicapital.com), or by telephone at (212) 899-3370.

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**Item 18. Financial Information**

This Item is not applicable.

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

This Item is not applicable.

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**Appendix: Item 2. Material Changes**

The Adviser is required to identify and discuss any material changes made to this brochure since the Adviser's last annual update. Although the Adviser has made certain updates and clarifying revisions since its last annual update, there are no material changes to report in this Item 2.