

Form ADV Part 2A: Firm Brochure

Cello Capital Management, LLC

March 28, 2013

Principal Office

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This brochure provides information about the qualifications and business practices of Cello Capital Management, LLC and its affiliates (collectively “Cello Capital” or “Advisor”). For more information on the disclosure requirements required for Part 2A see the “General Instructions for Part 2 of Form ADV” by visiting www.sec.gov/rules/final/2010/ia-3060.pdf. If you have any questions about the contents of this Brochure, please contact our Chief Compliance Officer at 646-495-3075 or email elizabeth.styron@cellocapital.com.

Additional information about Cello Capital is also available on the SEC’s website at: www.adviserinfo.sec.gov.

Cello Capital is registered as an investment adviser with the United States Securities and Exchange Commission (the “SEC”) under the Investment Advisers Act of 1940 (the “Advisers Act”). Registration as an investment adviser with the SEC does not imply a certain level of skill or training. In addition, the information in this Brochure has not been approved or verified by the SEC or by any state securities authority.

Item 2: Material Changes

In February 2012, Cello Capital filed its initial application to register as an investment adviser with the SEC. There have been no material changes to this brochure since the last annual update. We encourage all recipients of this Brochure to read it carefully in its entirety.

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Item 4: Advisory Business

Cello Capital Management, LLC (“Cello Capital” or “Advisor”) is an investment advisory firm organized as a limited liability company under the laws of the State of Delaware. Antoine Schettritt, Managing Member of Cello Capital (the “Managing Member”) founded Cello Capital in 2009 and is its primary controlling member. The investment activities of Cello Capital are led by the Managing Member. A number of other investment professionals work with Cello Capital to execute its investment strategy.

Cello Capital serves as an investment manager and provides discretionary advisory services to several related collective investment vehicles, including private limited partnerships and foreign investment companies; together with any respective parallel funds, special purpose and/or subsidiary investment vehicles (Cello Fixed Income Domestic Fund, LP, Cello Fixed Income Fund, Ltd, collectively “the Funds”). Each Fund invests substantially all of its capital in a “master-feeder” structure, conducting its investment and trading activities indirectly through an investment in the Cello Fixed Income Master Fund, LP (the “Master Fund”), an exempted company organized to conduct trading activities on behalf of the Funds. The purpose of the Master Fund is to achieve trading and administrative efficiencies. Thus, an investment in the Funds is the functional and economic equivalent of an investment in the Master Fund. Each Fund is responsible, as an investor in the Master Fund, for its *pro rata* share of the Master Fund’s operating and overhead expenses.

Each Fund, through its investment in the Master Fund, invests in the mortgage-backed securities (“MBS”) sector, concentrating in U.S. Government credit quality MBS (Ginnie Mae MBS), implied U.S. government credit quality MBS (Fannie Mae or Freddie Mac MBS), or AAA credit quality MBS (as determined by various rating agencies). As of December 31, 2012 Cello Capital managed \$387,200,000 of assets on a discretionary basis on behalf of the Funds.

In providing services to the Funds, Cello Capital formulates each Fund’s investment objective, directs and manages the investment and reinvestment of the Master Fund’s assets, and provides reports to investors. Investment advice is provided directly to the Funds and not individually to the partners or shareholders of the Funds (the “Investors”). Cello Capital manages the assets of the Funds in accordance with the terms of each Fund’s private offering and/or private placement memoranda, individual partnership or shareholder agreements and other governing documents applicable to each Fund (the “Governing Fund Documents”). All terms are generally established at the time of the formation of a Fund, and are only terminable once the applicable Fund is dissolved, wound up, and terminated. The Investors may not restrict investments by the Funds in any capacity, and an investment in the Funds may be subject to lock-up and other withdrawal provisions.

Shares or partnership interests in the Funds are not registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”), and the Funds are not registered under the Investment Company Act of 1940, as amended (the “Investment Company Act”). Accordingly, interests or shares in the Funds are offered and sold exclusively to Investors satisfying the applicable eligibility and suitability requirements, either in private transactions within the United States or in offshore transactions.

Item 5: Fees and Compensation

General

Cello Capital provides investment advisory services to each of the Funds pursuant to an investment advisory agreement (the “Agreement”). The Agreement for the Funds, along with specific organizational documents of each Fund, set forth in detail the fee structure relevant to each such Fund. The terms of the Agreements are generally established at the time of the formation of the applicable Fund.

Cello Capital typically receives compensation from fees based on a percentage of assets under management and performance allocations. Investors should review all fees charged by Cello Capital and others to fully understand the total amount of fees to be paid by a Fund and, indirectly, by their Investors.

Management Fee

The Funds pay Cello Capital an annual management fee (the “Management Fee”) at a rate ranging from 1.5% to 2.0% (per annum). The Management Fee is payable quarterly in advance. Cello Capital and its affiliates reserve the right to waive or reduce management fees for certain investors, including employees, family, strategic partners, advisors and consultants and others as may be determined in Cello Capital’s sole discretion. All fees received by Cello Capital are deducted directly from Fund or Investor accounts.

Performance Allocation

Generally, on the last day of a Fiscal Year or the date of a redemption, distribution or transfer of an Investor’s shares/interest, a portion of each Fund’s new net income may be allocated to the capital account of the General Partner as a “performance allocation”. The manner of calculation of such performance allocation is disclosed in the Governing Fund Documents, and may vary by Fund. Generally, however, 10% to 20% of the investment profits of the Funds are allocated as performance allocation to the General Partner subject to a high water mark. As is the case with Management Fees, Cello Capital and its affiliates reserve the right to waive or reduce the performance allocation for certain investors, including employees, strategic partners, advisors, consultants and others as may be determined in Cello Capital’s sole discretion.

Other Expenses Charged to the Funds

In addition to management fees and performance allocations, the Funds’ Investors will bear indirectly the fees and expenses charged to the Funds. The Master Fund will bear its own and the Funds’ costs and expenses including (but not limited to) expenses related to investment transactions and positions for the Master Fund’s account, including brokerage commissions and custody charges, interest and commitment fees on loans and debit balances, costs of borrowing securities to be sold short, blue sky fees, research fees, expenses and materials, costs of any outside appraisers, accountants, attorneys or other experts or consultants engaged by Cello Capital or its affiliates, fees and expenses of the Funds’ and the Master Fund’s administrator, investor reporting costs, bank charges, legal fees and costs arising in connection with any litigation or regulatory investigation instituted against Cello Capital, its affiliates, the Funds or the Master Fund in connection with the affairs of the Funds or the Master Fund, insurance for the benefit of Cello Capital, its affiliates, the Funds or the Master Fund, withholding and transfer taxes, administration costs, audit expenses and other similar fees and expenses.

Investors should carefully review the Funds Governing Documents for all fees charged by Cello Capital, its affiliates, and others to fully understand the total amount of fees to be paid by the Funds and, indirectly, their Investors.

Organizational Expenses

The Funds will pay (including through reimbursement of Cello Capital and its affiliates) the expenses of organizing the Funds and the Master Fund and the initial offering of shares and interests in the Funds.

Item 6: Performance Based Fees and Side-by-Side Management

Cello Capital or its affiliates receive performance-based compensation in the form of a “performance allocation,” which calculation is based on the new net income generated during a performance period. The fact that a significant portion of the Advisor’s compensation (and its affiliates’ and investment professionals’ compensation) is directly computed on the basis of profits generated by the trading activities of the Master Fund may create an incentive for Cello Capital to make investments on behalf of the Master Funds that are riskier or more speculative than would be the case in the absence of such compensation.

From time to time, Cello Capital may permit certain Investors (including, but not limited to, Cello Capital and Mr. Schettritt, as well as the affiliates, principals, partners and employees of Cello Capital and their respective families and any estate planning and/or other vehicles established by or on behalf of any of them) to acquire Interests or Shares on different economic terms than other Investors. The Funds also may offer additional classes of Interests and Shares subject to different Management Fees or Profit Allocations in its sole discretion and without prior notice to or consent of the Investors.

Cello Capital and its affiliates or the Managing Member may engage in any other existing or future business, may invest on their own behalf or for the accounts of others and may participate in investments with persons not affiliated with the Funds or the Master Fund. Cello Capital is responsible for the investment decisions made on behalf of the Funds. When Cello Capital determines that an investment opportunity is desirable for the Master Fund and any other funds or accounts managed by the Advisor or its affiliates, it will seek to allocate such opportunity between the Master Fund and any other funds or accounts in a manner that it deems fair and equitable under the circumstances existing at that time. Orders may be combined for the Master Fund and one or more other funds and accounts managed by Cello Capital and its affiliates and if any order is not filled at a single price, the order may be allocated among such funds and accounts on an average price basis.

Item 7: Types of Clients

Cello Capital provides discretionary management and advisory services to the Funds directly, subject to the direction and control of the General Partner or Board of Directors of each Fund, and not individually to the Investors. Investors in the Funds may include, but are not limited to, high net worth individuals, pension plans (corporate, state and foreign), sovereign wealth funds, endowments, foundations, banks, pooled investment vehicles (e.g., funds-of-funds), trusts, estates or charitable organizations, and corporate or business entities.

The minimum commitment for an Investor is \$3 million; however, Cello Capital maintains discretion to accept less than the minimum investment threshold. Investors will be required to meet certain suitability qualifications, such as being an “accredited investor” within the meaning set forth in Rule 501(a) of Regulation D under the Securities Act and “qualified purchasers” as defined in Section 2(a)(51)(A) of the U.S. Investment Company Act of 1940 (the “Company Act”) and the rules promulgated thereunder. Details concerning applicable Investor suitability criteria are set forth in the respective Governing Fund Documents and subscription materials, which are furnished to each Investor.

The Funds may enter into separate agreements, commonly referred to as “side letters,” or other similar agreements with a particular Investor in connection with its admission to the Funds without the approval of any other Investor, which would have the effect of establishing rights under or supplementing the terms of the applicable Fund’s subscription documents and agreements with respect to such Investor in a manner more favorable to such Investor than those applicable to other Investors. Such terms may provide more frequent and/or more detailed information regarding the Funds or the Master Fund’s securities positions, performance and finances. Certain Investors, through side letters or issuance of separate sub-Classes, may receive the right to withdraw capital from the Funds on shorter notice and/or with more frequency than other Investors. As a result, certain Investors may be better able to assess the prospects and performance of the Funds than other Investors and may be able to withdraw capital from the Funds at times when other Investors may not. The Funds are not required to disclose the terms of any side letter agreement.

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

The investment criteria of Cello Capital are designed to identify fundamentally attractive opportunities in the mortgage-backed securities sector. Cello Capital invests in U.S. government credit quality MBS (Ginnie Mae MBS), implied U.S. government credit quality MBS (Fannie Mae and Freddie Mac MBS) and in AAA-rated MBS, as determined by various rating agencies.

Associated Risks

All investing involves a risk of loss that clients should be prepared to bear. The investment strategy offered by the Advisor could lose money over short or even long periods. No guarantee or representation is made that a client will achieve its investment objective or will receive a return of their capital.

The descriptions contained below are a brief overview of different risks related to the Advisor’s investment strategy; however, it is not intended to serve as an exhaustive list or a comprehensive description of all risks and conflicts that may arise in connection with the management and operations of the Advisor.

Potential Loss of Investment. There is no assurance that the Advisor will be able to generate returns for its clients or that the returns will be commensurate with the risks of investing in the types of securities described herein. There can be no assurance that a client’s investment objectives will be achieved or that there will be any return of capital. The past investment

performance of the entities with which officers and employees of the Advisor have been associated cannot be taken to guarantee future results of any client.

Business Dependent on Key Individual. Investors will have no authority to make decisions or to exercise business discretion on behalf of the Funds or the Master Fund. The authority for all such decisions is delegated to Cello Capital and its affiliates. The success of the Funds and the Master Fund are expected to be significantly dependent upon the expertise and efforts of Cello Capital and particularly of the Managing Member.

Investments in Mortgages or MBS. A mortgage comes equipped with a repayment schedule which establishes a sequence of monthly payments through which homeowners can payoff their debt. A “prepayment” is any activity by the homeowner that accelerates this schedule and extinguishes the mortgage before its final payment date. In the U.S., homeowners have the right to prepay their mortgage at any point in time. There are transaction costs for the homeowner associated with this activity.

The homeowner’s right to prepay a mortgage through voluntary means such as home sales, refinancing or curtailment can be thought of as equivalent to the homeowner purchasing a “call” option when entering into a mortgage contract. The homeowner’s right to default on a mortgage is equivalent to purchasing a “put” option when entering into a mortgage contract. Therefore an investor in an MBS has a short position in a call and put option (usually referred to jointly as a prepayment option) and a long position in a non-callable bond with the same payment schedule as the MBS. The implication is that the risks associated with investing in an MBS are a combination of the risks that are present in all fixed-income cash flows along with some risks that are specific to MBS. Many of the complexities of MBS valuation arise from the fact that the value of the prepayment option of the homeowner is a complex function of many variables including the actual path of interest rates, the average age of the mortgage pool, the borrower’s credit profile, home price appreciation, and the slope of the yield curve, among other factors.

Various attributes of the loan and the homeowner also contribute to the propensity of the homeowner to prepay a mortgage. These attributes include the mortgage loan amount, whether the mortgage interest rate is fixed or floating, the ratio of the loan amount to the value of the home, the geographical location of the house and the FICO score of the homeowner.

Interest Rate Risk. MBS depend on the level of interest rate and the shape of the yield curve. Thus most MBS decrease/increase in value as interest rates rise/drop. However, some MBS such as Interest-Only MBS (“IOs”) increase/decrease in value as interest rates rise/drop. The impact of changes in the shape of the yield curve will vary depending on the individual characteristics of an MBS. For example, a steepening of the yield curve generally benefits certain IO-based securities such as Strip IOs and Inverse IOs while a flattening of the yield curve typically benefits bonds with a Principal-Only (“PO”) security characteristics such as Super POs and Inverse Floaters trading at a deep discount to par. A significant portion of the interest rate risk associated with an MBS comes from the fact that prepayment rates show a direct relationship to interest rate levels. Prepayment rates decrease as rates increase and increase as rates decrease. A mortgage holder is more likely to prepay when rates are low forcing the investor to reinvest into lower yielding

securities. If interest rates rise, the borrower is less likely to prepay and the MBS investor is unable to reinvest in higher yielding securities.

Volatility Risk. Although an MBS investor is generally short prepayment options, there are instances where the redistribution of prepayment risk accomplished by a Collateralized Mortgage Obligation (“CMO”) or a derivative can result in an investor in a specific tranche to be long prepayment options. For example, by investing in a PO, the exercise of prepayment options by homeowners will result in the investor receiving back principal early. To the extent that homeowners’ prepayment behavior can be mapped to interest rates, the prepayment option can be viewed as an interest rate option. As with any interest rate option, the value of the prepayment option is linked to the level of mortgage rate volatility. Consequently, MBS prices are directly affected by changes in interest rate volatility. Since MBS investors are generally short prepayment options, an increase in interest rate volatility usually has a negative impact on MBS holders.

Structural Prepayment Risk. Structural repayment risk arises when the relationship between the prepayment response of a pool of mortgages and various factors such as mortgage rates, loan attributes, and borrower attributes changes over time. For example, homeowners may become more or less efficient in terms of refinancing as the cost structure of the mortgage industry becomes lower or greater. MBS valuation and pricing typically makes use of prepayment models and, since models are “backward looking”, structural change in the mortgage industry can create systematic sources of error in prepayment model forecasts. Certain investments such as IOs are particularly sensitive to prepayments and could lose most or all of their value if realized payments differ dramatically from expectations for a given trading environment.

Credit Risk. Although the Advisor intends to minimize credit risk though focusing on very high credit quality instruments including Agency MBS (Ginnie Mae, Fannie Mae and Freddie Mac MBS) and Non-Agency AAA-rated securities and Non-Agency derivatives and hedging, credit risk cannot be eliminated.

Leverage. Cello Capital may employ financial leverage which involves the risk of losing financing and forced sales of assets.

Item 9: Disciplinary Information

In September 2011 the Federal Housing Finance Agency as conservator for the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation sued 17 financial institutions and their subsidiaries, as well as 132 former employees for making allegedly false and misleading statements in connection with the offer and sale of certain residential mortgage-backed securities. Antoine Schetritt, Cello Capital’s Managing Member, was named as one of the defendants. The complaint alleges that Mr. Schetritt signed one of the relevant shelf registration statements while he was an officer of Bank of America. Mr. Schetritt denies any wrongdoing and intends to defend the suit vigorously. Cello Capital does not expect the suit to have any material adverse effect on either it or the Funds.

Item 10: Other Financial Industry Activities and Affiliations

Cello Capital organizes and sponsors the Funds, which are private investment companies. These pooled investment vehicles managed by Cello Capital are controlled by affiliated entities (“Affiliated Entities”). Cello Capital or the Affiliated Entities will be responsible for all decisions regarding portfolio transactions of the Funds and have full discretion over the management of the Funds’ investment activities. While the Affiliated Entities are not separately registered as investment advisers with the SEC, all of their investment advisory activities are subject to the Investment Advisers Act of 1940, as amended (the “Advisers Act”) and the rules thereunder. In addition, employees and persons acting on behalf of the Affiliated Entities are subject to the supervision and control of Cello Capital. Thus, the Affiliated Entities, all of its employees and the persons acting on its behalf would be “persons associated with” the registered investment adviser so that the SEC could enforce the requirements of the Advisers Act on the Affiliated Entities.

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

Pursuant to Rule 204A-1 under the Advisers Act, Cello Capital has adopted a written Code of Ethics (the “Code”) predicated on the principle that the Advisor owes a fiduciary duty to the Funds. The Code is designed to address and avoid potential conflicts of interest and is applicable to all officers, directors, partners, or employees of Cello Capital (the “Employees”). The Advisor requires its Employees to act in the Funds’ best interests, abide by all applicable regulations and avoid any action that is, or could even appear to be, legally or ethically improper.

The Advisor generally prohibits the purchase of Agency MBS; requires pre-clearance before purchasing an IPO or limited offering (i.e., private placement) or selling an Agency MBS; requires periodic reporting of certain personal securities transactions and holdings; and requires internal reporting of Code violations. Cello Capital endeavors to maintain current and accurate records of all personal securities accounts of its Employees in an effort to monitor such activity. A copy of Cello Capital’s Code is available upon request.

The Advisor, its employees or a related entity will have an investment in each Fund. The General Partner for each Fund is controlled by Cello Capital’s Managing Member. In addition, Cello Capital and its Employees will participate in the Funds’ investment program by investing a certain amount as defined in the Funds’ governing documents. Therefore, Cello Capital, its employees or a related entity participate in transactions effected for Funds.

Item 12: Brokerage Practices

In selecting brokers to effect portfolio transactions, Cello Capital considers factors such as prices, the ability of the brokers to effect the transactions, the broker’s facilities, reliability and financial responsibility and the provision or payment (or the rebate to the Master Fund for payment) of the costs of property or services (e.g. short-term custodial services, research services and publications). If the Advisor determines in good faith that the amount of commissions charged by a broker is reasonable in relation to the value of the brokerage and products or services provided by such broker, the Master Fund may pay commissions to such broker in an amount greater than the amount another broker might charge. Brokers sometimes suggest a level of business they would like to receive in return for the various services they provide. Actual brokerage business

received by any broker may be less than the suggested allocations, but can and often does exceed the suggestions because total brokerage is allocated on the basis of all the considerations listed above. A broker is not excluded from receiving business because it has not been identified as providing research services. The information and brokerage services received from various brokers may be used by the Advisor in servicing all of its accounts and not all such information may be used by the Advisor in connection with the Master Fund. Nonetheless, the Advisor believes that such information and brokerage services provide the Master Fund with benefits by supplementing the research and services otherwise available to Cello Capital.

Item 13: Review of Accounts

All investments are carefully reviewed and approved by Cello Capital's investment team, which includes the Managing Member and other investment personnel. The Funds' investments are reviewed on a continuous basis and the investment personnel meet regularly to discuss investment ideas, economic developments, industry outlook and other issues related to current portfolio holdings and potential investment opportunities.

Investors generally will be provided with monthly unaudited account statements and audited annual financial statements prepared in accordance with GAAP.

Item 14: Client Referrals and Other Compensation

Cello Capital will compensate placement agents who introduce new investors that commit capital to the Funds. The amount paid to placement agents ranges up to 20% of all compensation received by the Advisor from Investors referred by a placement agent. All placement fees will be fully disclosed to investors referred by placement agents.

Item 15: Custody

Cello Capital has access to client accounts (i.e., the Funds) since it or an affiliate serves as the General Partner, or on the Board of Directors, of the Funds and therefore is deemed to have custody under Rule 206(4)-2 even though Cello Capital does not physically hold the securities and other assets of the Funds. Investors will not receive statements from any custodians. Instead, the Funds are subject to an annual audit by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, and the audited financial statements are distributed to each Investor. The audited financial statements will be prepared in accordance with generally accepted accounting principles and distributed within 120 days of each Fund's fiscal year end.

Item 16: Investment Discretion

In accordance with the terms and conditions of the Governing Fund Documents, and subject to the direction and control of the General Partner/Board of Directors of each Fund, the Advisor generally has discretionary authority to determine, without obtaining specific consent from the Funds or its Investors, the securities and the amounts to be bought or sold on behalf of the Funds, and to perform the day-to-day investment operations of the Funds.

Item 17: Voting Client Securities

Cello Capital's Funds are primarily invested in debt instruments which typically do not issue proxies.

Item 18: Financial Information

A balance sheet is not required to be provided as Cello Capital (i) does not solicit fees more than six months in advance, (ii) does not have a financial condition that is likely to impair its ability to meet contractual commitments to clients or (iii) has not been subject to any bankruptcy proceeding during the past 10 years.