
**ITEM 1
COVER PAGE**

PART 2A OF FORM ADV: FIRM BROCHURE

**Cephei Capital Management (Hong Kong) Limited
(d/b/a Cephei Capital)**

A Hong Kong Limited Liability Company registered with the U.S. Securities and Exchange Commission as an Investment Adviser

[March 28, 2013]

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This brochure provides information about the qualifications and business practices of Cephei Capital Management (Hong Kong) Limited (d/b/a Cephei Capital). If you have any questions about the contents of this brochure, please contact us at (852) 3518 8000. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority.

Additional information about Cephei Capital is also available on the SEC's website at www.adviserinfo.sec.gov

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

ITEM 2

MATERIAL CHANGES

Going forward, Cephei Capital will discuss in this Item 2 only those material changes from the last annual update of the brochure. Cephei Capital will also reference the date of the last annual update of the brochure.

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ITEM 4

ADVISORY BUSINESS

Firm Overview

Cephei Capital was founded in 2006. Cephei Capital manages a concentrated portfolio of China-based companies that may be traded on any exchange in the world. Cephei Capital's principal owners are Cephei Capital Management Company Limited, Cephei Capital Investment Company Limited, CDH China Management Company Limited, New Diamond Assets Inc., and Mr. Li Gang, through his wholly owned company Clear Image Investments Limited.

Cephei Capital's Advisory Services

Cephei Capital's primary business is providing investment advisory services to pooled investment vehicles (the "Private Funds") and single investor managed accounts (the "Managed Accounts," together with the Private Funds, the "Clients," and each a "Client") in their investments in the publicly-traded securities of issuers that have a substantial portion of their operating assets located in the People's Republic of China (the "PRC") or that derive a large portion of their revenues or earnings from activity connected to the PRC.

Customized Services for Individual Clients

As described above, Cephei Capital provides investment advisory management services to Managed Accounts, which, unlike the Private Funds described above, are generally formed for the specific purpose of managing the assets of a single institutional investor. The investment strategies for the Managed Accounts may, and generally do, parallel all or a portion of the investment strategies of the Private funds, but there are, on occasion, differences between the investment strategies of a Managed Account and any other Cephei Capital Client. Cephei Capital enters into agreements to advise Managed Accounts only under limited circumstances and the advisory services provided to each such Client, and the related terms and fees, are negotiated on a case-by-case basis.

Assets Under Management

Cephei Capital manages Client's assets on a discretionary basis. As of December 31, 2012, Cephei Capital had more than \$781 million assets under management

ITEM 5

FEES AND COMPENSATION

Cephei Capital generally deducts fees from Clients' assets on a monthly, quarterly, or annual basis, depending on the Client involved and the nature of the fee. None of Cephei Capital's supervised person receives any commissions for any sale of securities or other investment products.

Clients may incur additional fees and expenses, including expenses associated with specific investment transactions, such as the following non-exhaustive list of items:

- (i) prime broker's fees;
- (ii) administrator fees;
- (iii) brokerage commissions;
- (iv) clearing and settlement charges;
- (v) taxes;
- (vi) custodial fees;
- (vii) bank service fees;
- (viii) administrative expenses;
- (ix) valuation and appraisal expenses; and
- (x) organizational expenses (including the cost of the offering and insurance costs ongoing sale of fund interests).

To the extent that a third-party performs such services and Cephei Capital incurs all or a portion of the corresponding expenses listed above, the costs of such expenses will be reimbursed by the Client.

More detailed information about specific fees and expenses that Clients may pay is provided in the relevant agreement between Cephei Capital and the relevant Client as well as in formal offering materials (i.e., the Client's offering memorandum, memorandum and articles of association, as the case may be, and subscription document) provided to investors in the Private Funds, as applicable (collectively referred to herein as the "Offering Documents").

ITEM 6
PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

Cephei Capital charges performance fees (the “Performance Fee”) that is generally calculated on the net capital appreciation of such Client’s account at the end of the relevant fiscal period, or upon realization, and in certain cases subject to, or only in excess of, specified performance thresholds.

Cephei Capital will structure any performance or incentive fee arrangement subject to Section 205(a)(1) of the US Investment Advisors Act of 1940, as amended (the “Advisors Act”) and in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3. In measuring Clients’ assets for the calculation of performance-based fees, Cephei Capital includes realized and unrealized capital gains and losses.

Performance based fee arrangements may create an incentive for Cephei Capital to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. Such fee arrangements also create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities (although that incentive is at least partially mitigated by the fact that all accounts are subject to at least some level of performance fee). Cephei Capital has procedures designed and implemented to ensure that all clients are treated fairly and equitably, and to prevent this conflict from influencing the allocation of investment opportunities among clients.

Because Cephei Capital or its affiliates have input into the valuation of fund assets (at least when quoted values are not available or are deemed not to be representative of the market values), Cephei Capital has a conflict of interest between its responsibility to provide fair valuation advice to the respective Client, and our interest in maximizing the management fee and performance allocation payable from it. Cephei Capital believes, however, that on the whole, Cephei Capital’s performance allocation arrangements benefit Clients by providing Cephei Capital with a greater incentive to manage assets well.

ITEM 7
TYPES OF CLIENTS

As described in Item 4 above, Cephei Capital currently offers investment advisory services to Private Funds and Managed Accounts. The underlying investors in such Cephei Capital Clients are typically institutional and high net worth investors. Cephei Capital requires that the underlying investors in the Private Funds and Managed Accounts be “qualified purchasers” as that term is defined in Section 2(a)(51) of the Investment Company Act. Each Private Fund requires minimum investment levels from its prospective investors (although these may be waived from time to time).

ITEM 8

METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Methods of Analysis and Investment Strategies

Cephei Capital professionals use a bottom-up, fundamental research approach to identify leading companies that are expected to have superior and predictable growth potential at reasonable valuations.

Cephei Capital concentrates in a relatively limited number of investments about which Cephei Capital has detailed knowledge, because it is believed this approach provides a better opportunity to deliver superior risk-adjusted returns when compared with a larger diversified portfolio of investments. Cephei Capital also intends to hold investments for a mid to longer term investment horizon and seek maximum, long-term, after-tax capital appreciation.

Cephei Capital has no overarching strategy or asset allocation model that specifies what percentage of the Clients' portfolio should be invested in each investment category. Rather, cash and/or cash equivalents are the default investment choices and the allocation among different investment categories is a function of their potential risk and reward compared with available opportunities in the marketplace.

Cephei Capital largely focuses on investing its assets in China-based companies, which may involve greater risk than that incurred by investment entities and publicly available investment funds that are focused on more developed capital markets. In addition, Cephei Capital may have full discretion to invest up to 10% of the Client's net asset value in pre-IPO type investments.

Concentration. Cephei Capital generally does not attempt to maintain a diversified portfolio and intends to concentrate its investment positions.

Equity and Debt Securities. Cephei Capital focuses on equity and equity-based securities, including equity options and stock index option and futures. Cephei Capital may invest the assets of the Clients in, including without limitation, debt securities, preferred shares, convertible bonds, depositary receipts and private placement of public equities.

Derivatives. Cephei Capital uses a variety of financial instruments, such as equity, credit and/or other derivatives, and options, both for investment purposes and for risk management purposes. Cephei Capital takes advantage of opportunities with respect to other derivative instruments to the extent such opportunities are both consistent with the investment objective of the relevant Clients and legally permissible. Special risks may apply to instruments used by Cephei Capital in the future that cannot be determined at this time or until such instruments are developed or used by Cephei Capital.

Risks

As previously described, Cephei Capital offers a variety of investment strategies, which may involve a high degree of risk. All securities investing presents the risk of loss of capital, which any participant in Cephei Capital's investment programs should be prepared to bear. A non-exhaustive list of specific risk factors relating to such investment programs is included in certain written materials provided to Clients.

In addition, as the investment program develops and changes over time, a Client may be subject to additional and different risk factors. Such risks may include, without limitation:

- Risks relating to hybrid strategies.
- Risks relating to no limitations on strategies.
- Risks relating to model and market judgment.
- Spread trading risks.
- Trade execution risk.
- Risks inherent with investments in equity securities, derivatives, futures contracts, options, ADRs and GDRs, convertible securities, stock indices and related derivatives, and exchange traded funds.

Risks Related to Investments in PRC and other Asian Emerging Economies

As previously described, Cephei Capital largely focuses on investing its assets in China-based companies. Therefore, its Clients may be subject to unusual risks associated with investments in China and the larger Asian market.

Development of the Asian Economies. The economies of the various nations in Asia differ from the economies of most developed countries in many aspects, including as to: (a) the political structure; (b) the degree of government involvement; (c) the degree of development; (d) the level and control of capital reinvestment; (e) the control of foreign exchange; and (f) the allocation of resources.

Certain economies in Asia have been transitioning from centrally planned economies to more market oriented economies. For example, for more than two decades, the government of the PRC has implemented economic reform measures emphasizing utilization of market forces in the development of the PRC economy. Although Cephei Capital intends to monitor various systemic and systematic risks, Cephei Capital cannot ensure that changes in economic, political and social conditions, laws, regulations and policies in the Asia region will not have an adverse effect on the relevant Client, including its financial condition or results of operation, or that such changes will not have an adverse "knock-on" effect on other jurisdictions in which the relevant Client will be investing.

Legal and Tax Systems. The legal and tax systems of certain countries in Asia are less predictable than most legal and tax systems in countries with fully developed capital markets. Currently, the tax rules and regulations prevailing in certain countries in Asia are,

as a general matter, either new or under varying stages of review and revision, and there is considerable uncertainty as to whether new tax laws will be enacted and, if enacted, the scope and content of such laws. Reliance on oral administrative guidance from regulators and procedural inefficiencies hinder legal remedies in many areas, including bankruptcy and the enforcement of creditors' rights. Moreover, companies often experience delays when obtaining governmental licenses and approvals. These factors contribute to the exogenous, systemic risks to which the relevant Client may be exposed. There can be no assurance that current taxes will not be increased or that additional sources of revenue or income, or other activities, will not be subject to new taxes, charges or similar fees in the future. Any such increase in taxes, charges or fees payable by the portfolio companies or the relevant Client itself may reduce returns. In addition, changes to tax treaties (or their interpretation) between countries in which the relevant Client invests, and countries through which the relevant Client conducts its investment program, may have significant adverse effects on the relevant Client's ability to efficiently realize income or capital gains. Consequently, it is possible that the relevant Client may face unfavorable tax treatment resulting in an increase in the taxes payable by the relevant Client on its Investments. Any such increase in taxes could reduce the investment returns that might otherwise be available to the underlying investors.

Less Company Information and Regulation. Generally, there is less publicly available information about Asian companies. This may make it more difficult for Cephei Capital to stay informed of corporate action that may affect the price of a particular security. Further, many countries lack uniform accounting, auditing and financial reporting standards, practices and requirements. These factors can make it difficult to analyze and compare the performance of certain Asian companies.

Risk of Natural Disasters and Epidemics. Certain regions of Asia face relatively high systemic risks in connection with natural disasters that may have a severe impact on the value of the Investments. Certain regions of Asia are particularly susceptible to earthquakes, for example, as has been the recent experience in Sichuan Province in the PRC, as well as in Taiwan, Indonesia and other Asian nations.

Certain regions in Asia also face relatively high systemic risks in connection with epidemics. Past occurrences of epidemics, depending on their scale of occurrence, have caused different degrees of damage to the national and local economies throughout Asia. An outbreak of any other epidemic in Asia may adversely affect the relevant Client's financial condition and results of operation and have an adverse effect on the national and regional economies of Asia.

Local Intermediary Risks. Certain of the relevant Client's transactions may be undertaken through local brokers, banks or other organizations in Asia. The relevant Client will be subject to the endogenous risk of default, insolvency or fraud of such organizations. There can be no assurance that any money advanced to such organizations will be repaid or that the relevant Client would have any recourse in the event of default. The collection, transfer and deposit of bearer securities and cash expose the relevant Client to a variety of risks including theft, loss and destruction. The relevant Client will also be dependent upon the general soundness of the banking systems throughout Asia which, in some cases,

remain relatively under-developed or unstable compared to developed markets such as the United States and the United Kingdom.

Political and Economic Instability. The economies of the countries in which the relevant Client may invest are less stable than the more developed economies, due to, among other things, volatile internal political environments, less stable monetary systems and/or external political risks. The governments of such countries may participate in their economies through ownership or regulation in ways that can have a significant effect on securities prices. The economies of certain countries depend heavily on international trade and can be adversely affected by the enactment of trade barriers or changes in the economic conditions of their trading partners. In some countries, especially developing or emerging countries, political or diplomatic developments could lead to programs that would adversely affect investments, such as confiscatory taxation or expropriation. Further, although the recent general trend in many of the less developed economies of the countries in Asia has been towards more open markets and the promotion of private business initiatives, no assurance can be given that the governments of these countries will continue to pursue such policies or that such policies may not be altered significantly. Political instability, economic distress, the difficulties of adjustment to a market economy, social instability, organized crime or other factors beyond Cephei Capital's control could have a material adverse effect on the performance.

As a result of these factors, certain economies within the Asia region are more susceptible to reacting violently to changing economic conditions than the more developed economies. In addition, certain economies in Asia have been affected by frequent and significant intervention by the relevant governments and/or central banks, which have often changed monetary, credit, tax and other policies which have involved wage and price controls as well as other measures, such as raising interest rates, imposing capital controls and inhibiting international trade. Changes in policy involving taxation, exchange controls and regulation could adversely affect the result of the relevant Client's Investments in these markets and/or in securities and instruments of issuers domiciled in these countries, as could inflation, currency devaluation, social instability and other political, economic or diplomatic developments, as well as governmental responses to such developments.

Although economic conditions are different in each country, investors' reactions to the developments in one country may have effects upon the securities of issuers in other countries. Developments or conditions in emerging market countries may from time to time significantly affect the availability of credit in other countries in Asia and result in considerable outflows of funds and declines in the amount of foreign currency invested in those markets.

Use of Qualified Foreign Institutional Investors. Under prevailing regulations in the PRC, foreign investors can only invest in the secondary market of A shares either as QFIIs or through QFII Holders. As at the date of this Brochure, Cephei Capital is not a QFII and in this regard, will invest in the A share market through the sub-accounts of one or more QFII Holders or via other related services provided by QFII Holders.

A shares acquired by a QFII Holder on behalf of the relevant Client are registered in the name of the QFII Holder, its local custodian and its local broker, and the relevant Client will not have any legal, beneficial or proprietary interest in or to the underlying A shares. The A shares are maintained in electronic form via a securities account with the China Securities Depository and Clearing Corporation Ltd., and the QFII Holder will be treated as the owner of such shares. As a result, the relevant Client may suffer a loss of some or all of its interest in A shares purchased through a QFII Holder if the QFII Holder becomes insolvent. In addition, a QFII Holder may be required to use A shares held for the relevant Client to settle trades entered into for other customers.

As and when Cephei Capital makes an investment decision to allocate a Client's assets in specific A shares, there is no assurance that the QFII Holders will be able to adequately allocate all or a substantial part of the assets of the relevant Client for investment in A shares. In this regard, it should be noted that QFII Holders will have to abide by their respective license restriction limits and there can be no assurance that the QFII Holders will be able to meet all decisions by Cephei Capital to invest in specific A shares for and on behalf of the relevant Client, or that redemption requests can be processed in a timely manner due to adverse changes in relevant laws or regulations, including changes in QFII repatriation restrictions. Such restrictions may result in suspension of dealings of the relevant Clients.

Any risk or restriction relating to the QFII Holders from which the QFII Holders obtain and maintain their licenses would be a risk or restriction relevant to the Clients. For example, a QFII license may be suspended or revoked by reason of, without limitation: (a) bankruptcy, liquidation or receivership of the QFII Holder; (b) irregularities by the QFII Holder in its practice as a QFII investor; and (c) failure by the QFII Holder to pass the annual inspection of its foreign exchange registration certificate for irregularities in its foreign exchange affairs.

Further, Cephei Capital will rely on the existing arrangements entered into between QFII Holders and their respective local custodian ("PRC Custodian") with respect to the custody of the relevant Client's assets in A shares, and their broker ("PRC Broker") in relation to the execution of transactions in A shares on behalf of the relevant Client, in the PRC markets. The relevant Client may, therefore, incur losses due to the acts or omissions of the PRC Broker or the PRC Custodian in the execution or settlement of any transaction, or in the transfer of any funds or securities.

There are rules and restrictions under current QFII regulations, including rules on investment restrictions, minimum investment holding periods, and repatriation of principal and profits. QFII restrictions on investment apply to the particular QFII as a whole (which includes all accounts and related services which it may provide to external clients) and not simply to investments made by the relevant Client.

Consequently, it should be noted that violations of the QFII regulations on investment arising out of activities related to portions of the investment quota allocated to another client of a QFII Holder through whom the relevant Client invests could result in the revocation of or other regulatory action in respect of the investment quota of the QFII as

a whole, including any portion utilized by the relevant Client.

Direct investments in A shares through QFII Holders are subject to compliance with the following investment restrictions currently imposed under the QFII regulations in the PRC, as amended from time to time, which are applied to each QFII Holder and which will affect the ability of the relevant Client to invest in A shares:

(a) shares held by each foreign investor in any one listed company should not exceed 10% of the total outstanding shares of that company;

(b) total shares held by all foreign investor in any one listed company should not exceed 20% of the total outstanding shares of that company; and

(c) the investments should comply with the requirements set out in the Guidance Catalogue on Industries for Foreign Investment.

In extreme circumstances, the relevant Client may incur significant loss due to limited investment capabilities, or may not be able to fully implement or pursue its investment objective or strategy, due to QFII investment restrictions, the illiquidity of the A share market, and/or any delay or disruption in the execution or settlement of trades.

Profits generated by the Client through investment in A shares are in RMB, and may be paid by the relevant Client to the underlying investors only after the QFII Holder converts the RMB into U.S. dollars. The relevant Client might not be able to repatriate profits gained in a timely manner as the foreign exchange control authority of the PRC, at its sole discretion, may direct the timing, amount and intervals for effecting such conversion.

Restrictions on Investment and Repatriation. Some countries impose restrictions and controls regarding investment by foreigners. Among other things, they may require prior governmental approvals, impose limits on the amount or types of securities that may be held by foreigners or impose limits on the types of companies in which foreigners may invest. These restrictions may at times limit or preclude the relevant Client's investment in certain countries and may increase the relevant Client's costs and expenses. Indirect foreign investment may, in some cases, be permitted through investment funds that have been specifically authorized for that purpose. Because of the limited number of authorizations granted in such countries, however, units or shares in most of the investment funds authorized in those countries may at times trade at a substantial premium over the value of their underlying assets. There can be no certainty that these premiums will be maintained, and if the restrictions on direct foreign investment in the relevant country were significantly liberalized, premiums might be reduced, eliminated altogether, or turned into a discount. In addition, certain countries impose restrictions and controls on repatriation of investment income and capital. In this regard, there can be no assurance that the relevant Client will be permitted to repatriate capital or profits, if any, over the life of its activities. In addition, the relevant Client faces the systemic risk that a country's balance of payments may result in the imposition of temporary restrictions on foreign capital remittances. The relevant Client could be adversely affected by delays in, or a refusal to grant, any required governmental approval for

repatriation of capital, as well as by the application to the relevant Client of any restrictions on investments. Investing in entities either in, or which have a substantial portion of their operations in, Asia may require the relevant Client to adopt special procedures, seek local government approvals or take other actions, each of which may involve additional costs to the relevant Client.

Investment Instruments Utilized

Cephei Capital does not recommend a particular type of investment instrument (e.g., equity securities) to its Clients, but rather, recommends and invests in multiple investment instruments to correspond with the particular investment strategy.

ITEM 9
DISCIPLINARY INFORMATION

Cephei Capital does not believe that there are any legal or disciplinary events that are material to a Cephei Capital Client (or prospective Client's) evaluation of Cephei Capital's advisory business.

ITEM 10
OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Neither Cephei Capital nor its management persons are registered as, and do not have any application to register as, futures commission merchants, commodity pool operators, commodity trading advisors or associated persons of the foregoing entities.

Cephei Capital Management Company Limited (“Manager”), an exempted investment adviser affiliate of Cephei Capital, acts as the manager for the Private Fund. Cephei Capital is a wholly-owned subsidiary of the Manager and shares with the Manager physical location and certain supervised persons. In addition, Cephei Capital has other investment advisory affiliates, all of which either control, are controlled by, or are under common control with Cephei Capital. Except as disclosed under Item 11, Cephei Capital does not believe that such relationships create a material conflict of interest for its Clients.

Cephei Capital does not recommend or select other investment advisers (other than the Manager) for its Clients, nor does it receive any compensation, directly or indirectly, from other investment advisers that creates a material conflict of interest. Cephei Capital does not have other business relationships with other investment advisers that create a material conflict of interest.

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

Code of Ethics

Subject to the restrictions in the Code of Ethics, Cephei Capital employees may purchase or sell for themselves securities that Cephei Capital's Clients also hold. In addition, Cephei Capital may purchase or sell for a Client securities of an issuer in which its employees also have a position or interest. It is possible that a Cephei Capital principal or employee may buy or sell the same securities at a better price for its own account than a Client that buys or sells the same securities on the same day.

To govern such personal transactions, Cephei Capital adopted personal securities trading policies and procedures that outline the conditions under which a Cephei Capital principal or employee may purchase or sell securities when such securities are also held or traded by Clients, and to govern other potential conflicts of interest (the "Code of Ethics"). Certain aspects of Cephei Capital's Code of Ethics are discussed below, but Clients and investors (and prospective investors) in Cephei Capital Clients may request a copy of Cephei Capital's complete Code of Ethics.

Under the Code of Ethics, Cephei Capital employees are not permitted to purchase or sell, directly or indirectly, any security that is currently held by a Client or that is, to his or her knowledge, being considered for purchase or sale by a Client (but excluding, as described in further detail in the Code of Ethics, securities transactions in which such principal or employee does not exercise investment discretion).

Other restrictions applicable to the personal trading of Cephei Capital employees include, for example, a 30-day holding period, a prohibition against short selling, prohibitions against writing options or futures contracts, and a prohibition against participating in any joint transaction with a Client in violation of applicable law.

Recommendations of Securities in which Cephei Capital or a Related Person has some Financial Interest

Cephei Capital engages in a broad spectrum of activities that, with respect to any particular Client, are independent from, but may from time to time conflict with, overlap with or compete with, the investment activities of other Clients. As a result, Cephei Capital is subject to various potential conflicts of interest.

Cephei Capital invests in initial public offerings ("IPOs") or other new issues, including those sold or issued by companies that are owned, in whole or in part, by Cephei Capital Clients (such as portfolio companies). While it currently does not do so, Cephei Capital may cause Clients to invest in securities or other interests sold or issued by entities in which Cephei Capital or a related party, including a principal, has an interest. Such

interest may result from, among other things, a direct or indirect investment in the applicable entity, or a Cephei Capital employee or Principal serving as an officer or director of the entity. This may also result in causing Clients to invest in the IPOs or other new issues of companies that are owned by other Clients that Cephei Capital manages.

In addition, Cephei Capital employees may have a direct or indirect ownership interest in a Private Fund as a result of (1) direct investments in such Clients; and (2) ownership interests in Cephei Capital affiliates that are entitled to receive management fees and/or Performance Fees from each such Client.

Potential Conflicts Due to Overlapping Client Investments

While it currently does not do so, Cephei Capital may encounter conflicts due to overlapping investments by its Clients, Cephei Capital itself or its employees. Where Cephei Capital's Clients, Cephei Capital itself, or its employees hold the same investment, the differing investment objectives of such Clients, as well as other factors applicable to the specific situation may result in a determination to dispose of, or retain, all or a portion of an investment on behalf of a Client (or on behalf of Cephei Capital itself or its employees) at different times as such investment or portion thereof is being disposed of, or retained, by other Clients. In addition, particularly with respect to illiquid or private investments, conflicts of interest can arise when disposing of a particular investment would be beneficial for one Client while retaining such investment would be beneficial for another Client. Cephei Capital may also recommend investments to or purchase securities for the account of one Client (or Cephei Capital itself or its employees may purchase such securities) that may differ from investments recommended or bought for other Clients, even though the investment objectives of other Clients may be similar. Moreover, Cephei Capital's Clients (or Cephei Capital itself, or its employees) may make investments or engage in other activities that express inconsistent views with respect to an entity in which they have invested, a particular security or relevant market conditions.

In addition, while it currently does not do so, Cephei Capital expects to make other business decisions on behalf of certain Clients relating to investments independently of the manner in which it approaches a similar or even the same investment by other Cephei Capital Clients. Consequently, Cephei Capital, on behalf of certain Clients, may choose not to hedge certain risks that other Cephei Capital Clients hedge, or certain Clients may be exposed to risks of financing on an investment when other Cephei Capital Clients are not.

Should a particular Client invest in entities or assets in which other Cephei Capital Clients hold an investment, the investment by such Client could be viewed, especially in hindsight, to have been made on a non-arm's length basis. Similarly, other Cephei Capital Clients may later invest in entities such Client has invested in, which may have an effect (either positive or negative) on the market price of this Client's investments.

Mitigating Policies

Cephei Capital has adopted, and continues to adopt, policies and procedures to address such potential conflicts of interest. Cephei employees are subject to the clearance procedures by the chief compliance officer for their trading practice and potential conflict of interest, such as directorship and fiduciary appointments. Cephei Capital has also adopted policies and procedures to establish and maintain an information barrier between Cephei Capital and its affiliates that are designed: (1) to establish a wall for the purpose of shielding Cephei Capital and its affiliates and their respective personnel from material non-public information that may exist from time-to-time on the opposite side of the information barrier, and (2) to prevent coordinated investment activities among the Cephei Capital and its affiliates' investment professionals. Consequently, Cephei Capital and its affiliates will generally manage investment portfolios on a separate basis and will not exchange information concerning actual or potential investments or portfolios thereof.

Under circumstances that are appropriate, Cephei will bring issues that raise conflicts of interest before the investment committee and chief compliance officer to determine how it will proceed.

ITEM 12 BROKERAGE PRACTICES

Factors Considered in Selecting or Recommending Broker-Dealers for Client Transactions

Cephei Capital generally has discretion in deciding which brokers and dealers a Client will use and in negotiating the rates of commissions a Client will pay. In selecting brokers and dealers to effect portfolio transactions for its Clients, Cephei Capital seeks to obtain best execution, taking into consideration the price of a security offered by a broker-dealer, as well as the full range and quality of such broker-dealer's services, including, among other things and to the extent applicable, (i) the overall direct net economic result to the investments, (ii) the financial strength, stability and reliability of the broker-dealer, (iii) order size, (iv) timing considerations, (v) the efficiency with which the transaction may be effected, (vi) the ability of the particular broker-dealer to effect the transaction where a large block or other complicating factors are involved, (vii) the availability of the broker-dealer to execute potentially difficult transactions in the future and (viii) other matters involved in the receipt of brokerage and research services as contemplated by Section 28(e) of the Exchange Act, and the regulations and interpretations of the Securities and Exchange Commission promulgated thereunder.

Research and Other Soft Dollar Benefits

Cephei Capital does not receive research or other soft dollar benefits from any broker-dealer, but may in the future obtain research and broker services that may generate "soft dollar" benefits.

Brokerage for Client Referrals

Cephei Capital does not consider, in selecting or recommending broker-dealers, whether a related person or itself receives client referrals from a broker-dealer or third party.

Directed Brokerage

Cephei Capital has discretion in deciding which broker-dealer its Clients will use and in negotiating the rates of commissions that Clients will pay. Cephei Capital does not generally permit Clients to direct brokerage. In the event a Client directs Cephei Capital to cause brokerage transactions to be executed by a particular member of a national securities exchange or particular broker/dealer, Cephei Capital is under the obligation to, using its best efforts, seek to achieve the most favorable price and best execution with the broker/dealer, in light of such direction.

Order Aggregation

Cephei Capital utilizes a separate prime broker for each of its Clients and does not aggregate orders for the purchase or sale of securities. Accordingly, when Cephei

Capital makes separate orders for the purchase or sale of securities for its Clients, such Clients may incur a higher brokerage fee than would be the case if such orders were made on an aggregated basis.

ITEM 13

REVIEW OF ACCOUNTS

Designated personnel of Cephei Capital review investment positions on a periodic basis, and in many cases as frequently as daily. The individuals primarily responsible for account reviews are investment professionals at the managing director level, including those individuals acting as portfolio managers of a given Cephei Capital Client, although other persons who are not investment professionals at the managing director level may be substantially involved and/or responsible for carrying out such reviews. In addition, members of the Legal and Compliance Department and, in certain instances, dedicated risk management personnel, review investment reports on a periodic basis, and in some cases as frequently as daily.

Content and Frequency of Account Reports to Clients

Cephei Capital prepares written periodic reports to provide to its Clients and/or the Client's underlying investors, detailing the valuation, performance and composition of such Client's investments. As a general matter, such reports/letters are prepared and issued monthly. The Private Funds are also subject to review by independent public accountants, which results in annual audited financial statements being produced for each such Client. Managed Accounts will generally receive reports with the same frequency and may also be reviewed by an independent public accountant at the Client's discretion.

For additional information related to the types and frequency of reports provided to Clients, please see the relevant Offering Documents, to the extent applicable.

ITEM 14
CLIENT REFERRALS AND OTHER COMPENSATION

Cephei Capital does not generally utilize third-party placement agents in connection with Client referrals, but may do so in the future. Cephei Capital does utilize third-party placement agents in connection with the sale of interests in certain Clients to underlying investors and compensates such third-party placement agents for their services. Any compensation paid to third-party placement agents in connection with either Client referrals or the sale of interests in certain Clients to underlying investors would ultimately be borne by Cephei Capital.

ITEM 15
CUSTODY

Cephei Capital does not generally have custody of client funds or securities, but may do so in the future. In the event that Cephei Capital obtains client fund or securities, it will comply with the custody requirements applicable to registered investment advisers.

ITEM 16
INVESTMENT DISCRETION

Subject to limitations in the various agreements Cephei Capital has with particular Clients, Cephei Capital has full discretion and authority to make all investment decisions with respect to the types or amounts of securities to be bought or sold for its Clients, broker-dealers to be used and the commission rates paid.

The specific contours of Cephei Capital's discretionary authority is generally set forth in the particular agreement between Cephei Capital and the particular Client.

ITEM 17
VOTING CLIENT SECURITIES

Except for the Private Fund, Cephei Capital does not exercise or plan to procure the authority to exercise any voting rights with respect to client securities. Clients who are registered holders of such securities will receive their proxies or other solicitations directly from their custodian or transfer agent. If desired, a Client can contact Cephei Capital with questions about any particular solicitation. However, the final decision of how to vote the proxy rests with the Client.

For the Private Fund, Cephei Capital recognizes its fiduciary duty to vote proxies solely in the best interests of the Private Fund and has adopted policies and procedures related to voting proxies on behalf of the Private Fund. The general policy of Cephei Capital is to vote proxy proposals, as well as amendments, consents or resolutions relating to the Private Fund securities in a manner that serves the best interests of the Private Fund. Cephei Capital determines, in its sole discretion, how to vote the proxies and processes and votes the securities itself. In determining how to vote such proxies, Cephei Capital may take into account factors such as: (i) the impact on the value of the investments; (ii) the anticipated associated costs and benefits; (iii) the continued or increased availability of portfolio information; (iv) industry and business practices; and (v) the degree to which the Private Fund interests are aligned with those of an issuer's management.

Though generally deemed unlikely, it is possible for conflicts of interest to arise in the context of Cephei Capital's proxy voting. However, if an actual conflict of interest with respect to proxy voting arose, Cephei Capital's compliance officer would be involved in the process for the particular proxy vote to help manage and mitigate any such conflicts of interest.

A copy of Cephei Capital's proxy voting policies and procedures can be obtained upon request.

ITEM 18
FINANCIAL INFORMATION

Cephei Capital is not aware of any financial condition reasonably likely to impair its ability to meet contractual commitments to Clients, and has not been the subject of a bankruptcy petition at any time since its inception.

ITEM 19

REQUIREMENTS FOR STATE-REGISTERED ADVISERS

Cephei Capital does not believe it is required to register with any U.S. state securities authorities and have not done so.