

**ITEM 1. COVER PAGE**

**FORM ADV PART 2A**



**Kensai Asset Management, L.P.**  
**509 Madison Avenue, Suite 808**  
**New York, NY 10022**  
**212-419-4250**

March 26, 2013

**Important Disclosure:**

This Brochure provides information about the qualifications and business practices of Kensai Asset Management, L.P. (“**Kensai**”, “**we**” or “**Adviser**”, which terms include certain advisory affiliates described herein, as the context requires), an investment adviser registered with the United States Securities and Exchange Commission (“**SEC**”) under the Investment Advisers Act of 1940 (the “**Advisers Act**”). If you have any questions about the contents of this Brochure, please contact us at 212-419-4250. The information in this brochure has not been approved or verified by the SEC or by any state securities authority.

Additional information about Adviser also 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.

## **ITEM 2. MATERIAL CHANGES**

In August 2012, Kensai filed its initial application to register as an investment adviser with the SEC. This March 2013 annual amendment follows the commencement of Kensai's business as an investment adviser as of November 7, 2012. Accordingly, pursuant to disclosure rules under the Advisers Act, this is the amended 2013 Brochure compiled by Kensai to provide new and prospective investors with clearly written, meaningful, current disclosure of its business practices and conflicts of interest. We encourage all recipients of this Brochure to read it carefully in its entirety.

In the future, this Item 2 will identify and discuss material changes since the last annual update to assist investors and make them aware of certain information that has changed since the prior year's brochure and that may be important to them.

### ITEM 3. TABLE OF CONTENTS

Item 1. Cover Page.....	1
Item 2. Material Changes .....	2
Item 3. Table of Contents.....	3
Item 4. Advisory Business .....	4
Item 5. Fees and Compensation.....	5
Item 6. Performance-Based Fees and Side-by-Side Management.....	7
Item 7. Types of Clients.....	8
Item 8. Methods of Analysis, Investment Strategies and Risk of Loss .....	9
Item 9. Disciplinary Information.....	16
Item 10. Other Financial Industry Activities and Affiliations.....	17
Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	18
Item 12. Brokerage Practices .....	20
Item 13. Review of Accounts .....	22
Item 14. Client Referrals and Other Compensation .....	23
Item 15. Custody.....	24
Item 16. Investment Discretion.....	25
Item 17. Voting Client Securities.....	26
Item 18. Financial Information.....	28

#### **ITEM 4. ADVISORY BUSINESS**

Kensai Asset Management, L.P. is an investment adviser with its principal place of business in New York, NY. The Adviser commenced operations as an investment adviser on November 7, 2012. Aziz Nahas is the principal owner of the Adviser. The Adviser provides advisory services on a discretionary basis to its clients which are pooled investment vehicles (each a “**Fund**”) intended for sophisticated investors and institutional investors. The Adviser provides advice to client accounts based on specific investment objectives and strategies.

As of December 31, 2012, Adviser manages client assets on a discretionary basis of approximately \$27.2 million regulatory assets under management. Adviser does not manage client assets on a nondiscretionary basis.

## ITEM 5. FEES AND COMPENSATION

The Adviser charges each client an investment management fee based on the value of the client's assets under management of up to 2.0% per annum. Certain classes of interests may bear a lower management fee as described in more detail in the clients' respective confidential offering and/or private placement memoranda, limited partnership agreements and other governing documents applicable to each Fund (collectively, the "**Offering Documents**").

The investment management fees are calculated and charged to clients quarterly in advance based on the total market value of the assets in the client account (including net unrealized appreciation or depreciation of investments and cash, cash equivalents and accrued interest) on the first day of the quarter.

The Adviser or a related person of the Adviser will also be paid performance-based compensation, which is compensation that is based on a share of capital gains or on capital appreciation of the assets of a client. This compensation may be paid to the Adviser or to a related person and in an amount up to twenty percent (20%). Certain classes of interests may bear lower performance-based compensation as described in more detail in the clients' respective Offering Documents.

Kensai, an affiliate or the respective board or directors or general partner, as applicable, may waive or reduce investment management fees or performance-based compensation with respect to a client or any of the investors in a client at its discretion.

The Adviser deducts the investment management fee and performance-based compensation from client accounts by instructing the client's custodian.

To the extent a redeeming or withdrawing client or investor is owed any unearned fees paid in advance, the investor will be refunded an amount prorated from the date of termination to the end of the relevant period in which the termination date falls.

Clients will bear their own expenses including, without limitation, the investment management fee; investment expenses, whether or not such investments are consummated (such as brokerage commissions, expenses relating to short sales, clearing and settlement charges, custodial fees, bank service fees and interest expenses), professional fees (including, without limitation, expenses of consultants, investment bankers, attorneys, accountants and other experts) relating to investments; and fees and expenses relating to research and market data (including, without limitation, any computer hardware and connectivity hardware (e.g., telephone and fiber optic lines) incorporated into the cost of obtaining such research and market data); fees and expenses relating to software tools, programs or other technology utilized in managing the Funds (including, without limitation, third-party software licensing, implementation, data management and recovery services and custom development costs); administrative expenses (including, without limitation, fees and expenses of the administrator); directors' fees; legal expenses; valuation expenses; accounting, audit and tax preparation expenses (including, without limitation, third-party software licensing, implementation, data management and recovery services and custom development costs); costs related to errors and omissions insurance for

Kensai and affiliates; costs of printing and mailing reports and notices; entity-level taxes; corporate licensing; regulatory expenses (including, without limitation, filing preparation and fees); organizational expenses; expenses incurred in connection with the offering and sale of the shares and other similar expenses related to the Fund (other than any fees payable to any placement agent, which will be paid by Kensai either directly or indirectly by reducing the investment management fees owed to Kensai or performance based compensation allocable to Kensai or an affiliate); indemnification expenses (including, without limitation, costs related to directors and officers liability insurance); and extraordinary expenses. Certain client assets are invested in a master-feeder structure. Feeder funds bear a pro rata share of the expenses associated with the related master fund, and intermediate fund, if applicable. The Funds' Offering Documents provide a summary of the expenses charged to the Fund, and the terms investors are subject to when redeeming all or a portion of their investment.

Please see Item 12 below for further discussion of the factors that Adviser considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions).

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

For a discussion of the performance-based compensation charged by Adviser to clients, please refer to Item 5. Adviser will structure any performance-based compensation arrangement subject to Section 205(a)(1) of the Advisers Act in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3.

Performance-based compensation arrangements may create an incentive for Adviser to recommend investments that may be riskier or more speculative than those which would be recommended under a different fee arrangement. Such fee arrangements may also create an incentive to favor higher fee paying clients over other clients in the allocation of investment opportunities. At this time that Adviser only has Fund clients who pay performance-based compensation based on a master-feeder structure and does not have an incentive to favor a particular Fund due to the fee structure.

## **ITEM 7. TYPES OF CLIENTS**

As described in Item 4, the Adviser provides discretionary investment advisory services to clients which are private pooled investment vehicles. With respect to such clients, any initial and additional subscription minimums are disclosed in the offering memorandum for the pooled investment vehicle. Prospective investors in each of the clients managed by Adviser are required to meet certain suitability qualifications to enable the clients to maintain their private placement exemptions under the Securities Act of 1933, as amended, and the Investment Company Act of 1940, as amended.



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

### **Methods of Analysis and Investment Strategies**

Kensai seeks to achieve superior, risk-adjusted absolute returns by investing in a global long/short equity portfolio of liquid, exchange-traded equities, options and similar equity-linked over-the-counter products. At times, Kensai may also invest across the capital structure when deemed appropriate.

Kensai maintains a highly collaborative structure which comprises several portfolio managers. Aziz Nahas, the Chief Investment Officer and Chief Risk Officer, allocates capital among sector portfolio managers and runs an overlay portfolio. Each portfolio manager has demonstrated extraordinary skill and performance managing portfolios based on deep fundamental research in a liquid, transparent and low net exposure environment. Mr. Nahas works with portfolio managers to mitigate risk along at least twelve factors to improve quality of returns. Portfolio managers are compensated on a combination of the Fund's overall performance and their individual performances.

The investment process is designed to capture profits generated by deep, fundamental research with a strong focus on capital preservation. The strategy seeks to avoid potential losses inherent in strictly fundamental strategies caused when markets are driven by non-fundamental factors.

The rigorous, disciplined and granular risk management program seeks to pre-empt losses during market dislocations in order to preserve optionality and "dry powder" with which to capitalize on such dislocations.

### **Risk of Loss**

Investing in any of the Funds involves substantial risks, including the risk of total loss of capital, and may not be suitable for all investors. Different investment strategies are subject to different types and degrees of risk and you should familiarize yourself with the risks associated with the particular investment strategy of the Fund(s) in which you intend to invest. Prospective and current investors in any Fund should carefully consider the risks of investing in such Fund. A summary of risks of investing in a Fund include, without limitation, those set forth below, as well as additional risks set out in each Fund's respective Offering Documents, which you should review before investing. Interests in any Fund may be very illiquid and investors should be able to bear the financial risks of an investment for an indefinite period of time. There is no secondary market for interests in the Funds and none is expected to develop.

### **Risks Relating to Private Investment Funds Generally**

**Legal and Regulatory Environment for Private Investment Funds and their Managers.** The legal, tax and regulatory environment worldwide for private investment funds (such as each Fund client) and their managers is evolving, and changes in the regulation of private investment funds, their managers, and their trading and investing activities may have a material adverse effect on the ability of the Fund to pursue its investment program and the value of investments held by the Fund. There has been an increase in scrutiny of the alternative

investment industry by governmental agencies and self-regulatory organizations. New laws and regulations or actions taken by regulators that restrict the ability of the Fund to pursue its investment program or employ brokers and other counterparties could have a material adverse effect on the Fund and the Shareholders' investments therein. In addition, Kensai may, in its sole discretion, cause the Fund to be subject to certain laws and regulations if it believes that an investment or business activity is in the Fund's interest, even if such laws and regulations may have a detrimental effect on one or more investors.

**Dodd-Frank Act.** The U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act (the "**Dodd-Frank Act**") was enacted in July 2010. The Dodd-Frank Act requires extensive rulemaking and regulatory changes that will affect private fund managers, the funds that they manage and the financial industry as a whole. Additionally, under the Dodd-Frank Act, the SEC has mandated new reporting requirements (and will mandate new recordkeeping requirements) for investment advisers, which are expected to add costs to the legal, operational and compliance obligations of Kensai and possibly the Fund and increase the amount of time that Kensai spends on non-investment related activities. Until the SEC and other agencies have completed implementation of the new requirements, it is unknown how burdensome such requirements will be. The Dodd-Frank Act affects a broad range of market participants with whom the Fund interacts or may interact, including banks, non-bank financial institutions, rating agencies, mortgage brokers, credit unions, insurance companies, payday lenders and broker dealers, and may change the way in which Kensai conducts business with its counterparties. It may take years to understand the impact of the Dodd-Frank Act on the financial industry as a whole, and therefore, the continued uncertainty may make markets more volatile and make it difficult for Kensai to execute the investment strategy of the Fund.

**Systemic Risk.** Credit risk may arise through a default by or because of one of several large institutions that are dependent on one another to meet their liquidity or operational needs, so that a default by or because of one institution may cause a series of defaults by the other institutions. This is sometimes referred to as a "systemic risk" and may adversely affect financial intermediaries, such as clearing houses, banks, securities firms and exchanges with which the Fund interacts. A systemic failure could have material adverse consequences on the Fund and on the markets for the financial instruments in which the Fund seeks to invest.

**Assumption of Business, Terrorism and Catastrophe Risks.** The Fund may be subject to the risk of loss arising from exposure that it may incur, indirectly, due to the occurrence of various events, including, without limitation, hurricanes, earthquakes, and other natural disasters, terrorism and other catastrophic events. These risks of loss can be substantial and could have a material adverse effect on the Fund and the investors' investments therein.

#### Risks Relating to Management

**Limited Operating History.** The Funds, Kensai and its affiliates are each newly formed entities which have an extremely limited operating history upon which prospective Shareholders can evaluate their anticipated performance. The investment professionals of Kensai have been using strategies similar to the strategies described herein for several years. However, there can be no assurance that the Fund will achieve results comparable to those that the investment professionals have achieved in the past.

**Dependence on Kensai, Certain Personnel and Certain Third Parties.** The success of the Fund is dependent upon the ability of Kensai to manage the Fund and effectively implement the Fund's investment program. The Fund's governing documents do not permit the investors to participate in the management and affairs of the Fund. If the Funds and any other client accounts Kensai may manage in the future were to incur substantial losses or were subject to an unusually high level of redemptions, the revenues of Kensai may decline substantially. Such losses and/or redemptions may impair Kensai's ability to retain employees, provide the same level of service to the Funds as it has in the past, and continue operations. The loss of the services of Kensai or its key personnel could have a material adverse effect on the Fund and the investors' investments therein. The Fund is also dependent upon its counterparties and certain third-party service providers, such as the administrator. Errors are inherent in the business and operations of any business, and although Kensai will adopt measures to prevent and detect errors by, and misconduct of, counterparties and third-party service providers, and transact with counterparties and third-party service providers it believes to be reliable, such measures may not be effective in all cases. Errors or misconduct could have a material adverse effect on the Fund and the investors' investments therein.

**Retention and Motivation of Key Employees.** The success of the Fund is dependent upon the talents and efforts of highly skilled individuals employed by Kensai and its ability to identify and willingness to provide acceptable compensation to attract, retain and motivate talented investment professionals and other employees. There can be no assurance that Kensai's investment professionals will continue to be associated with Kensai throughout the life of the Funds, and the failure to attract or retain such investment professionals could have a material adverse effect on the Funds and the investors' investments therein. Competition in the financial services industry for qualified employees is intense and there is no guarantee that, if lost, the talents of Kensai's investment professionals could be replaced.

**Investment and Due Diligence Process.** Before making investments, Kensai will conduct due diligence that it deems reasonable and appropriate based on the facts and circumstances applicable to each investment. When conducting due diligence, Kensai may be required to evaluate important and complex business, financial, tax, accounting, environmental and legal issues. When conducting due diligence and making an assessment regarding an investment, Kensai will rely on the resources reasonably available to it, which in some circumstances whether or not known to Kensai at the time, may not be sufficient, accurate, complete or reliable. Due diligence may not reveal or highlight matters that could have a material adverse effect on the value of an investment.

**Increased Regulatory Oversight.** Increased regulation and regulatory oversight of private investment funds and their managers may impose administrative burdens on Kensai, including, without limitation, responding to examinations and other regulatory inquiries and implementing policies and procedures. Such administrative burdens may divert Kensai's time, attention and resources from portfolio management activities. Such regulatory inquiries are generally confidential in nature, may involve a review of an individual's or a firm's activities or may involve studies of the industry or industry practices, as well as the practices of a particular institution.

## Risks Relating to the Structure of the Fund

**Significant Fees and Expenses.** The fees and expenses of each Fund may be significant. The Fund must generate sufficient income to offset such fees and expenses to avoid a decrease in the net asset value of the Fund.

**Absence of Regulatory Oversight.** None of the Funds or their shares or interests is expected to be registered under the securities laws of the United States. In particular, the Fund will not be registered as an investment company under the Investment Company Act of 1940 (“**Company Act**”), and, therefore, will not be required to adhere to the restrictions and requirements under the Company Act. Accordingly, the provisions of the Company Act (which, among other things, require investment companies to have a majority of disinterested directors, require securities to be held in custody by a bank or broker in accordance with rules requiring the segregation of securities, prohibit the investment companies from engaging in certain transactions with its affiliates and regulate the relationship between advisers and investment companies) are not applicable.

**Limited Liquidity.** An investment in the Fund has limited liquidity because investors will generally have only limited rights to redeem shares or interests from the Fund or transfer their shares or interests, and the Fund has the right to suspend redemptions, as described in the Offering Documents. Investors must be prepared to bear the financial risks of an investment in a Fund for an indefinite period of time.

## Risks Related to Operations and Investment Activities

**Counterparty Risk.** Each Fund expects to establish relationships to obtain financing, derivative intermediation and prime brokerage services that permit the Fund to trade in any variety of markets or asset classes over time. However, there can be no assurance that the Fund will be able to establish or maintain such relationships. An inability to establish or maintain such relationships could limit the Fund's trading activities, create losses, preclude the Fund from engaging in certain transactions or prevent the Fund from trading at optimal rates and terms. Moreover, a disruption in the financing, derivative intermediation and prime brokerage services provided by any such relationships could have a significant impact on the Fund's business due to the Fund's reliance on such counterparties.

If there is a default by a counterparty, the Fund under most normal circumstances will have contractual remedies pursuant to the agreements related to the transaction. However, exercising such contractual rights may involve delays or costs which could result in the net asset value of the Fund being less than if the Fund had not entered into the transaction. Furthermore, there is a risk that any of such counterparties could become insolvent and/or the subject of insolvency proceedings. In such case, the recovery of the Fund's financial instruments from such counterparty or the payment of claims therefor may be significantly delayed and the Fund may recover substantially less than the full value of the financial instruments entrusted to such counterparty.

## Risks Related to Investment Strategies and Methods of Analysis

**Risk of Loss.** No guarantee or representation is made that the Fund's investment program, including, without limitation, the Fund's investment objective, diversification strategies or risk monitoring goals, will be successful. Investment results may vary substantially over time. No assurance can be made that profits will be achieved or that substantial or complete losses will not be incurred. Past investment results of the investment professionals of Kensai are not necessarily indicative of their future performance.

**General Economic and Market Conditions.** The success of the Fund's activities will be affected by general economic and market conditions, such as interest rates, availability of credit, credit defaults, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of the Fund's investments), trade barriers, currency exchange controls, and national and international political circumstances (including wars, terrorist acts or security operations). These factors may affect the level and volatility of the prices and the liquidity of the Fund's investments. Volatility or illiquidity could impair the Fund's profitability or result in losses. The Fund may maintain substantial trading positions that can be adversely affected by the level of volatility in the financial markets.

**Long/Short.** The success of the Fund's long/short investment strategy depends upon Kensai's ability to identify and purchase financial instruments that are undervalued and identify and sell short financial instruments that are overvalued. The identification of investment opportunities in the implementation of the Fund's long/short investment strategies is a difficult task, and there are no assurances that such opportunities will be successfully recognized or acquired. In the event that the perceived opportunities underlying the Fund's positions were to fail to converge toward, or were to diverge further from values expected by Kensai, the Fund may incur a loss. In the event of market disruptions, significant losses can be incurred which may force the Fund to close out one or more positions. Furthermore, the valuation models used to determine whether a position presents an attractive opportunity consistent with Kensai's long/short strategies may become outdated and inaccurate as market conditions change.

**Event-Driven.** The success of the Fund's event-driven investment strategy depends upon Kensai's ability to make predictions about (i) the likelihood that an event will occur and (ii) the impact such event will have on the value of a company's securities. If the event fails to occur or it does not have the effect foreseen, losses can result. For example, the adoption of new business strategies or completion of asset dispositions or debt reduction programs by a company may not be valued as highly by the market as Kensai had anticipated, resulting in losses. In addition, a company may announce a plan of restructuring which promises to enhance value, but fail to implement it, which can result in losses to investors. In liquidations and other forms of corporate reorganization, the risk exists that the reorganization either will be unsuccessful, will be delayed or will result in a distribution of cash or a new security, the value of which will be less than the purchase price to the Fund of the security in respect of which such distribution was made. The consummation of mergers and tender and exchange offers can be prevented or delayed by a variety of factors, including: (i) opposition of the management or stockholders of the target company, which will often result in litigation to enjoin the proposed transaction; (ii) intervention of a federal or state regulatory agency; (iii) efforts by the target company to pursue a "defensive" strategy, including a merger with, or a friendly tender offer by,

a company other than the offeror; (iv) in the case of a merger, failure to obtain the necessary stockholder approvals; (v) market conditions resulting in material changes in securities prices; (vi) compliance with any applicable federal or state securities laws; and (vii) inability to obtain adequate financing. Because of the inherently speculative nature of event-driven investing, the results of the Fund's operations may be expected to fluctuate from period to period. Accordingly, investors should understand that the results of a particular period will not necessarily be indicative of results that may be expected in future periods.

**Short Selling.** The Fund will engage in short selling, which depends upon Kensai's ability to identify and sell short financial instruments that are overvalued. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying financial instrument could theoretically increase without limit, thus increasing the cost to the Fund of buying those financial instruments to cover the short position. There can be no assurance that the Fund will be able to maintain the ability to borrow financial instruments sold short. In such cases, the Fund can be "bought in" (*i.e.*, forced to repurchase financial instruments in the open market to return to the lender). There also can be no assurance that the financial instruments necessary to cover a short position will be available for purchase at or near prices quoted in the market. Purchasing financial instruments to close out a short position can itself cause the price of the financial instruments to rise further, thereby exacerbating the loss. Short strategies can also be implemented synthetically through various instruments and be used with respect to indices or in the over-the-counter market and with respect to futures and other instruments. In some cases of synthetic short sales, there is no floating supply of an underlying instrument with which to cover or close out a short position and the Fund may be entirely dependent on the willingness of over-the-counter market makers to quote prices at which the synthetic short position may be unwound. There can be no assurance that such market makers will be willing to make such quotes. Short strategies can also be implemented on a leveraged basis. Lastly, even though the Fund secures a "good borrow" of the financial instrument sold short at the time of execution, the lending institution may recall the lent financial instrument at any time, thereby forcing the Fund to purchase the financial instrument at the then-prevailing market price, which may be higher than the price at which such financial instrument was originally sold short by the Fund.

**Short-Term Market Considerations.** Kensai's trading decisions may be made on the basis of short-term market considerations, and the portfolio turnover rate could result in significant trading related expenses.

### **Leverage and Borrowing.**

*Leverage for Investment Purposes.* The use of leverage will allow the Fund to make additional investments, thereby increasing its exposure to assets, such that its total assets may be greater than its capital. However, leverage will also magnify the volatility of changes in the value of the Fund's portfolio. The effect of the use of leverage by the Fund in a market that moves adversely to its investments could result in substantial losses to the Fund, which would be greater than if the Fund were not leveraged.

*Collateral.* The instruments and borrowings utilized by the Fund to leverage investments may be collateralized by all or a portion of the Fund's portfolio.

Accordingly, the Fund may pledge its financial instruments in order to borrow or otherwise obtain leverage for investment or other purposes. Should the financial instruments pledged to brokers to secure the Fund's margin accounts decline in value, the Fund could be subject to a "margin call", pursuant to which the Fund must either deposit additional funds or financial instruments with the broker or suffer mandatory liquidation of the pledged Financial instruments to compensate for the decline in value. The banks and dealers that provide financing to the Fund can apply essentially discretionary margin, "haircut", financing and collateral valuation policies. Changes by counterparties in any of the foregoing may result in large margin calls, loss of financing and forced liquidations of positions at disadvantageous prices. Lenders that provide other types of asset-based or secured financing to the Fund may have similar rights. There can be no assurance that the Fund will be able to secure or maintain adequate financing.

*Costs.* Borrowings will be subject to interest, transaction and other costs, and other types of leverage also involve transaction and other costs. Any such costs may or may not be recovered by the return on the Fund's portfolio.

**Diversification and Concentration.** Kensai may select investments that are concentrated in a limited number or types of financial instruments. In addition, the Fund's portfolio may become significantly concentrated in financial instruments related to a single or a limited number of issuers, industries, sectors, strategies, countries or geographic regions. This limited diversification may result in the concentration of risk, which, in turn, could expose the Fund to losses disproportionate to market movements in general if there are disproportionately greater adverse price movements in such financial instruments.

## **ITEM 9. DISCIPLINARY INFORMATION**

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



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

Kensai Associates, L.P. (“**Associates**”), an affiliate of Kensai, serves as the general partner of Kensai Partners, L.P., one of the feeder Funds which invests in Kensai Master Investors, Ltd., the master trading vehicle (“**Kensai Master**”). Associates also serves as the general partner of Kensai Intermediate Partners, L.P., the intermediate Fund (“**Kensai Intermediate**”), which also invests in Kensai Master. Kensai Overseas Investors, Ltd., one of the feeder Funds, invests in Kensai Intermediate. A summary of the Funds and related entities is below:

### **Investment Manager**

Kensai Asset Management, L.P.

### **General Partner**

Kensai Associates, L.P.

### **Administrative General Partner to Intermediate Fund**

Kensai Administrative Associates, L.L.C.

### **Funds**

Kensai Partners, L.P.

Kensai Overseas Investors, Ltd.

### **Intermediate Fund**

Kensai Intermediate Partners, L.P.

### **Master Trading Entity**

Kensai Master Investors, Ltd.

In addition to the entities listed above, Funds may from time to time invest through subsidiary investment holding entities.

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

### Code of Ethics

Kensai has adopted a code of ethics (“**Code of Ethics**”) which is designed to foster compliance with the applicable federal securities laws and regulatory requirements and to prevent circumstances that may lead to or give the appearance of conflicts of interest with clients, insider trading or unethical business conduct as well as promote a culture of high ethical standards.

The Code of Ethics contains policies which address the following situations:

*Personal Trading Policies.* Among other things, the Code of Ethics governs personal securities trading by our employees. Generally, Kensai employees may not purchase or sell a *covered security* in a personal account. Any exception to this policy must be approved in advance by the Chief Compliance Officer. Similarly, the Chief Compliance Officer’s prior written approval also is required before any Kensai employee acquires securities in a private placement, initial public offering or any other transaction of limited availability. Employees must report their personal securities holdings and transactions to the Chief Compliance Officer on at least a quarterly basis.

The term “*covered security*” includes all securities defined as such under the Advisers Act, and includes:

- Debt and equity securities;
- Options on securities, on indices, and on currencies; and
- All forms of limited partnership and limited liability company interests, including interests in private investment funds (such as hedge funds), and interests in investment clubs.

In addition, although not falling within the definition of a security in certain instances, the Code of Ethics includes the following as *covered securities*: commodities, futures and options traded on a commodities exchange, including currency futures.

The term “*covered security*,” however, does not include the following:

- Direct obligations of the U.S. government (*e.g.*, treasury securities);
- Bankers’ acceptances, bank certificates of deposit, commercial paper, and high quality short-term debt obligations (defined as any instrument that has a maturity at issuance of less than 366 days and that is rated in one of the two highest rating categories by a Nationally Recognized Statistical Rating Organization), including repurchase agreements;

- Shares issued by money market funds;
- Shares of open-end mutual funds registered with the SEC and exchange traded funds (“ETFs”);
- Shares issued by unit investment trusts that are invested exclusively in one or more open-end mutual funds; and
- For purposes of the Code of Ethics, interests issued by pooled investment vehicles for which Kensai serves as investment adviser.

*Insider Trading Policies.* No employee may trade in a security while in possession of material, nonpublic information about such security; nor may any employee communicate material, nonpublic information to others without the prior approval of the Chief Compliance Officer. The Code of Ethics details what constitutes “material, nonpublic information” as well as trading restrictions and procedures once in possession of material, nonpublic information.

A copy of the Code of Ethics is available to any investor or prospective investor upon request.

### **Participation or Interest in Client Transactions**

Section 206(3) of the Advisers Act places restrictions on the ability of an investment adviser to engage in a principal transaction without prior notification to the client and obtaining the client’s consent. The primary purpose of this restriction is to prevent an adviser from transferring unwanted securities to a client’s account. A principal transaction occurs when an investment adviser, acting for its own account (or the account of an affiliate) buys a security from, or sells a security to, a client’s account. The SEC staff has indicated that a fund would be a principal account for this purpose if the investment adviser and/or controlling person(s) of the investment adviser own in the aggregate more than 25 percent of the fund.

Kensai may cross trade securities between its Funds with execution by an independent broker-dealer on an agency basis at the current fair market value as determined by such broker-dealer and otherwise consistent with Kensai’s fiduciary obligations. Cross trades will not be executed for any Fund where such trade would not be permitted under applicable law (e.g., under the Employee Retirement Income Security Act of 1974).

The Chief Compliance Officer will determine whether the trade would constitute a principal transaction, and if so, that all required notice and consent requirements are satisfied. The Chief Compliance Officer will then inform the investment professionals whether or not to proceed with the trade.

## **ITEM 12. BROKERAGE PRACTICES**

The Adviser has complete discretion in deciding which financial instruments are bought and sold, the amount and price of those financial instruments, the brokers or dealers to be used for a particular transaction, and commissions or markups and markdowns paid.

Portfolio transactions for the Funds will be allocated to brokers and dealers on the basis of numerous factors and not necessarily lowest pricing. Brokers and dealers may provide other services that are beneficial to the Adviser and/or certain clients, but not beneficial to all clients. Subject to best execution, in selecting brokers and dealers (including prime brokers) to execute transactions, provide financing and securities on loan, hold cash and short balances and provide other services, the Adviser may consider, among other factors that are deemed appropriate to consider under the circumstances, the following: the ability of the brokers and dealers to effect the transaction; the brokers' or dealers' facilities, reliability and financial responsibility; and the provision by the brokers of capital introduction, talent introduction, marketing assistance, consulting with respect to technology, operations and equipment, commitment of capital, access to company management and access to deal flow.

Accordingly, the commission rates (or dealer markups and markdowns arising in connection with riskless principal transactions) charged to the Funds by brokers or dealers in the foregoing circumstances may be higher than those charged by other brokers or dealers that may not offer such services. The Adviser need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost or spread. Generally, neither the Adviser nor the Funds separately compensate any broker or dealer for any of these other services.

If the Adviser decides, based on the factors set forth above, to execute over-the-counter transactions on an agency basis through Electronic Communications Networks ("ECNs"), it will also consider the following factors when choosing to use one ECN over another: the ease of use; the flexibility of the ECN compared to other ECNs; and the level of care and attention that will be given to smaller orders.

The Adviser maintains policies and procedures to review the quality of executions, including periodic reviews by its investment professionals.

### **Soft Dollar Practices**

From time to time, the Adviser may pay a broker-dealer commissions (or markups or markdowns with respect to certain types of riskless principal transactions) for effecting Fund transactions in excess of that which another broker-dealer might have charged for effecting the transaction in recognition of the value of the brokerage and research services provided by the broker-dealer. The Adviser will effect such transactions, and receive such brokerage and research services, only to the extent that they fall within the safe harbor provided by Section 28(e) of the Securities Exchange Act of 1934 and subject to prevailing guidance provided by the SEC regarding Section 28(e). In any event, such research and research-related expenses would be otherwise borne by the Funds as set forth in the respective Offering Documents.

The Adviser believes it is important to its investment decision-making processes to have access to independent research. Also, consistent with Section 28(e), research products or services

obtained with "soft dollars" generated by a client may be used by the Adviser to service one or more other clients, including clients that may not have paid for the soft dollar benefits. The Adviser does not seek to allocate soft dollar benefits to clients in proportion to the soft dollar credits the client accounts generate. Where a product or service obtained with soft dollars provides both research and non-research assistance to the Adviser (i.e., a "mixed use" item), the Adviser will make a good faith allocation of the cost which may be paid for with soft dollars. In making good faith allocations of costs between administrative benefits and research and brokerage services, a conflict of interest may exist by reason of the Adviser's allocation of the costs of such benefits and services between those that primarily benefit the Adviser and those that primarily benefit the clients.

The Adviser may have an incentive to select or recommend a broker-dealer based on the Adviser's interest in receiving research or other products or services, rather than on a client's interest in receiving most favorable execution.

The Adviser may enter into "client commission arrangements" pursuant to which the Adviser may execute transactions through a broker-dealer and request that the broker-dealer allocate a portion of the commissions or commission credits to another firm that provides research and other products to the Adviser. The Adviser excludes from use under these arrangements those products and services that are not eligible under Section 28(e) and applicable regulatory interpretations.

### **Order Aggregation and Average Pricing**

If the Adviser determines that the purchase or sale of a financial instrument is appropriate with regard to the Funds and any client accounts, the Adviser may, but is not obligated to, purchase or sell such a financial instrument on behalf of such clients with an aggregated order, for the purpose of reducing transaction costs, to the extent permitted by applicable law. When an aggregated order is filled through multiple trades at different prices on the same day, each participating client account will receive the average price, with transaction costs generally allocated pro rata based on the size of each account's participation in the order (or allocation in the event of a partial fill) as determined by the Adviser. In the event of a partial fill, allocations may be modified on a basis that the Adviser deems to be appropriate, including, for example, in order to avoid odd lots or *de minimis* allocations. When orders are not aggregated, trades generally will be processed in the order that they are placed with the broker or counterparty selected by the Adviser. As a result, certain trades in the same financial instrument for one client account (including an account in which the Adviser and its personnel may have a direct or indirect interest) may receive more or less favorable prices or terms than another account, and orders placed later may not be filled entirely or at all, based upon the prevailing market prices at the time of the order or trade. In addition, some opportunities for reduced transaction costs and economies of scale may not be achieved.

### **ITEM 13. REVIEW OF ACCOUNTS**

Each client account is reviewed by the client's portfolio managers and chief investment officer on a daily basis to determine whether securities positions should be maintained in view of current market conditions and to determine whether consistent with the client's objectives and strategies. Matters reviewed include specific securities held, adherence to investment guidelines, certain risk parameters, and the performance of each client account. In-house operations and other Kensai personnel will review settlement, trade breaks, and various reconciliations on a daily or as needed basis.

Significant market events affecting the prices of one or more securities in client accounts may trigger reviews of client accounts on other than a periodic basis including, without limitation, the economic environment affecting stocks, the Adviser's earnings estimates relative to Wall Street expectations, and catalysts that may affect stock prices either negatively or positively.

Investors in private fund clients managed by the Adviser receive reports from the client pursuant to the terms of each client's offering memoranda or as otherwise described in the Offering Documents of each client. Investors receive monthly capital account statements directly from the Funds' administrator and annual audited financial statements prepared by the auditor for the Funds (beginning in 2013). Additional reporting, performance updates, or other information may be provided to each investor or prospective investors upon request.

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

There are no sales charges payable to the Funds, Kensai or any of its affiliates in connection with the offering of interests or shares in the Funds. However, Kensai, its affiliates or the Funds may enter into arrangements with placement agents to solicit investors for the Funds, and such arrangements may provide for the compensation of such placement agents for their services at Kensai's expense. Any such solicitation arrangements must be approved in advance by the Chief Compliance Officer.

From time to time, brokers (including prime brokers) may assist the Funds in raising additional funds from investors. Additionally, brokers may provide capital introduction and marketing assistance services, and representatives of Kensai may speak at conferences and programs sponsored by the brokers for investors interested in investing in private investment funds. Through such events, prospective investors in the Funds may encounter representatives of Kensai. Brokers may also provide other services, including, without limitation, consulting services relating to technology, office space and other business support.

## ITEM 15. CUSTODY

Kensai is deemed to have custody of client funds and securities because it has the authority to obtain client funds or securities, for example, by deducting advisory fees from a client's account or otherwise withdrawing funds from a client's account. Account statements related to the clients are sent by qualified custodians to Kensai.

Kensai is subject to Rule 206(4)-2 under the Advisers Act (the "**Custody Rule**"). However, it is not required to comply (or is deemed to have complied) with certain requirements of the Custody Rule with respect to each client because it will comply with the provisions of the so-called "Pooled Vehicle Annual Audit Exception", which, among other things, requires that each client be subject to audit at least annually by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, and requires that each client distribute its audited financial statements to all investors within 120 days of the end of its fiscal year.



## **ITEM 16. INVESTMENT DISCRETION**

Kensai serves as the investment management company with discretionary trading authority to each client. The Adviser's investment decisions and advice with respect to each client are subject to each client's investment objectives and guidelines, as set forth in its Offering Documents. Kensai has entered into an investment management agreement, or similar agreement, with each client, pursuant to which the Adviser was granted discretionary trading authority.

## ITEM 17. VOTING CLIENT SECURITIES

Kensai has authority to vote proxies relating to securities held by the Funds, and as a fiduciary and pursuant to Rule 206(4)-6 of the Advisers Act, Kensai has a general obligation to vote Fund proxies in the best interest of the Funds and not Kensai's own interests. Kensai's policy is to vote proxy proposals, amendments, consents or resolutions relating to securities held by the Funds, in a manner that serves the best interests of the Funds, as determined by Kensai in its discretion, taking into account relevant factors, including, but not limited to (i) the impact on the value of the securities; (ii) the anticipated costs and benefits associated with the proposal; (iii) the effect on liquidity; and (iv) customary industry and business practices.

To assist in voting proxies, Kensai has retained an expert in the proxy voting and corporate governance area. The proxy voting service (the “**Service**”) is an unaffiliated, third party proxy voting research service, specializing in providing a variety of proxy-related services to institutional investment managers. The services provided to Kensai include in-depth research analysis of shareholder meeting agendas, vote recommendations, reporting and recordkeeping. Kensai has adopted the Service’s proxy voting policy (“**PVP**”) and will generally vote according to its recommendations. If Kensai should decide to vote in a manner contrary to such PVP, Kensai personnel responsible for casting such vote will log the exception to the PVP.

For routine matters, Kensai, in conjunction with the Service’s recommendation, will typically vote in accordance with the recommendation of the company's management, directors, general partners, managing members or trustees, as applicable, unless, in Kensai's opinion, such recommendation is not in the best interests of the investing Funds. Routine matters are typically proposed by management of a company and meet the following criteria: (i) they do not materially change the structure, management, control or operation of the company; (ii) they do not materially change the terms of, or fees or expenses associated with, an investment in the company; and (iii) they are consistent with customary industry standards and practices, as well as the laws of the state of incorporation applicable to the company.

For non-routine matters, Kensai's investment professionals will review proxy proposals on a case-by-case basis to determine an appropriate course of action. Non-routine matters involve a variety of issues and may be proposed by a company's management or beneficial owners.

At times, conflicts may arise between the interests of the Funds, on the one hand, and the interests of Kensai or its affiliates, on the other hand. If Kensai determines that it has, or may be perceived to have, a conflict of interest when voting a proxy, Kensai will not vote proxies contrary to the best interest of the Funds. Kensai will generally resolve such conflict by relying on the Service’s vote recommendation.

Kensai's investment professionals will be responsible for determining whether each proxy is for a routine or non-routine matter, as described above. Upon making a decision how to vote a proxy, a designated individual at Kensai will execute the proxy in accordance with the decision and submit it to the company. A designated individual will maintain records relating to each proxy. The Chief Compliance Officer is responsible for monitoring the effectiveness of these proxy-voting policies.

Investors may obtain a copy of Kensai's proxy voting policies and procedures and information about how Kensai voted any proxies on behalf of client accounts upon written request to Kensai.

## **ITEM 18. FINANCIAL INFORMATION**

A balance sheet is not required to be provided as Kensai (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, and (iii) has not been subject to any bankruptcy proceeding during the past 10 years.