

# SL Capital Partners

**SL Capital Partners LLP (“SL Capital”)**

**1 George Street  
Edinburgh EH2 2LL  
United Kingdom  
[www.slcapital.com](http://www.slcapital.com)  
SEC Number: 801-68436**

**Form ADV Part 2A: Firm Brochure  
March 31, 2014**

**Item #1: Cover Page**

**Important Note:**

This brochure provides information about the qualifications and business practices of SL Capital Partners LLP. If you have questions about the contents of this brochure, please contact us at +44 131 245 0055.

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

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

SL Capital is registered with the SEC as an Investment Adviser. Registration as an Investment Adviser does not imply a certain level of skill or training.

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**Item #2: Statement of Material Changes**

This Brochure dated March 31, 2014, was prepared in accordance with SEC requirements and contains the following material changes from SL Capital's last annual amendment (filed on March 31, 2013) summarised below:

- The Brochure Supplement was updated to reflect the changes to SL Capital's Investment Committee.

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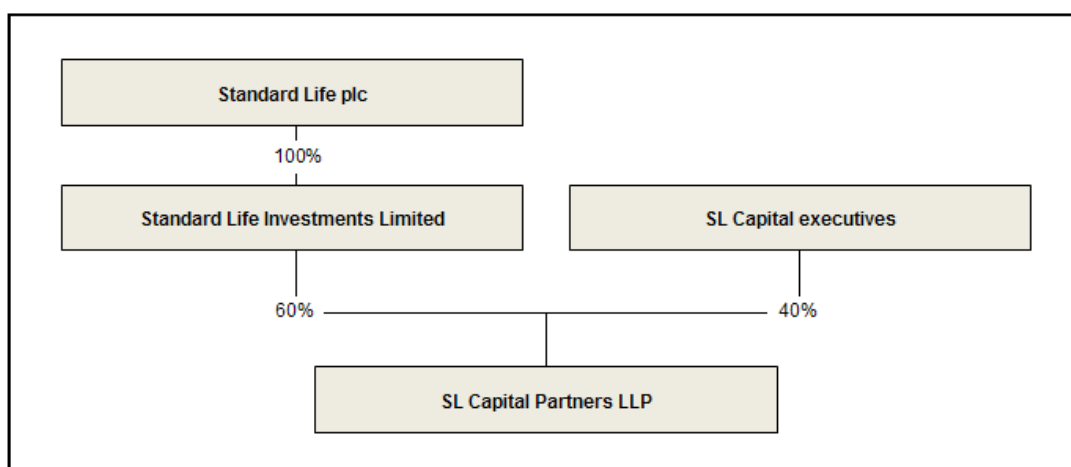
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**Item #4: Advisory Business**

**4A. Advisory Business**

SL Capital Partners LLP ("SL Capital", "the Manager" or "the Applicant") is majority owned by Standard Life Investments Limited ("SLIL"), which is ultimately owned by Standard Life plc ("SL"), a publicly traded insurance and financial service firm based in Edinburgh, Scotland (LSE: SL).

***Structure Chart***



The Standard Life group has invested in private equity funds and co-investments since 1973. A subsidiary, Standard Life Investments (Private Equity) Limited ("SLIPE"), was created in 1998 to manage the first private equity fund of funds product offered to third party investors. This business transferred to SL Capital in October 2007.

SL Capital has been registered with the SEC as an investment adviser since October 2007. Its predecessor, SLIPE, was originally registered with the SEC as an investment adviser in January 1999. SL Capital is also authorised by the Financial Conduct Authority ("FCA") in the United Kingdom.

SL Capital provides both discretionary and non-discretionary investment management services for its clients. SL Capital intends to act as an "Investment Manager" (as defined in Section 3(38) of the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA")) with respect to certain clients.

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**4B. Advisory Services**

SL Capital provides investment management services to:

- Limited partnership vehicles ("LP's") – pooled vehicles/Funds and segregated mandates.
- An investment company which is traded publicly on the London Stock Exchange - Standard Life European Private Equity Trust plc ("SLEPET").
- Certain non-US clients on a non-discretionary basis.

The limited partners of the LPs include U.S. and non-U.S. investors. The U.S. limited partners are "Qualified Purchasers" as that term is defined under the U.S. Investment Company Act of 1940 or "Accredited Investors" as defined under the U.S. Investment Advisers Act of 1940.

In providing advisory services to the LP's and SLEPET, SL Capital makes investment decisions on behalf of those vehicles. The investment strategy is stated in the legal documentation of each LP. The investment opportunities that SL Capital considers include the following:

- Private equity fund investments (primary and secondary) primarily in Europe and North America.
- Selective co-investments alongside SL Capital chosen managers in private companies primarily in Europe and North America.

**4C. Client Goals / Restrictions**

SL Capital's primary investment objective is to achieve a superior rate of return for its investors, primarily through capital appreciation, by making fund investments and, where applicable, co-investments.

The investment strategy for each LP is determined at the time of establishment. There is no opportunity for individual investors to impose client specific restrictions within the pooled vehicles. The investment strategy for the segregated mandates is determined and agreed with the investor(s) at time of establishment of that segregated mandate.

**4D. Wrap-Fee Programs**

SL Capital does not participate in wrap-fee programs.

**4E. Client Assets Under Management**

As of February 28, 2013, SL Capital managed \$6,525,500,000 on a discretionary basis and \$161,964,803 on a non-discretionary basis.

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**Item #5: Fees and Compensation**

**5A. Compensation**

The basis of the management fees are described fully in the limited partnership agreements of each vehicle, copies of which are distributed to each limited partner prior to their admission as a limited partner. These amounts are paid by each fund quarterly in advance to the manager. These are calculated on a variety of bases depending upon the product, including (i) drawn/undrawn amounts (ii) amounts invested (iii) total commitment amount (iv) Net Asset Value. Fees for non-discretionary advisory mandates are agreed with the client and included in the advisory agreement.

*Standard Life European Private Equity Trust plc ("SLEPET")*

Under the terms of the investment management agreement between SLEPET and SL Capital, SL Capital is entitled to receive an investment management fee, payable quarterly in arrears, at the rate of 0.8% per annum of the value of the net assets of SLEPET as at the end of each calendar quarter.

**5B. Methods of Payment**

SL Capital receives management fees on a quarterly basis as outlined within 5A.

**5C. Other Fees**

Investors in the LPs or SLEPET will pay management fees (as described in 5A) as well as other administration expenses incurred by the LP in accordance with the relevant legal documentation. These may include custody, legal, accounting, and other relevant expenses.

SL Capital may receive transaction fees, abort fees or other investment related fees from actual or prospective portfolio companies. Any amount received will be for the account of SL Capital, but will be credited against and reduce the management fees in accordance with the relevant agreement.

When the LPs or SLEPET make commitments to underlying fund investments, management fees will be charged by underlying fund investments. These fees potentially impact the returns of SL Capital's LP and ultimately returns to investors. This is inherent in a fund-of-funds structure in any asset class.

Costs which are controlled by SL Capital and paid by clients are considered in light of SL Capital's fiduciary duty to its clients.

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**5D. Advance Payment of Fees**

As discussed in 5A, payment of the management fees is generally made quarterly in advance.

Due to the limitations on liquidity within LPs (as set out in each limited partnership agreement) there are no early redemption provisions for investors.

**5E. Compensation for Sale of Securities**

Compensation arrangements are set out in 5A.

The compensation of Supervised Persons of SL Capital is not based directly on the value of security transactions.

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

SL Capital is committed to ensuring alignment of interests with its investors. This can be demonstrated by the following arrangements, which show that SL Capital is committed to the success of each LP:

- SL Capital, an affiliate and certain of its executives, will generally commit at least 1% of the target fund size of LP. No management fee is payable on the commitments from the executives, although they will meet certain other costs. In all other respects the executives invest on the same terms and at the same time as the investors.
- Senior investment, marketing and finance professionals within SL Capital participate in the carried interest arrangements in each of the LPs. The carried interest arrangements are detailed within the legal documentation for each vehicle.

In order to ensure the fair treatment of clients, SL Capital has a detailed policy for the allocation of investment opportunities between LPs which may have a similar strategy. All investment allocations are approved internally by the Investment Committee. In addition, allocations of all investments (whether fund investments or co-investments) are reviewed by the independent Advisory Committee of each limited partnership vehicle and the Board of Directors of SLEPET, as appropriate. Each Advisory Committee comprises a representative group of investors in that vehicle.

A performance incentive fee arrangement is in place in respect of the advisor's management of SLEPET, a UK listed investment company. If certain performance criteria are met over a 5 year measurement period to 30 September 2016, a performance fee becomes payable in accordance with the Investment Management Agreement. This arrangement has been approved in General Meeting by the shareholders of the company.

Please refer to Item 11 for information regarding how potential conflicts of interest are managed by SL Capital.

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**Item #7: Types of Clients**

SL Capital manages assets on behalf of:

- Limited partnership vehicles ("LPs") – pooled vehicles and segregated mandates.
- An investment company which is traded publicly on the London Stock Exchange - Standard Life European Private Equity Trust plc ("SLEPET").
- Certain non-US clients on a non-discretionary basis.

SL Capital has a global investor base, with the majority of investors in the LPs being pension funds. Other types of investors include insurance companies, banks, endowments and other qualified investors. Minimum investments for each LP are described in Part 1 of Form ADV.

Please refer to 4B for additional detail.

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

**8A. Methods of Analysis**

SL Capital follows a systematic, disciplined investment process in which it will originate, analyse, execute, monitor and exit portfolio investments.

SL Capital's due diligence process includes:

- Validation of the merits of the proposed investment, including market research on similar or competing investment opportunities and the overall environment and strategy.
- Quantitative evaluation of the fund manager's track record.
- Extensive reference checks on fund managers.
- Evaluation of the fund manager's team and processes.
- Assessment of the investment's projected returns, risk factors and proposed exit strategies.
- Review and negotiation of key investment terms and investment provisions in order to provide maximum investor protection and value.
- Review of the fund manager's approach to responsible investing.
- Evaluation of any potential conflicts of interest.
- Legal and tax due diligence performed by external advisers.
- Review of the fund manager's processes for monitoring the performance of portfolio companies.



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**8B. Risks of Strategies**

Investing in securities involves a substantial degree of risk. An LP may lose all or a substantial portion of its investments and investors in the LPs must be prepared to bear the risk of a complete loss of their investment.

The risks associated with private equity investments are distinct from those of other investment classes. The risk profile varies between vehicles depending on the specific investment strategy. Full description of these risks are available within the fund documentation. Primary drivers of risk are included below:

- The value of assets may go down as well as up.
- Past performance is not indicative of future performance of any strategy.
- Investments in LPs are not freely transferable.
- The success of any strategy depends on the ability of SL Capital to identify, select, execute, and realise appropriate investment opportunities. There is no guarantee that suitable investments can be or will be acquired or that the investments will be successful;
- Changes in the legal, tax, or regulatory regime during the life of the investment may result in adverse effects on earnings. This risk is intensified given the limited ability of investors to redeem investments.
- There may be a significant amount of time before the fund has invested all of its commitments.
- The strategy may employ a limited number of investments such that overall performance could be reduced by the inferior performance of a single investment.
- Constraints on the availability of credit and tightening of credit terms available to borrowers and/or decreased liquidity in the senior debt, second lien and subordinated debt markets may have an adverse impact on the ability of SL Capital to acquire or sell portfolio companies.
- Private equity investments are inherently long term; although performance over the life of the fund may be satisfactory, performance in the near term may be poor.
- Highly leveraged transactions, by their nature, are subject to a high degree of financial risk.

SL Capital will always endeavour to act in a manner consistent with its fiduciary duty. However, investing in unquoted investments involves risk of loss that the client needs to be prepared to bear.

**8C. Risks of Certain Types of Securities**

Please see 8B above for risk factors in respect of the investments made by SL Capital on behalf of its clients.

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**Item #9: Disciplinary Information**

**9A. Civil or Criminal Actions**

SL Capital has no actions to disclose.

**9B. Administrative Proceedings**

SL Capital has no administrative proceedings to disclose.

**9C. SRO proceedings**

SL Capital has no SRO proceedings to disclose.

**Item #10: Other Financial Industry Activities and Affiliations**

**10A. Broker-Dealer**

SL Capital's affiliate, SLI(USA), has formed a wholly owned subsidiary, Standard Life Investments Securities, LLC ("SLIS"). SLIS is registered as a member of the Financial Industry Regulatory Authority ("FINRA") as a broker-dealer.

SLIS is a "limited purpose" broker-dealer and is the entity responsible for coordinating the offering of private funds managed by SL Capital in the US.

**10B. FCM, CPO, CTA**

SL Capital has filed an exemption under the U.S. Commodity Futures Trading Commission ("CFTC") Rule 4.13(a)(3) with the National Futures Association ("NFA") in respect of the vehicles it manages. SL Capital's affiliate Standard Life Investments (Corporate Funds) Limited will be registering as a Commodity Pooled Operator ("CPO") with the CFTC during 2014.

None.

**10C. Other Relationships or Arrangements**

1. Other investment adviser: SL Capital shares certain overhead and compliance resources with its parent SLI. SL Capital believes that this relationship poses no material conflicts of interest to SL Capital clients
2. Insurance company or agency: A subsidiary of Standard Life plc (and therefore an affiliate of SL Capital), is Standard Life Assurance Limited ("SLAL"), which undertakes activities in the U.K. and Canada which deem it to be an assurance company. SLAL is an investor in a number of vehicles managed by SL Capital.
3. Sponsor or general partner of limited partnerships: SL Capital is majority owned by SLI. SL

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Capital serves as the investment manager for LPs. Related parties serve as general partner for these vehicles. From time to time, SLI may make investments into these LPs on the same terms as other investors.

**10D. Recommendation or Selection of Other Investment Advisers**

- SL Capital does not receive any compensation from the managers of underlying private funds when recommending or selecting the underlying investments for the vehicles it manages.
- SL Capital does not cause its vehicles to invest in products managed by its affiliates.
- SL Capital does not make recommendations to its investors to invest in any other SL product or fund.

**Item #11 Code of Conduct, Participation or Interest in Client Trades and Personal Trading**

**11A. Code of Conduct**

SL Capital has adopted the SLI Global Code of Conduct ("the Code"). The Code, which all SL Capital employees and partners are required to adhere to, explains how SL Capital expects its people to behave and reflects the high standards which have characterised SLI since inception. The Code provides the principles for the conduct of investment business, laid down by the SEC, FCA in the UK, and other global regulators in countries in which we operate. In addition, it provides various sections which clarify our responsibilities to clients, government officials, competitors and communities we serve, and outlines important legal and ethical issues. Supplemental to the Code, the following policies and/or procedures are provided:

*Personal Trading Policy*

From time to time, directors, officers, employees and partners or their related persons (collectively referred to as "employees") of SL Capital may wish to engage directly or indirectly in a personal investment in securities. These securities may include those that SL Capital has bought or sold on behalf of clients. This process is governed by a personal trading policy and insider trading policy which all employees of SL Capital must adhere to. The Code requires that the compliance manager, chief compliance officer, or a person so designated by the compliance manager or chief compliance officer, review all reports submitted by employees pursuant to the Personal Trading Policy.

*Reporting Requirements for Access Persons*

All SL Capital employees deemed access persons and as such they are required to submit certain reports of personal accounts in accordance with the Code, and the Reporting Requirements for Access Persons Procedure.

*Electronic Communication Policy*

SL Capital recognises the need for security over the data held on company computer systems. As such, all employees are required to follow the guidelines within the Code, and are permitted to only use approved means of electronic communication which are fully described in the Code.

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*Gifts & Entertainment Policy*

SL Capital requires that its employees do not offer or accept any gift, entertainment, or other financial or non-financial benefit which would cause, or appear to cause, a conflict with SL Capital's fiduciary duties to its clients. Full details of restrictions and reporting requirements can be found in the Code and the Gifts & Entertainment Procedures.

*Political Contributions to Certain U.S. Political Campaigns*

Under Rule 206(4)-5 of the Investment Advisers Act of 1940, SL Capital employees are subject to restrictions on contributions to political campaigns in the United States. The Rule limits the political contributions (federal, state, and local) that investment advisers and employees can make. In addition, allowable (exempted) contributions to U.S. political campaigns are subject to preapproval and reporting requirements. All SL Capital employees must receive preapproval prior to making political contributions. Full details of restrictions and reporting requirements can be found in the Contributions to Certain U.S. Political Campaigns Procedure.

*Conflicts of Interest Policy & Conflicts of Interest Register*

A conflict of interest is defined as any situation where the interests of SL Capital and its subsidiaries, including its managers and employees, conflict with those of a client, or where there is a conflict between one client of SL Capital and another. All SL Capital employees are responsible for the identification of conflicts of interest, and notifying the compliance manager, chief compliance officer, or a person so designated by the compliance manager or chief compliance officer, who will ensure the conflict is managed in accordance with policy.

A copy of the Code is available upon request to the following:

SL Capital Partners LLP  
ATTN: Compliance Department  
1 George Street, Edinburgh, EH2 2LL  
United Kingdom

**11B. Securities Where SL Capital has a Material Financial Interest**

From time to time, SL Capital or its related persons may make investments in the LPs for which SL Capital serves as manager.

As referenced in Item 6, in order to ensure the fair treatment of clients, SL Capital has a detailed policy for the allocation of investment opportunities between vehicles which may have a similar strategy. All investment allocations are approved internally by the Investment Committee. In addition, allocations of all investments (whether fund investments or co-investments) are reviewed by the independent Advisory Committee of each limited partnership vehicle or the Board of Directors of SLEPET, as appropriate. Each Advisory Committee comprises a representative group of investors from that vehicle.

**11C. Recommendation of Securities Held in Employee Accounts**

The potential conflicts arising from personal trading, and the policies adopted by SL Capital to mitigate those potential conflicts, are described above in 11A.

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**11D. Investing in the Same/Similar Securities for Personal Accounts as Client Accounts**

The potential conflicts arising from personal trading, and the policies adopted by SL Capital to mitigate those potential conflicts, are described above in 11A.

SL Capital encounters conflicts of interest in the routine conduct of its business. Consistent with Conduct rules of the FCA and its fiduciary duties under U.S. regulations, SL Capital has implemented a robust suite of policies, procedures, controls, and reporting to manage these conflicts effectively. In addition to the conflicts indicated in other parts of the document, below are conflicts identified by SL Capital and the primary means by which they are mitigated.

**Allocation of Investment Opportunities:**

SL Capital considers investment opportunities (both fund and co-investments) which may be suitable for more than one of its clients. In addition, SL Capital may not be able to secure the target allocation for all clients. In such cases, there may be factors which could give rise to a potential conflict to favour one client over another. These may include: superior (i.e. higher) management or performance fees, existence of investors in the LP with which SL Capital or its partners, officer, or directors have a significant relationship.

As stated above in Item 6, SL Capital has a detailed policy for the allocation of investment opportunities between LPs which may have a similar strategy. All investment allocations are approved by SL Capital's Investment Committee. In addition, allocations of all investments are reviewed by the Advisory Committee of each limited partnership vehicle and the Board of Directors of SLEPET, as appropriate. Each Advisory Committee comprises a representative group of investors in that vehicle.

**Affiliated General Partner:**

Affiliates of SL Capital serve as the general partner for its limited partnerships. As such, SL Capital is in a position to influence decisions made by the general partner regarding the allocation of expenses (both regular and one time) in a way that could benefit SL Capital, its partners, directors, or officers investing in the funds, or other investors with which SL Capital has a significant relationship.

In addition, SL Capital may be incentivised to influence the decision by the general partner in regards to service providers. For example, SL Capital may attempt to influence a decision in such a way that a related person is chosen to provide services to the Fund when a superior unrelated alternative exists

The allocation of expenses is codified within the constitutional documents of each partnership. All investors in funds managed by SL Capital receive copies of the audited financial statements. The selection of service providers is governed by a robust procurement policy and only unrelated providers are considered for primary service roles, including administrator, auditor, and custodian.

**Fee Structure:**

*Management Fees*

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Management fees for SL Capital LPs are based on either commitments, amounts drawn from investors or on the current market value of investments. These arrangements are fully disclosed in the legal documents of each LP.

Where management fees are based on the current market values of investments, this may incentivise SL Capital to artificially inflate the value of the LPs investments in order to report higher fund values and therefore allowing SL Capital to collect higher management fees. Similarly, SL Capital may have an incentive to allow the managers of the Funds in which it invests to artificially adjust valuations of those investments.

SL Capital has a detailed valuation policy, fundamentally based on the valuations received from the managers of the funds in which it invests. All investments are valued quarterly in accordance with the *International Private Equity and Venture Capital Valuation Guidelines* ("Guidelines"). The Guidelines establish a framework for measuring fair value and define fair value as the price that would be received upon selling an investment in an orderly transaction between willing market participants at the valuation date. Valuation involves regular and ongoing meetings with the managers of those funds to gain understanding of the underlying portfolio companies and the drivers of those values. Valuation of the fund's investments are reviewed by the advisory committee for each fund and are considered during the audit of the financial statements.

The key controls employed by SL Capital in the valuation of its funds are also included in the scope of the Internal Controls Report (ISAE 3402).

Where management fees are based on amounts drawn from investors, a potential conflict may exist to make investments more quickly than might otherwise be optimal for the benefit of investors. SL Capital's fee structures (including carried interest) are agreed with investors in the respective funds in order to provide alignment of interests over the life of the fund.

As discussed above, all investment opportunities are rigorously challenged by the investment committee and will be reviewed by the advisory committee of the fund, which is comprised of representatives from investors in the fund.

*Carried Interest*

The carried interest arrangements for all LP funds are driven by realised values, with carried interest only becoming payable once realised performance hurdles are achieved. No carried interest is payable based on valuation of unrealised valuations, removing any incentive for the manager to artificially inflate valuations for this purpose.

**Side Letter Agreements:**

Side Letter Agreements (SL Capital may enter into side letter arrangements with certain investors that provide such investors with different or preferential rights or terms). Such side letter provisions only relate to meet specific legal, regulatory or policy considerations of certain investors, in a way that is not considered to involve preferential treatment.

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Engagement of common legal counsel:

Engagement of common legal counsel with other advisers in a particular transaction, including a transaction in which there may be conflicts of interest. Any such conflicts are identified at the commencement of a deal and action taken (which may include engagement of different legal counsel) to ensure such a conflict is appropriately managed.

**Item #12 Brokerage Practices**

**12A. Broker Selection**

This is unlikely to be applicable to SL Capital due to the nature of the investments made by SL Capital on behalf of its clients.

The LPs hold either fund interests or private unlisted securities. Occasionally, the LPs may hold quoted securities following a public placing of an investee company. In such an event, a rigorous process will be followed to ensure no potential conflicts of interest arise.

**12B. Order Aggregation**

This is unlikely to be applicable to SL Capital due to the nature of the investments made by SL Capital on behalf of its clients.

The portfolios hold either fund interests or private unlisted securities. Occasionally, the LPs may hold quoted securities following a public placing of an investee company. In such an event, a rigorous process will be followed to ensure no potential conflicts of interest arise.

**Item #13: Review of Accounts**

The LPs held by each client are subject to continuous review by SL Capital. This is undertaken through regular interaction with the fund managers, on-site visits, active representation on the advisory boards and attendance at all the formal annual/semi-annual meetings for the fund manager. SL Capital operates a 'point' and 'shadow' investment responsibility system so there is always someone who can attend and meaningfully contribute to all meetings with managers.

SL Capital provides (as a minimum) the following written reports to all investors within the LPs:

- Quarterly capital statements
- Quarterly managers reports
- Semi-annual financial statements
- Annual audited financial statements

**Item #14: Client Referrals, Other Compensation**

SL Capital may, for certain LPs, use the services of a placement agent. In these circumstances, any costs incurred are paid by SL Capital.

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**Item #15: Custody**

SL Capital does not maintain physical custody of clients' assets and has appointed an independent custodian to safe-keep the assets (including cash) of each LP. SL Capital may be deemed to have custody for certain LPs under the provisions of Rule 206(4)-2 under the Advisers Act because certain affiliates of SL Capital serve as General Partner. The assets held by the SL Capital funds are legal agreements and other indicia of ownership interests (e.g. LP documents).

The investments owned by the vehicle are held, where appropriate, by the independent appointed custodian and are reconciled regularly by SL Capital.

**Item #16: Investment Discretion**

SL Capital has investment discretion over clients' accounts as outlined in 4B.

The investment strategy and any applicable restrictions for each LP is stated in the legal documentation for that vehicle. All investments made by LPs are included in the quarterly reports which are sent to all investors.

**Item #17: Voting Client Securities**

Due to the nature of the investments in the LP's and SLEPET, it is not expected that SL Capital would have instance to vote proxies on shares publicly offered. SL Capital would seek to vote in a manner consistent with the LP's best interests. The SL Capital team will generally support the voting recommendation of the relevant fund manager and would only vote against a resolution after using reasonable endeavours to seek responses from the relevant fund manager which address the underlying concern. A copy of each proxy vote would be retained in the relevant legal file for that Investment.

SL Capital would make all reasonable efforts to vote proxies in a manner consistent with its fiduciary duties as well as its duties under ERISA.

Proxy voting records are provided upon request to the following:

SL Capital Partners LLP  
ATTN: Compliance Department  
1 George Street, Edinburgh, EH2 2LL  
United Kingdom

**Item #18: Financial Information**

**18A. Financial Information if Prepayment of Fees is Required**

Not applicable for SL Capital (as fees are charged on a quarterly rather than six monthly basis).



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**18B. Financial Information if Discretionary Authority**

SL Capital is not aware of any financial condition which is reasonably likely to impair its ability to meet its contractual commitments to its clients.

**18C. Bankruptcy**

Neither SL Capital, nor any of its affiliates, have been the subject of a bankruptcy petition.

**Item #19: Information Required for State Registered Advisers**

SL Capital does not intend to register with state securities authorities.