

# New Providence Asset Management, L.P. Part 2A of Form ADV The Brochure

570 Lexington Avenue  
New York, NY 10022  
<http://www.newprov.com/>

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This brochure provides information about the qualifications and business practices of New Providence Asset Management, L.P. (“New Providence”). If you have any questions about the contents of this brochure, please contact us at 646-292-1200. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

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

## Material Changes

New Providence’s business activities have not changed materially since the last annual update. In 2010 the SEC required significant changes to the content and format of Part 2 of Form ADV. This brochure, which reflects those changes, is materially different from brochures used by New Providence in prior years.

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## Advisory Business

New Providence Asset Management L.P., a Delaware limited partnership, (“New Providence” or the “Company”) is primarily engaged in providing discretionary investment advisory services through a diversified program of investments through separate investment advisory agreements with outside managers or through the use of private investment funds (the “Managers”). In accordance with the investment philosophies and objectives of its clients, New Providence is primarily responsible for selecting and monitoring the Managers and allocating clients’ assets among the various selected Managers who make the day-to-day investment decisions on behalf of clients.

Funds-of-Funds. New Providence provides its investment advisory services and serves as the investment manager to four private pooled investment vehicles (collectively, “Fund” or “Funds”).

The Funds consist of two long/short equity fund of hedge funds and two funds that diversify their assets among a variety of asset classes. The long/short equity fund of hedge funds are New Providence Fund, Ltd. (“NPF”), an exempted company organized under the laws of the Cayman Islands established for U.S. tax exempt entities and offshore investors and New Providence Associates, L.P. (“NPA”), a Delaware limited partnership established for domestic investors. The

diversified asset class funds are New Providence Balanced Portfolio, LP (“NPBP”), a Delaware limited partnership established for tax exempt investors and New Providence Onshore Balanced Portfolio, LP (“NPO”) established for taxable investors.

Investment advice is provided directly to the Funds and not individually to investors in the Funds. New Providence manages the assets of the Funds in accordance with the terms of the governing documents applicable to the Funds.

NPAM Funds GP LLC, a subsidiary of New Providence, acts as general partner (“General Partner”) to the domestic Funds. Interests in the Funds, which are collective investment vehicles sponsored by New Providence, are not registered under the Securities Act of 1933, and such Funds are not registered under the Investment Company Act of 1940. Accordingly, interests in the Funds are offered and sold exclusively through the means of a confidential offering memorandum (“COM”) to investors satisfying the applicable eligibility and suitability requirements either in private transactions within the United States or in offshore transactions.

Investment Office. New Providence also provides investment advisory services on a separately managed account basis. Such services are typically offered to high net worth individuals, endowments, and foundation clients (“IO Clients”), whereby New Providence acts as the IO Clients’ investment office manager providing discretionary investment management services by working with the IO Client or IO Client’s investment committee or trustee(s) generally through the following process: New Providence and the IO Client agree on an overall objective and strategy, an appropriate risk profile, asset classes appropriate for investment as well as maximum and minimum percentages to be invested in each asset class, initial selection of Managers and overall portfolio construction, a minimum level of liquidity to be maintained at all times and an appropriate timeframe to evaluate New Providence’s performance.

Thereafter, New Providence would operate within the parameters pre-approved by the IO Client, selecting and replacing Managers, continuously overseeing the investment portfolio and making propitious tactical asset allocation decisions on occasion. IO Client consent is required prior to hiring any new manager with a lock-up greater than one year or investing in any one of the Funds.

New Providence was founded in March 2003 and is principally controlled on an indirect basis by John L. Vogelstein. As of December 31, 2013 New Providence managed approximately \$2.4 billion on a discretionary basis on behalf of 18 clients and approximately \$190 million on a non-discretionary basis on behalf of 2 clients.

## **Fees and Compensation**

Funds-of-Funds. NPA and NPF – For all initial and additional contributions made after March 31, 2004, investor accounts are charged a management fee at an annual rate of 1% on assets below \$10,000,000 and 0.75% on assets equal to or above \$10,000,000. If the initial investment was made after February 29, 2008, a performance allocation in an amount equal to 5% of such net profit will be deducted from the account as of the end of such fiscal year. However, the General Partner, in its sole discretion, may waive or reduce the performance allocation with respect to any investor. In the event that an investor makes a withdrawal or is required to retire at any time other than at the end of a fiscal year, such deduction will be made with respect to such investor as

though it were being made at the end of a fiscal year, subject to a “loss carryforward” provision. Investors in NPA and NPF may make partial or full redemptions on a semi-annual basis as of each June 30 and December 31 for NPA and quarterly for NPF upon 45 days prior written notice (‘effective withdrawal date”), provided that any investments in NPA and NPF that were held for a period of less than one year will be subject to a redemption fee of 0.5% of the amount withdrawn.

NPBP and NPO – New Providence charges NPBP and NPO limited partners a monthly management fee in arrears that ranges from .50% (annualized) on assets less than \$100 million, to .30% (annualized) on assets exceeding \$250 million. Subject to certain conditions, a limited partner may withdraw all or any part of its capital account as of the end of each calendar quarter upon 60 days’ prior written notice, or at such other times and upon such lesser notice as the General Partner may determine. A withdrawal of funds within the first twelve months of the date of contributions, as determined on a first-in, first-out basis, will be subject to a .50% withdrawal fee payable to the General Partner. The General Partner may waive or modify any terms related to withdrawals for a limited partner.

With respect to the Funds, New Providence and the General Partner reserve the right to reduce or waive its fees and/or certain terms, including but not limited to, changing the terms of the liquidity provisions and waiving or reducing the performance allocations and/or management fees.

In addition to the fees charged by New Providence and the General Partner, investors in the Funds will bear indirectly the management and incentive fees charged by the underlying Managers as well as other fees and expenses charged to the Funds. Those other fees will vary, but typically include fees paid to the administrator, legal, accounting, auditing and other professional expenses, research expenses, investment expenses such as commissions, interest on margin accounts, custodial fees, bank service fees and other reasonable expenses related to the purchase, sale, transmittal or custody of the Fund’s assets as shall be determined by New Providence and the GP at their discretion.

Investors should refer to the Funds’ COM, Subscription Agreements and other offering documents for additional/supplementary information regarding the various fees and charges associated with investments in the Funds.

Investment Office. Fees charged to IO Clients are charged in accordance with the terms of the contract that New Providence has with the IO Client and are generally charged monthly or quarterly in arrears based on the net asset value of the prior month or quarter in accordance with the following scale:

- 50 basis points on first \$100 million of assets
- 40 basis points on next \$150 million of assets
- 30 basis points on incremental amounts > \$250 million

To the extent any IO Clients are invested in the Funds, fees charged to the IO Client by New Providence will be based on the total assets under management, inclusive of the balances invested in the Funds in accordance with the agreed upon rates. However, IO Clients will not be charged management fees and performance allocation fees charged by the Funds. IO Clients are

responsible for all fees and expenses charged by outside Managers as well as custodial fees. Actual fees may differ among IO Clients.

The terms of termination of the investment advisory services to be provided by New Providence to its IO Clients will be in accordance with the terms agreed upon by New Providence and the IO Client and specified in the investment advisory contract that it has with the IO Client, but generally the terms of the agreement will remain in effect for a specified period which generally will be one year from the inception of the agreement (“Specified Period”). Upon expiration of the Specified Period, IO Clients may terminate by giving 60 days written notice to New Providence, and New Providence may terminate by giving the client 180 days prior written notice. The investment advisory agreement that New Providence has with its IO Clients will also specify that in the event that the IO Client withdraws any or all of the assets from the account managed by New Providence, the IO Client will continue to pay management fees to New Providence on those assets that remain with Managers that New Providence invested in on behalf of the IO Client.

## **Performance Based Fees and Side-by-Side Management**

As stated in the *Fees and Compensation* section above, New Providence charges performance based fees to Fund investors which are fees based on a share of capital gains on or capital appreciation of the Funds’ assets. The fact that the New Providence is compensated based on the trading profits may create an incentive for New Providence to make investments on behalf of the Funds that are riskier or more speculative than would be the case in the absence of such compensation. In addition, the performance based fee received by New Providence is based primarily on realized and unrealized gains and losses. As a result, the performance based fees earned could be based on unrealized gains that the Funds may never realize.

## **Types of Clients**

New Providence’s customized investment supervisory services are delivered to individuals and associated trusts, estates, charitable organizations, endowments, and foundation clients through its four funds-of-funds (the Funds) and its investment office clients (the IO Clients).

Funds-of-Funds. Details concerning applicable suitability criteria are set forth in the respective Funds’ COMs and Subscription Agreements. Although, the Funds have the authority to accept investments in the Funds for any lesser amount, the minimum investment in the Funds is generally \$1 million. In addition, the Funds generally require its investors to make representations concerning their sophistication as investors and their ability to bear the risk of loss of their entire investment under New Providence’s management.

Any U.S. investor who is charged performance based fees must also satisfy the eligibility requirements set forth in Rule 205-3 under the Advisers Act, which prescribes certain requirements which must be satisfied in connection with New Providence’s and the General Partner’s receipt of performance based compensation.

Investment Office. IO Clients are generally required to place a minimum of \$40 million of assets under New Providence’s management. Notwithstanding the forgoing, New Providence may waive the minimum account requirements under certain circumstances.

## **Methods of Analysis, Investment Strategies and Risk of Loss**

Investment Process. New Providence follows a disciplined, documented investment process which involves a qualitative and quantitative method of analysis to evaluate and monitor the Managers and their organizations. New Providence analyzes, in detail, the investment management organization, ownership structure, assets under management, products, client base, capacity issues, the backgrounds of key investment professionals, the firm's investment philosophy, investment process, style, performance, and risk management. On site due diligence is a key component of this analysis. Quantitative analysis includes reviewing performance against objectives, historical and expected performance relative to benchmarks and peers, analyzing risk/return ratios, understanding key drivers of performance returns, alpha generations versus style or benchmark contributions and correlations with other funds in the portfolio and to the investment markets.

Investment Risks. An investment with New Providence (including as an IO Client or in the Funds) entails a significant degree of risk and therefore should be undertaken only by clients capable of evaluating and bearing the risks. Set forth below is a non-exhaustive list of such risks, however, prospective clients/investors are advised to review the applicable Fund COM (as applicable) and discussing the risks with a representative from NPAM:

1. Nature of investing in private investment funds
2. Illiquidity of the Funds and the Managers' funds
3. Use of leverage by Managers
4. Short selling activities by Managers
5. Use of options by Managers
6. Use of commodities by Managers
7. Diversification; concentration of positions held by multiple Managers
8. Lack of publicly available information about Managers
9. Lack of regulation of Managers and their funds
10. Performance-based compensation
11. Fund expenses
12. Reliance on management of New Providence
13. Lack of direct control over Managers
14. Risk of litigation
15. Possibility of misappropriation of assets by Managers
16. Misuse of confidential information and other violations by Managers
17. No assurance of future returns by Managers
18. Market risks
19. Other clients may be managed by Managers
20. Potential conflicts of interests faced by New Providence

Risk of Loss. Investments in Managers' funds and the underlying assets in which they invest are highly speculative. New Providence may not be successful in meeting performance objectives. A successful program of investing is subject to risks related to (i) the quality of the management of the Managers in which New Providence invests; (ii) the ability of New Providence and the Managers to select successful investment opportunities; (iii) general economic conditions; and (iv) the ability of New Providence and the Managers to liquidate their investments. Clients should not

invest with New Providence unless they can bear the risk of a complete loss of their capital. In the event that a Manager proves to be inferior, New Providence may not have the ability to cause a change in management and may be limited in its ability to withdraw or sell its investment.

New Providence cannot provide assurance that it will be able to choose, make and/or realize investments in any particular Manager. There is no assurance that New Providence will be able to generate returns or that the returns will be commensurate with the risks inherent in their investment strategy. The marketability and value of any such investment will depend upon many factors beyond the control of New Providence. The expenses of the Funds and an IO Client account may exceed the income generated by the accounts, and IO Clients/Fund investors could lose the entire amount of their contributed capital. The past investment performance of New Providence cannot be taken to guarantee future results.

## **Disciplinary Information**

New Providence and its employees have not been involved in any legal or disciplinary events in the past 10 years that would be material to a client's evaluation of the company or its personnel.

## **Other Financial Industry Activities and Affiliations**

New Providence does not engage in other financial industry activities and does not maintain any affiliates other than the Funds' General Partner. New Providence does not receive any direct or indirect compensation from Managers for recommending the Managers, and New Providence does not have other business relationships with the Managers.

## **Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

New Providence selects investments for the Funds and IO Clients based solely on investment considerations, including whether the investments are suitable for the Fund/IO Client and whether the investments meet the objectives and guidelines of the Fund/IO Client. In the course of providing advisory services, New Providence may simultaneously recommend the sale of a particular security for one account while recommending the purchase of the same security for another account if such recommendations are consistent with each participant's investment objectives and guidelines.

New Providence manages trust accounts of one of its principals on a discretionary basis ("related client account"). To the extent that an investment is consistent with the related client account and other Funds'/IO Clients' investment objectives, New Providence may invest the related client account in the same securities and Managers as the Funds/IO Clients. Such investments will not be made to favor the related client account over the Funds/IO Clients.

In addition, New Providence employees may also from time-to-time, buy or sell securities that are also recommended to Funds/IO Clients. Moreover, New Providence may give advice and take actions in the performance of its duties to certain Funds/IO Clients that differ from the advice given, or the timing and nature of actions taken, with respect to other Funds/IO Clients' accounts and/or employee accounts that may invest in securities recommended to Funds/IO Clients.

New Providence has adopted a Code of Ethics, which includes formal Personal Trading and Insider Trading policies and procedures that is intended to mitigate any conflicts of interests when employees personally trade securities. New Providence's Code of Ethics requires, among other things, that all employees: annually report their securities holdings; quarterly report their securities transactions; and annually affirm their compliance with the Code of Ethics. The Chief Compliance Officer regularly reviews of holdings and transactions by New Providence's employees for compliance with the Code of Ethics, a copy of which is available by contacting New Providence at the address or telephone number listed on the first page of this document.

## **Brokerage Practices**

In the event that New Providence seeks to make the same investment for more than one Fund/IO Client with a Manager that is providing limited capacity, such limited investment opportunity will generally be allocated on a pro-rata basis in accordance with either the assets under management or the original amount of the investment intended to be purchased for each Fund/IO Client.

Additionally, New Providence does not generally direct security trades in Fund/IO Client accounts, as such authority rests with the Managers. However, to the extent New Providence affects securities transactions on behalf of Funds/IO Clients, New Providence will generally execute the trades through the Fund's/IO Client's custodian or prime broker, absent specific direction.

## **Review of Accounts**

IO Client portfolios and Fund portfolios are reviewed by Mr. J. Vogelstein, Rafe de la Gueronniere, Andrew Vogelstein, Jeannine Caruso, Brooke Parish and Pier Friend on an ongoing basis in order to determine the appropriate investment actions for each portfolio. New Providence performs regular and recurring evaluations of all underlying Managers in which the Funds and IO Clients are invested in and monitors such factors as performance, volatility, performance attribution, leverage, correlations, adherence to investment guidelines and organizational/portfolio management changes.

Investors in the Funds receive annual audited financial statements and quarterly performance letters. Fund investors and IO Clients will also generally receive monthly reports of their account balances. Additionally, due to legal/regulatory constraints that must be followed by certain Fund investors or IO Clients, New Providence in its discretion, may agree to provide certain Fund investors or IO Clients with more frequent reports than those described above.

## **Client Referrals and Other Compensation**

New Providence does not receive any other economic benefits from non-clients in connection with the provision of investment advice to the Funds and IO Clients. New Providence does not compensate third-parties to provide referrals for Fund investors or IO Clients.

## **Custody**

With the exception of the interests in the Managers' funds, which are defined as "privately offered securities" per Rule 206(4)-2 under the Investment Advisers Act of 1940 (the "Custody Rule"), all



Fund and IO Client assets are held in custody by unaffiliated broker/dealers or banks acting in the capacity as “qualified custodians”.

Notwithstanding the foregoing, New Providence’s role as general partner to the Funds enables it to access Fund assets and New Providence has developed procedures that ensure the safeguarding and protection of the assets. Such procedures include among other things, the separation of functions and dual signatory approvals for the distribution of Fund capital.

The Funds are subject to an annual audit and the audited financial statements are distributed to each investor. The audited financial statements are prepared in accordance with generally accepted accounting principles, issued with an unqualified opinion, and distributed within 180 days of the Funds’ fiscal year ends.

In certain cases New Providence can access IO Client funds via signatory authority and the ability to directly debit advisory fees. Given these abilities, the Company is considered to have custody over certain IO Client assets and New Providence complies with the Custody Rule by among other things: retaining the Funds’ auditor to complete an annual surprise verification of the IO Client accounts over which New Providence is defined to have custody and ensuring that the qualified custodians of the IO Client accounts send statements directly to the account owners on at least a quarterly basis. IO Clients should carefully review these statements, and should compare these statements to any account information provided by the Company.

## **Investment Discretion**

In a manner consistent with the investment objectives and restrictions of the Funds/IO Clients, as set forth in the governing agreements and documents with each of its clients, New Providence generally retains the discretionary authority to determine, without obtaining prior specific consent, to establish and terminate separately managed accounts with Managers, as well as the amounts to be allocated or withdrawn from each of the Managers. Notwithstanding, as noted in the *Advisory Business* section above, New Providence manages certain of its advisory accounts on a non-discretionary basis.

## **Voting Client Securities**

As noted, New Providence primarily directs the investment of its clients’ portfolios to Managers. As a result, New Providence does not possess the ability to vote the proxies relating to the securities traded by the Managers. Nevertheless, New Providence recognizes the importance of strong corporate governance and shall ensure that to the extent practicable, its Managers have developed a proxy voting policy and procedures in accordance with Rule 206(4)-6 under the Advisers Act. In general, New Providence will incorporate an inquiry into its Manager’s proxy voting policies and procedures as part of its initial due diligence process and on a periodic basis via a Manager Questionnaire. In the event that New Providence is solicited for its opinion as to how a Manager should vote a particular proxy, New Providence will generally advise the Manager to vote in accordance with preset guidelines. Any requests made by Fund investors or IO Clients to review a specific proxy vote shall be reviewed and a determination made as to the appropriate course of action. All such requests and this policy shall be maintained in accordance with Rule 204-2(c) under the Advisers Act. IO Clients and investors in the Funds may contact New

Providence at the address or telephone number listed on the first page of this document, for a copy of the policy or information with respect to a specific proxy vote, at no cost.

## **Financial Information**

New Providence has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.