

# **OPEN DOOR CAPITAL ADVISORS (US), LLC**

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This brochure provides information about the qualifications and business practices of Open Door Capital Advisors (US), LLC (“ODCA”). If you have any questions about the contents of this brochure, please contact us at (415) 766-5888. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

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

ODCA refers to itself as a “registered investment adviser” in materials distributed to current and prospective clients. As a registered investment adviser with the SEC, ODCA is subject to the rules and regulations adopted by the SEC under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). Registration as an investment adviser is not an indication that ODCA or its directors, officers, employees or representatives have attained a particular level of skill, ability or training.

## ITEM 2 – MATERIAL CHANGES

Since the last annual update to this brochure in March 2014, Christopher B. Ruffle, one of ODCA's principals, has reached an administrative settlement with the SEC relating to the matters referred to in the Order Instituting Administrative and Cease and Desist Proceedings against Martin Currie Inc. and Martin Currie Investment Managements Ltd. of May 10th 2012.

Information regarding this historical matter, which involves events prior to the inception of ODCA and unrelated to ODCA's business activities or practices, is described more fully in Item 9, below. Since establishing Open Door in November 2011 as an SEC-regulated entity, Open Door's principals have worked hard to establish a robust legal and compliance system suitable to the company's role as a specialist China manager. We are pleased that Mr. Ruffle can put this matter behind him so that ODCA and all its principals can focus on continuing to deliver superior returns for our clients.

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## **ITEM 4 – ADVISORY BUSINESS**

### **Advisory Firm**

ODCA is a Delaware limited liability company that was formed on July 29, 2011. Its sole manager and member is Open Door Capital Management, Ltd., a Cayman Islands exempt company that is owned and controlled by Abracadabra Investments, Ltd. (60% owner) and Open Sesame Investments, Ltd. (40% owner), each of which is also a Cayman Islands exempt company. Christopher B. Ruffle owns 100% of Abracadabra Investments, Ltd., and Shifeng Ke owns 100% of Open Sesame Investments, Ltd.

### **Advisory Services**

ODCA provides investment research and portfolio management services on a wide variety of investment products, including publicly traded and privately placed securities of companies incorporated, established, based, operating or having substantial business with or in Greater China (which includes China, Taiwan, Hong Kong, and Macau). As a specialty, ODCA focuses on investment research and portfolio management for Greater China mandates of institutional and professional investors, such as pension funds and foundations, as well as financial intermediaries, including fund of funds, private wealth management, family offices and high net worth individuals. ODCA provides investment advisory services with respect to absolute return long-biased funds and long-short hedge funds (each, a “Private Fund”), as well as individually managed accounts for institutional investors and high net worth individuals (collectively, the “Managed Accounts”).

ODCA’s experienced investment team has a track record of consistent performance investing in Greater China equities. The firm employs fundamental analysis with a bottom-up stock picking approach while making its investments, and believes management ownership is key in aligning company interests with those of investors. With our in-depth local knowledge, comprehensive research and disciplined investing approach, ODCA is placed to seek investment opportunities and achieve consistent return for our investors. ODCA’s investment process includes initial company screening, preliminary review, detailed analysis and company visits, cross checking company information with their competitors, peers, suppliers and customers, due diligence and evaluation, review of portfolio and sector allocation, pre trade compliance checking, stock execution, mandate adherence monitoring and risk management monitoring.

ODCA’s affiliated entity, Heartland Capital Investment Consulting (Shanghai) Ltd. (“Heartland”), provides research and other investment services. Heartland has a Shanghai-based research team which focuses on fundamental and technical analysis of a variety of companies in the Greater China region. Complementing the China research team, ODCA has an experienced team of financial service professionals in San Francisco, familiar with the complexities and risks of investing in Greater China, to handle matters such as risk management, trading, legal, compliance and client services.

ODCA generally manages advisory accounts independently based on a determination of each client’s financial situation, needs and investment objective and pursuant to an investment

management agreement with each client, which may include certain investment restrictions imposed by clients. ODCA also provides non-discretionary advice and accepts advisory accounts with limited discretion or where investments or brokerage arrangements are client-directed pursuant to an agreement between ODCA and the client.

### **Assets Under Management**

As of May 31, 2014, ODCA has approximately \$427.6 million of client assets it manages, which includes discretionary assets under management of \$395,806,287 and non-discretionary assets under management of \$31,779,322.

## **ITEM 5 – FEES AND COMPENSATION**

Open Door is compensated for its services by management and performance fees. Negotiable management fees ranging from 1.25% to 2% of assets managed are typically established for each client and strategy by mutual agreement. Performance fees are discussed further below.

### **Private Funds**

Under ODCA's investment management agreement with each Private Fund, ODCA receives an annual management fee based on the asset value of each Private Fund. ODCA, in its discretion, may waive or reduce the management fee as to any or all of the investors in a Private Fund or agree with an investor to waive or alter the management fee as to that investor.

Under ODCA's investment management agreement with each Private Fund or a Private Fund's charter documents, as applicable, ODCA may also receive an annual performance-based fee or allocation in arrears based on the net capital appreciation (*i.e.*, capital appreciation less capital depreciation) of each investor's account in the Private Fund. The performance-based fee or allocation is payable only if, and to the extent that, the net capital appreciation of the investor's account exceeds any net capital depreciation accumulated in prior years (as adjusted for withdrawals of capital). ODCA, in its discretion, may waive or reduce the performance-based fee or allocation as to any or all of the investors in a Private Fund or agree with an investor to waive or alter the performance-based fee or allocation as to that investor.

The management fee is typically deducted by each Private Fund's designated administrator according to the fee terms of the investment management agreement or charter documents, as applicable. The performance-based fee or allocation, if applicable, is typically deducted by each Private Fund's designated administrator on or about December 31 of each year in which a performance-based fee or allocation is earned. If an investor withdraws all or a portion of its account in a Private Fund on a date other than December 31, a performance-based fee or allocation, if applicable, is based on the amount withdrawn for the period from the prior January 1 to the date of withdrawal.

Each Private Fund bears all expenses of its organization and operation, expenses incurred in the purchase and sale of investments, and accounting fees. Such expenses include, but are not limited to: (i) brokerage and execution charges, commissions, custodial charges, and fees for quotation and

other data services, as discussed further below in Item 12; (ii) fees related to accounting, trading, portfolio management and risk management systems; (iii) research subscription fees and expenses; (iv) broken trade and broken deal fees; (v) expenses to register securities and transfer taxes; (vi) costs and expenses incurred for the purpose of protecting and enhancing the value of the Private Fund's investments (including the costs of instituting and defending litigation); (vii) taxes, filing and registration fees of the Private Fund; (viii) all costs, fees and expenses relating to investor communications, relations, accounting and the preparation and mailing of financial, tax and performance information to investors; (ix) fees, costs and expenses incurred in connection with borrowings; (x) administration fees, costs and expenses; (xi) fees for attorneys, accountants, consultants and other professionals or experts; and (xii) directors' fees. Private Fund investors may also indirectly bear a portion of any fees or expenses charged by investment funds (including mutual funds or other hedge funds) in which the Private Fund invests. ODCA may, at its discretion, choose to pay or reimburse the Private Fund for all or a portion of such expenses. In such event, ODCA may be reimbursed at a later date by the Private Fund for such expenses borne by ODCA.

### **Managed Accounts**

Fees paid to ODCA by Managed Account clients are negotiable and vary. Fees are set forth in ODCA's investment management agreement with each Managed Account client and determined based on the client's needs, the complexity of the client's investment objective and the number of portfolio restrictions.

Under ODCA's investment management agreement with each Managed Account client, ODCA receives an annual management fee from each Managed Account client based on the assets under management in each Managed Account. ODCA may also receive an annual performance-based fee in arrears based on the net capital appreciation (*i.e.*, capital appreciation less capital depreciation) of the assets held in the Managed Account of a client that is eligible to enter into a performance fee arrangement under the Advisers Act. The performance-based fee is payable only if, and to the extent that, the net capital appreciation of Managed Account assets exceeds any net capital depreciation accumulated in prior years.

The management fee is typically paid quarterly in arrears by billing Managed Account clients for fees incurred during the previous calendar quarter. The performance-based fee or allocation, if applicable, is typically due on or about December 31 of each year in which a performance-based fee or allocation is earned. If a client terminates its investment management agreement on a date other than the end of a calendar quarter, the management fee is prorated for assets held in the Managed Account for less than a full quarter. If a client terminates its investment management agreement on a date other than December 31, a performance-based fee is based on the net capital appreciation of the Managed Account assets for the period from the prior January 1 to the date of termination. Fees are deducted by Managed Account administrators according to the terms of the investment management agreement.

In addition to the management fee and performance-based fee, a Managed Account client is responsible for any fees, expenses or charges incurred by or on behalf of the Managed Account related to (i) custodial and administration services provided for the Managed Account, (ii)

transactions effected for the Managed Account, including brokerage and execution charges, markups and commissions, and (iii) any other service provided for the Managed Account by any person other than ODCA. For additional information regarding brokerage and execution charges, please see Item 12 below.

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

ODCA receives performance-based compensation (*i.e.*, fees based on a share of capital gains on or capital appreciation of the assets of a client) from certain Private Funds and Managed Accounts that it manages. Fees based on performance are only charged in accordance with the provisions of Rule 205-3 under the Advisers Act. Performance-based compensation may create an incentive for ODCA to cause a Private Fund or Managed Account to make investments that are riskier than it would otherwise make. In addition, since ODCA's performance-based compensation is calculated on a basis that includes unrealized appreciation of the assets held by a Private Fund or a Managed Account, it may be greater than if such compensation were based solely on realized gains.

In the event that some client accounts to which ODCA provides investment advisory services are charged a performance-based compensation but not others, a conflict may arise where ODCA has an incentive to treat some client accounts preferentially as compared to others because those client accounts pay a performance-based compensation. ODCA or one of its portfolio managers or affiliates may also have differing investment or pecuniary interests in different client accounts. ODCA has adopted a policy to allocate portfolio transactions and investment opportunities across multiple client accounts on a fair and equitable basis over time, as described further below in Item 11.

Since ODCA's compensation is based on the net asset value of an ODCA account, a conflict may also arise when ODCA or a related person is valuing the assets held by the ODCA account. Assets are generally be valued at market price, however, assets which are difficult to price may be valued at fair value by ODCA or its related person in accordance with U.S. generally accepted accounting practices , as well as Open Door compliance procedures administered by the Chief Compliance Officer.

## **ITEM 7 – TYPES OF CLIENTS**

### **Private Funds**

ODCA serves as investment manager/general partner to the several Private Funds. The Private Funds generally require investors to make a minimum initial investment and to maintain a minimum investment in that Private Fund, although the amount of the minimums vary from fund to fund. Investors that are U.S. persons generally must be "accredited investors" under Regulation D under the Securities Act of 1933, as amended, who are eligible to enter into a performance fee arrangement under the Advisers Act, and for certain Private Funds, "qualified purchasers" under Section 2(a)(51)(A) of the Investment Company Act. The Private Funds require investors to make representations concerning their financial sophistication and ability to bear the risk of loss of their

entire investment in a Private Fund. If permissible under a Private Fund's charter documents, the minimum contribution and investor requirements may be waived by ODCA in its sole discretion.

### **Managed Accounts**

Through the use of Managed Accounts, ODCA makes its investment management services available to high net worth individuals, corporate pension and profit-sharing plans, Taft-Hartley plans, charitable institutions, foundations, endowments, municipalities, trust programs and other U.S. and international institutions. ODCA generally requires Managed Account clients to initially provide and to maintain a minimum of \$20,000,000 in assets under management. Those clients generally must be eligible to enter into a performance fee arrangement under the Advisers Act. The account minimum may be waived by ODCA in its sole discretion.

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

### **Methods of Analysis**

Investments for each investment account are identified and selected by ODCA. ODCA generally evaluates investments based on an intensive due diligence process and critical analysis of each potential portfolio company's fundamentals (e.g., financial statements, profitability, cash flow, lines of business and market share). Following an investment by ODCA for and on behalf of a client account, ODCA continues to monitor the progress and suitability of portfolio investments as well as market and economic outlook.

To help develop its investment recommendations, ODCA may use commercially available information services and financial publications dealing with investment research, securities law and taxation. Such information may be obtainable in print, via the internet or by some other means. Issuer-prepared materials (particularly prospectuses), private placement due diligence materials, and research releases prepared by third parties are also utilized. ODCA also may use research materials prepared by various investment product vendors or custodians as well as in-house analysts. ODCA may also obtain information by meeting with an issuer's management, customers or competitors, attending industry conferences and consulting with experts in the appropriate field. ***Investment in securities involves risk of loss that investors must be prepared to bear.***

### **Investment Strategies**

ODCA offers investment management and advisory services in the following three investment strategies, each of which is described below.

- Long Only Strategy. This strategy aims to achieve long-term capital appreciation by investing in a wide spread of public and private companies in Greater China.

- Absolute Return Strategy. This strategy aims to achieve attractive returns while limiting risk by investing in a wide spread of public and private companies in Greater China. This strategy may also utilize short selling and derivative instruments.
- Concentrated Portfolios. This strategy aims to achieve long-term capital appreciation through the taking of large positions in a relatively small number of public and private companies in Greater China.

## Material Risks

All securities investments present a risk of loss, but investments by ODCA may involve significant risks not associated with other investment strategies or products, some of which are described below.

- *Concentration*. Client accounts may hold a relatively small number of securities. Losses incurred in such securities could have a disproportionate effect on the account's overall financial condition.
- *Portfolio Management*. The performance of a client account depends on the skill of ODCA and its portfolio manager(s) in making appropriate investment decisions.
- *Leverage*. The use of leverage by buying securities on margin or use of certain derivatives is a speculative technique that involves special risk considerations. Interest costs on borrowings may fluctuate with changing market rates of interest and may partially offset or exceed the return earned on borrowed funds. Interest on borrowings is an expense of a client account and affects the investment performance of the account. To the extent a client account is leveraged, the value of its assets tends to increase more when its portfolio securities increase in value, and to decrease more when its portfolio securities decrease in value, than if its assets were not leveraged.
- *Short Selling*. Short sales that are not part of a hedging strategy are speculative and involve special risk considerations. Since a short seller in effect profits from a decline in the price of the securities sold short without the need to invest the full purchase price of the securities on the date of the short sale, returns tend to increase more when the securities sold short decrease in value, and to decrease more when the securities sold short increase in value, than would otherwise be the case if the short seller had not engaged in such short sales. Short sales theoretically involve unlimited loss potential as the market price of securities sold short may continuously increase.
- *Portfolio Funds*. Various risks are associated with investing in other investment funds (including other hedge funds) ("Portfolio Funds"), and the investment strategies and tactics that Portfolio Funds may use. Portfolio Funds may provide ODCA with very limited information with respect to its operations and performance, thereby severely limiting ODCA's ability to (i) verify any representation made by such fund, (ii) monitor any investment strategy being employed by such fund, or (iii) detect any misconduct or fraud engaged in by such fund. To the extent that ODCA invests client assets in a Portfolio Fund



that restricts the ability of investors to effect withdrawals, ODCA may not be able to withdraw client assets invested in such fund promptly after it has made a decision to do so, which may result in a loss to the client account. To the extent a Portfolio Fund is permitted to distribute securities in kind to investors making withdrawals, upon withdrawal of all or a portion of client assets invested in such fund, a client account may receive securities that are illiquid or difficult to value.

- *Portfolio Turnover.* Buying and selling securities generally involves some expense to a client account, such as commissions and other transaction costs. Generally, the higher an account's portfolio turnover, the greater its brokerage costs and the greater the likelihood that it will realize taxable capital gains. Increased brokerage costs may adversely affect an account's performance.
- *Equity Securities.* By investing in stocks, ODCA may expose a client account to a sudden decline in the share price or to an overall decline in the stock market. The value of investments held in a client account will fluctuate daily and cyclically based on changes in the issuer's financial condition and prospects and on overall market and economic conditions.
- *Fixed Income Securities.* The prices of fixed income securities respond to economic developments, particularly interest rate changes, as well as to perceptions of an issuer's creditworthiness. Generally, fixed income securities decrease in value if interest rates rise and increase in value if interest rates fall, with lower rated securities more volatile than higher rated securities. The duration of these securities affects risk as well, with longer term securities generally more volatile than shorter term securities.
- *Highly Volatile Markets.* The prices of investments held by a client account can be highly volatile. Price movements of forward contracts, futures contracts and other derivative contracts in which ODCA may invest client assets are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies.
- *Small-Cap Companies.* Investments in small-cap companies may involve greater risks than investments in larger, more established companies, such as limited product lines, distribution channels and financial and managerial resources. The securities of small-cap companies may have greater price volatility and less liquidity than the securities of larger capitalized companies, and may be more difficult to value.
- *High Yield Bonds.* Fixed income securities that are below investment grade or unrated involve greater risks of default and are more volatile than investment grade securities. High yield bonds involve a greater risk of price declines than investment grade securities due to actual or perceived changes in an issuer's creditworthiness. In addition, issuers of high yield bonds may be more susceptible than other issuers to economic downturns, which may result in a weakened capacity of the issuer to make principal or interest payments.

High yield bonds are subject to a greater risk that the issuer may not be able to pay interest or dividends and ultimately to repay principal upon maturity.

- *Derivatives.* Derivatives involve the risks separate from the risks of the underlying instrument, including improper valuation and ambiguous documentation and the risk that changes in the value of the derivative may not correlate perfectly with the underlying instrument. Derivatives are also subject to other risks, such as the risk of an illiquid secondary market which may result in significant, rapid, and unpredictable changes in the prices for such derivatives, risks relating to the financial soundness and credit worthiness of the counterparty, and the risk of the failure of any of the exchanges on which a client account's positions trade or of their clearinghouses. ODCA may transact in participation note instruments which allow for a synthetic linear exposure to an underlying security, may seek to hedge or offset the risk of other positions, and may engage in speculative derivative transactions when seeking to enhance returns. When ODCA invests client assets in derivatives for speculative purposes, the client account is fully exposed to the risks of loss of that derivative, which may sometimes be greater than the cost of the derivative.
- *Commodities.* A client account's exposure to commodities markets may subject the account to greater volatility than investments in traditional securities. The value of commodity-related instruments may be affected by changes in overall market movements, commodity index volatility, changes in interest rates, or risks affecting a particular industry or commodity, such as drought, floods, weather, livestock disease, embargoes, tariffs and international economic, political and regulatory developments.
- *Real Estate-Related Investments.* Because ODCA may invest a portion of client assets directly or indirectly in companies principally engaged in the real estate industry and other real estate related investments, an account's performance may be linked to the performance of the real estate markets. Property values may fall due to increasing vacancies or declining rents resulting from economic, legal, cultural or technological developments. Real estate companies are subject to legislative or regulatory changes, adverse market conditions and increased competition. The general performance of the real estate industry has historically been cyclical and particularly sensitive to economic downturns. Changes in prevailing real estate values, interest rates and changing demographics may affect the value of securities of issuers in the real estate industry.
- *Foreign Securities.* Foreign investments tend to be more volatile than U.S. securities, and are subject to risks that are not typically associated with U.S. securities. For example, such investments may be adversely affected by changes in currency rates and exchange control regulations, unfavorable political, social and economic developments and the possibility of seizure or nationalization of companies or imposition of withholding taxes on income. Moreover, less information may be publicly available concerning certain foreign issuers than is available concerning U.S. companies. Foreign markets tend to be more volatile than the U.S. market due to economic and political instability, social unrest and regulatory conditions in some countries.

- *Emerging Market Securities.* Many of the risks with respect to foreign investments are more pronounced for investments in developing or emerging market countries, which include several countries in Asia, Latin America, Eastern Europe, Africa, and the Middle East. The economies of many of these countries depend heavily upon international trade and are therefore significantly affected by protective trade barriers and economic conditions of their trading partners. Many of these countries may also have government exchange controls, currencies with no recognizable market value relative to the established currencies of developed market economies, little or no experience in trading in securities, no financial reporting standards, a lack of a banking or securities infrastructure, and a legal tradition which does not recognize rights in private property.

A significant portion of investments made by ODCA involve various risks associated with investments in China. These risks may include, but are not limited to, the following:

- *Investments in Chinese Companies.* Investments in Chinese companies involve certain risks and special considerations not typically associated with investments in the United States, such as greater government control over the economy, political and legal uncertainty, currency fluctuations or blockage, the risk that the Chinese government may decide not to continue to support economic reform programs and the risk of nationalization or expropriation of assets. Additionally, the Chinese securities markets are emerging markets characterized by relatively low trading volume, resulting in substantially less liquidity and greater price volatility. Moreover, information available about Chinese companies may not be as complete, accurate or timely as information about listed U.S. companies.
  - Political and Economical Factors. The economy of China differs from the U.S. economy in many respects, and some of these differences are unfavorable. The Chinese central government has historically exercised substantial control over virtually every sector of the Chinese economy, and despite the current economic reform, which seeks to reduce state involvement in the Chinese economy, actions of the Chinese central and local government authorities continue to have a substantial impact on economic conditions in China. The continued economic growth and development in China is dependent in many respects on the further implementation of the economic reform; however, there is no assurance that the Chinese government will continue to actively pursue such economic reform or that such economic policies initiatives will be successful. The economic reform could also lead to potential or actual insolvency for some of the Chinese companies as a result of lack of state support. Because the Chinese private sector activity is heavily driven by export to China's principal trading partners, including Japan, South Korea, the United States, Taiwan and Europe, any adverse economic developments in any of those countries or regions could have an adverse impact on the Chinese economy and the Chinese companies in which ODCA invests. Further, Chinese banks are carrying a large amount of nonperforming loans, and it is anticipated that the level of bad loans will increase as a result of the recent global economic downturn.

- Market Characteristics. The Chinese, Hong Kong and certain other foreign securities markets on which the securities of Chinese companies are traded are not as large or developed as the U.S. securities markets, have substantially less trading volume and are subject to less stringent regulatory standards. There is also a high concentration of market capitalization and trading volume in a small number of issuers representing a limited number of industries, as well as a high concentration of investors. There generally is also less government supervision and regulation of exchanges, brokers and issuers, a lower level of monitoring and oversight of the markets and the activities of investors, and very limited enforcement of existing regulations in these securities markets. As a result, these securities markets are less liquid and have a higher price volatility relative to the U.S. securities markets.
- Chinese Corporate Law. Corporate law in China is developing rapidly but still does not provide a systematic and comprehensive legal framework for the regulation of corporations comparable to that which exists in the United States. The Chinese government enacted its first national company law in 1993, which became effective on July 1, 1994, but there continue to be uncertainties regarding the legal protections afforded by the company law and the effect the company law has on certain existing regulations.
- Chinese Tax Regulations. Many Chinese taxation regulations have only a limited operating history and therefore there is no certainty as to the application of certain taxes. In particular, the position regarding taxation of capital gains made by foreign investors on China securities is unclear, and has been an open issue for some time.
- Reporting Standards. Accounting, auditing and financial reporting standards and requirements in China, Hong Kong and certain other foreign securities markets in which ODCA may invest differ, in some cases significantly, from those applicable to U.S. issuers, including the reporting of assets and profits of a foreign issuer and the accounting for inflation for tax and accounting purposes. There is also substantially less information that is publicly available about certain non-U.S. issuers than is available about U.S. issuers.
- Currency Fluctuations. ODCA may invest in securities denominated in Hong Kong dollars and renminbi and holds cash and cash equivalents denominated in such currencies. Accordingly, the U.S. dollar market value of ODCA's investments may be negatively affected by changes in currency exchange rates between the U.S. dollar and the renminbi, the Hong Kong dollar or any other currency in which ODCA's investments are denominated. In addition, adverse changes in currency exchange rates could also result in the need to liquidate portfolio securities to make distributions or pay expenses incurred at a time that is disadvantageous.
- Exchange Controls. There is centralized control and unified management of foreign exchange in China. The State Administration of Foreign Exchange is responsible for matters relating to foreign exchange administration, while the People's Bank of China is in charge of foreign exchange operations. The renminbi is not at present

freely convertible into foreign currencies. The People's Bank of China sets and publishes daily base exchange rates for major foreign currencies with reference primarily to the supply and demand of renminbi against the U.S. dollar in the market during the prior day. The People's Bank of China also takes into account other factors such as the general conditions existing in the international foreign exchange markets. Additionally, from time to time, the State Administration of Foreign Exchange has used this discretion in ways that effectively limit the convertibility of current account payments and restrict remittances out of China.

- Investments in Unlisted Securities. ODCA may invest in equity securities of Chinese companies that are not listed on a securities exchange. The risk of investing in these companies generally is greater than the risk of investing in publicly traded companies. These companies are not subject to the same disclosure and other legal requirements that are applicable to companies with publicly traded securities. While some of these companies are large, most of them tend to be smaller than publicly traded companies and generally have smaller capitalizations and fewer resources, and therefore often are more vulnerable to financial failure. Because of the absence of a trading market for these investments, their value may not be realized upon a sale.
- Investments in Unseasoned Companies. ODCA may invest in the securities of smaller, less seasoned Chinese companies. Investments in these companies may present greater opportunities for growth but may also involve greater risks than are customarily associated with investments in securities of more established companies. The securities of these companies may be subject to more abrupt and erratic market price movements than larger, more established companies. Additionally, these companies may have limited product lines, markets or financial resources, or they may be dependent upon a limited management group.
- Lower-Rated (High Risk) and Non-Rated Securities. ODCA may invest in debt securities of Chinese companies that are in the lower rating categories of recognized rating agencies or are non-rated. The debt securities in which ODCA may invest may be listed or unlisted on any public trading market. These lower-rated securities and non-rated securities entail high risks and are predominantly speculative with respect to capacity to pay interest and repay principal in accordance with the terms of the obligation.
- Investment and Repatriation Restrictions. Foreign investment in the securities of Chinese companies is restricted or controlled to varying degrees. These restrictions or controls may at times limit or preclude foreign investments in certain Chinese companies, may increase the costs and expenses of such foreign investments, and may cause ODCA to execute transactions in participation note instruments (see "Derivative" risk discussion, above) through licensed intermediaries that are subject to quota limits and expose clients to counterparty credit risk. The Chinese government may require prior government approval for foreign investments or limit the amount of investments by foreign persons in a particular company or limit

investment by foreign persons to only a specific class of securities of a company. In addition, Taiwan and China restrict investment opportunities in issuers or industries deemed important to national interests. In China, government approval is required for the repatriation of capital following the liquidation of an investment. In addition, if there is deterioration in China's balance of payments or for other reasons, China may impose temporary restrictions on foreign capital remittances abroad.

- Higher Operating Expenses. Investing in equity securities of Chinese companies entails additional time and expense because available public information concerning such securities is limited in comparison to, and is not as comprehensive as, that available for U.S. equity securities. Brokerage commissions, custodial fees and other fees are generally significantly higher for investments in the Chinese, Hong Kong and certain other foreign securities markets. In addition, foreign governments may impose withholding taxes, which would reduce the amount of income and capital gains available for distribution.

## **ITEM 9 – DISCIPLINARY INFORMATION**

ODCA has no disciplinary information to report with respect to its current or historic business activities or practices, and reports solely with respect to historical and personal disciplinary information involving Mr. Ruffle, one of ODCA's principals, and his professional activities on behalf of a former employer.

Open Door is not involved with or related to the matter except for the current employee and shareholder status of Mr. Ruffle with respect to Open Door, and Open Door was not in existence as a business at the time of the alleged activities that are subject of the matter. Open Door reports this information for purposes of providing its clients and prospective clients with full transparency in the event that it may be considered material to an evaluation of ODCA's advisory business.

In June 2014 Mr. Ruffle reached an administrative settlement with the SEC relating to the matters referred to in the Order Instituting Administrative and Cease and Desist Proceedings against Martin Currie Inc. and Martin Currie Investment Managements Ltd. of May 10th 2012. The events detailed in the Order Instituting Administrative and Cease and Desist Proceedings against Christopher B. Ruffle occurred in 2008/9 when Mr. Ruffle was seconded to Martin Currie, and subject to Martin Currie's legal, compliance and communications systems. Under the terms of the settlement Mr. Ruffle may neither admit nor deny any allegations with respect to the nature, quality, or integrity of such legal, compliance and communications systems, nor any other information related to the matter.

Terms of the settlement required Mr. Ruffle to pay a fine and to avoid for a period advising or affiliating with any United States "registered investment companies," which are mutual funds typically directed towards U.S. retail investors.

This settlement is not expected to have any material effect on ODCA's continuing business because the firm does not currently advise any U.S. registered investment companies. That

restricted period would end in June 2015. Mr. Ruffle remains Open Door's principal shareholder and CEO and continues his fund management role and on-the-ground research of Chinese companies with Ke Shifeng and the rest of Open Door's Shanghai-based team.

Since establishing ODCA in November 2011 as an SEC-regulated entity, Open Door's principals have worked hard to establish a robust legal and compliance system suitable to the company's role as a specialist China manager. **ODCA makes readily available any and all due diligence information related to the matter to all clients and prospective clients upon request.**

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

### **Material Relationships**

#### ***Pooled Investment Vehicles***

ODCA may act as the investment adviser to a number of registered and unregistered investment companies, including various pooled investment vehicles, for which it receives investment advisory fees and other compensation.

#### ***Investment Advisers***

ODCA is affiliated with Open Door Investment Management (US) Ltd. (“ODIM”), a Cayman Islands exempted company and an SEC registered investment adviser. ODCA and ODIM jointly perform investment advisory services for various clients, including pooled investment vehicles and separately managed accounts.

### **Recommendation of Other Investment Advisers**

Not applicable.

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

### **Code of Ethics**

In order to address conflicts of interest, ODCA has adopted a code of ethics (the “Code”), which is applicable to all of ODCA’s officers, managers, members, and employees (collectively, “Employees”). The Code generally sets the standard of ethical and professional business conduct that ODCA requires of Employees, requires Employees to comply with applicable federal securities laws and regulations, and sets forth provisions regarding personal securities transactions by Employees. Additionally, the Code sets forth ODCA’s policies and procedures with respect to material, non-public information and other confidential information, and the fiduciary obligations that ODCA and each Employee owes to each advisory client. The Code is circulated at least annually to all Employees, and each Employee at least annually must certify in writing that he or

she has received and followed the Code and any amendments thereto. ODCA provides a copy of the Code to any client or prospective client upon request.

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

ODCA may solicit investors to invest in a Private Fund or any other investment vehicle sponsored or managed by ODCA (each, an “ODCA-related fund”). Further, because of the relationship between ODCA and any ODCA-related fund, ODCA could be considered to have recommended the investment as suitable for an investor should such person invest in the ODCA-related fund. ODCA informs each investor of ODCA’s relationship with an ODCA-related fund prior to the investment, but does not intend to advise as to the appropriateness of the investment and does not receive any compensation for doing so or for selling interests in an ODCA-related fund (except to the extent that ODCA receives management fees and performance-based fees from all fund investors). ODCA may, from time to time at its discretion, suggest that investors in an ODCA-related fund invest in a co-investment vehicle sponsored by ODCA.

### **Personal Trading**

ODCA believes that if investment goals are similar for clients and for Employees, it is logical and even desirable that there be common ownership of some securities. At the same time, ODCA recognizes that there is a risk that Employees will compete with client accounts or otherwise engage in personal securities transactions at the expense of a client’s interest. In order to maintain a high standard of conducts, the Code requires that all such transactions be carried out in a way that does not endanger the interest of any client. The Code establishes certain pre-clearance procedures and a quarterly securities transaction reporting system that is designed to monitor transactions in Employees’ personal accounts and prevent any conflicts that may arise between Employees’ personal securities transactions and transactions for clients of ODCA. For purposes of the policy, an Employee’s “personal account” generally includes any account (i) in the name of the Employee, his/her spouse, his/her minor children or other dependents residing in the same household, (ii) for which the Employee is a trustee or executor, or (iii) which the Employee controls, including ODCA’s client accounts which the Employee controls and in which the Employee or a member of his/her household has a direct or indirect beneficial interest.

ODCA Employees are permitted to maintain ownership interests in Private Funds. While ODCA believes that such ownership activity provides for common rather than conflicted investment interests, clients should be aware of the potential for ownership and transactions in Private Funds by ODCA Employees, which creates the risk that ODCA Employees may seek to favor certain Private Funds or certain transactions. Transactions in Private Funds by ODCA Employees are subject to the Chief Compliance Officer pre-clearance requirements of the Code.

### **Concurrent Trading Activity**

ODCA maintains policies that seek to allocate portfolio transactions and investment opportunities across multiple client accounts on a fair and equitable basis over time. Transactions for client accounts are generally effected independently from other client accounts. However, there are occasions on which transactions to purchase or sell the same security may be effected at the same



or similar time for numerous accounts, some of which may have similar investment objectives. ODCA may (but is not obligated to) combine such orders. When combined orders occur, ODCA seeks to allocate the execution in a manner that is deemed equitable to the accounts involved. Generally, transactions are averaged as to price and transaction costs and thereafter are allocated among the accounts involved in proportion to the purchase and sale orders placed for each account on any given day. If ODCA cannot obtain execution of all the combined orders at prices or for transaction costs that ODCA believes are desirable, ODCA allocates the securities ODCA has purchased or sold as part of the combined orders by following ODCA's trade allocation procedures. ODCA's procedures attempt to mitigate any conflict of interest by allocating investment opportunities on a pro rata allocation basis among all similarly managed accounts that can participate in a transaction, taking into account a variety of factors, including, but not limited to: cash availability and settling transactions; investment restrictions and guidelines; portfolio composition and consistency of portfolio strategy; portfolio manager objectives and opinions; limited share availability due to risk considerations (see Item 8, above); and, in the case of initial or secondary public offerings of new securities, the availability of shares and brokerage allocation instruction as well as the size and location of the offering. In addition, ODCA may also make investment recommendations to certain clients who evaluate the recommendations and choose independently whether to enter their own security transactions at their own discretion; while ODCA policies require that these recommendations are issued concurrently with trading instructions issued on behalf of clients who have provided ODCA with investment discretion, there can be no guarantee as to the priority or timing of orders placed in the market, and it is possible that similar transactions for ODCA client accounts may be executed either before or after these independently selected transactions occur. Because ODCA cannot address all possible allocation considerations in a perfectly equitable manner, clients should be aware that there may be instances where their accounts do not receive any allocation, do not share in allocations on a pro rata basis, or do not participate in transactions at the exact same price or time as other clients.

## **ITEM 12 – BROKERAGE PRACTICES**

### **Selection of Broker-Dealers**

**Execution Quality.** ODCA generally seeks “best execution” in light of the circumstances involved in transactions. In selecting a broker for any transactions, ODCA may consider a number of factors, including, for example, net price, reputation, financial strength and stability, efficiency of execution and error resolution, the size of the transaction and the market for the security. ODCA does not obligate itself to obtain the lowest commission or best net price for an account on any particular transaction.

**Research and Other Soft Dollars.** In addition to execution quality, ODCA may consider the value of various research services or products, beyond execution, that a broker-dealer provides to ODCA or its clients. Selecting a broker-dealer in recognition of such other services or products is known as paying for those services or products with “soft dollars.” Because many of those services could benefit ODCA, it may have a conflict of interest in allocating client brokerage business. In other words, ODCA could have an incentive to execute client transactions through a broker or dealer that provides valuable services or products and pay transaction commissions charged by that broker or dealer which may be higher than ODCA might otherwise be able to negotiate. ODCA

could also have an incentive to cause clients to engage in more securities transactions than would otherwise be optimal in order to generate soft dollars with which to acquire research products and services.

ODCA will make decisions involving “soft dollars” in a manner that satisfies the requirements of the safe harbor provided by Section 28(e) of the Securities Exchange Act of 1934, as amended. That is, ODCA will generally determine, considering all appropriate factors (including those described here), that commissions paid are reasonable in relation to the value of all the brokerage and research products and services provided by the broker-dealer. In making that determination, ODCA may consider not only the particular transaction, and not only the value of brokerage and research services and products to a particular client, but also the value of those services in ODCA’s performance of its overall responsibilities to all of its clients. In some cases, the commissions charged by a particular broker for a particular transaction or set of transactions may be greater than the amounts another broker who did not provide research services or products might charge. Additionally, in some cases, a client’s transaction may be executed by a broker in recognition of services or products that are not used in managing that client’s account. Broker-dealers are not excluded from a client’s business simply because they have not provided research services or products, although ODCA may not be willing to pay the same commission to such broker as ODCA might have been willing to pay had the broker provided research products and services.

For these purposes, “research” means advice, analysis and reports used to provide lawful and appropriate assistance to ODCA in making investment decisions for its clients. This may include reports on or other information about particular companies or industries; economic data such as unemployment reports, inflation rates or gross domestic product figures; recommendations as to specific securities; financial publications relating to the value, availability or advisability of investing in securities, and issuers, industries, securities, economic factors and trends, portfolio strategy and the performance of the accounts; and portfolio evaluation services and financial database software and services. In addition, the types of brokerage services that ODCA may obtain include execution clearing and settlement service, exchange of messages among brokers, custodians and institutions; and communication services related to the execution, clearing and settlement of securities transactions and other incidental services. Where a particular service or product that a broker or dealer is willing to provide for soft dollars has not only a “research” application, but is also useful to ODCA for non-“research” purposes, ODCA will allocate the cost of the product or service between its research and non-research uses and pay only the “research” portion with soft dollars. ODCA’s interest in making such an allocation may differ from clients’ interests in that ODCA has an incentive to designate as great a portion of the cost as “research” as possible in order to permit payment with soft dollars.

ODCA may also direct client transactions to particular brokers based on each broker’s reputation, financial strength and stability, efficiency of execution and error resolution, the size of the transaction and the market for the security, and the comprehensiveness and frequency of available research services and products provided by the broker. ODCA will monitor the transaction results as orders are executed to evaluate the quality of execution provided by the various brokers and dealers it uses, to determine that compensation rates are competitive and otherwise to evaluate the reasonableness of the compensation paid to those brokers and dealers in light of all the factors described above.

When a broker-dealer provides research or other products or services in expectation of brokerage business, it generally suggests the level of business it would like to receive as compensation. Actual transactional business received by a particular broker or dealer during any period may be less than the suggested level, but may and typically will exceed that level. In other cases, a broker or dealer may establish “credits” based on brokerage commissions paid in the past, which may be used to pay, or reimburse ODCA, for specified expenses. In making its brokerage selections, ODCA considers those suggestions as part of its evaluation of the factors described above.

***Brokerage for Client Referrals.*** Subject to applicable law and regulation, in selecting brokers for any securities transactions, ODCA may direct a portion of a client’s brokerage business to brokers who introduce the client to ODCA. Because referrals could benefit ODCA, selecting a broker based on client referrals may give rise to a conflict of interest in allocating client brokerage business. ODCA does not allocate client brokerage business to a referring broker unless ODCA determines in good faith that the commissions and transaction costs payable to such broker are not materially higher than those available from other non-referring brokers offering services of similar execution quality.

***Directed Brokerage.*** ODCA’s authority may be subject to conditions imposed by a client, examples of which may include: (i) where the client restricts or prohibits transactions in a certain industry, issuer or security and/or (ii) where the client directs that some or all account transactions be effected through specific brokers or dealers. In the latter case, the client is responsible for negotiating the terms and conditions (including, but not limited to, commission rates) relating to all services to be provided by such brokers. ODCA assumes no responsibility for obtaining the best prices or any particular commission rates for transactions with or through any such broker for such client’s account. A client must recognize that it may not obtain rates as low as it might otherwise obtain if ODCA had discretion to select brokers or dealers other than those chosen by the client. Any client providing instructions to ODCA regarding direction of brokerage transactions must notify ODCA in writing if the client desires ODCA to initiate or terminate executing transactions with or through any such broker or dealer.

## **Aggregation of Orders**

See Item 11 above.

## **ITEM 13 – REVIEW OF ACCOUNTS**

### **Periodic Account Review**

All client accounts are generally reviewed on a weekly basis by ODCA’s portfolio managers assigned to those accounts. Account reviews typically focus on the review of all securities using fundamental and technical analysis. Particular attention may be given to changes in company fundamentals, industry outlook, market situation, general economic trends, relative/absolute

valuation levels, and adherence to target investment portfolio and if applicable, to specific client restrictions.

### **Non-Periodic Account Review**

Not applicable.

### **Client Reports**

ODCA provides, via electronic transmission, monthly unaudited portfolio performance statements to its Private Fund investors, which include descriptions of securities positions held in the Private Fund as well as the percentage of the portfolio represented by each security. In addition, the Private Fund's administrator may provide Private Fund investors with hardcopies of reports containing monthly unaudited account balances. Each Private Fund investor also receives via electronic transmission annual audited financial statements and, if necessary, annual tax information for completion of its individual tax returns.

ODCA, in its discretion, may provide more frequent reports and/or more detailed information to any or all of its clients.

ODCA may rely on information provided by third parties in preparing reports, and a third party may assist in preparing or distributing reports. To the extent reports include or rely upon information from a source other than ODCA (*e.g.*, benchmark information when a report includes a comparison of an account's performance to one or more benchmark indices), ODCA attempts to obtain such information from reliable sources; however, the accuracy of such information cannot be guaranteed. Reports may also include or rely upon fair value determinations made by ODCA or a third party. While such valuations are made in good faith, their actual or empirical accuracy cannot be guaranteed.

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

### **Compensation by Non-Clients**

Not applicable.

### **Compensation for Client Referrals**

Subject to applicable law, ODCA may employ third party solicitors to whom it will pay either a portion of the advisory or performance fees received from clients referred by such solicitors or cash at ODCA's own expense. In such cases, this arrangement will be disclosed in writing to the client, and ODCA will comply with any other applicable requirements under Rule 206(4)-3 under

the Advisers Act. In particular, ODCA will ensure that each solicitor provides clients with a current copy of ODCA's Form ADV Brochure and the solicitor's written disclosure document.

## **ITEM 15 – CUSTODY**

### **Private Funds**

ODCA does not maintain physical possession of the funds or securities of any Private Fund. Custody of the assets of a Private Fund is maintained with a qualified custodian selected by the board of directors of the Private Fund. As described in Item 13 above, the fund administrator may, depending on the terms of their contract with the Private Fund, provide Private Fund investors with performance reports and account statements. Private Fund investors should carefully read these reports and compare any reports received from ODCA against reports received from the fund administrator.

### **Managed Accounts**

ODCA does not maintain possession or custody of the funds or securities that a client transferred to a Managed Account. The assets transferred by a Managed Account are deposited with a qualified custodian selected by the Managed Account client. In addition, as described in Item 13 above, the administrator may, depending on the terms of their administrative contract with the Managed Account, provide performance reports and account statements. Managed Account investors should carefully read these reports and compare any reports received from ODCA against reports received from the administrator.

## **ITEM 16 – INVESTMENT DISCRETION**

Typically, ODCA is retained with respect to a client account on a discretionary basis and is authorized to make the following determinations in accordance with the client's specified investment objectives without client consultation or consent before a transaction is effected: (a) which securities to buy or sell; (b) the total amount of securities to buy or sell; (c) the broker or dealer through whom securities are bought or sold; (d) the commission rates at which securities transactions for client accounts are effected; and (e) the prices at which securities are bought or sold, which may include dealer spreads or mark-ups and transaction costs.

ODCA's discretionary authority is derived from an irrevocable power of attorney granted by the investors in each account referenced above under such account's subscription agreement executed by each investor, and/or from an express grant of authority under each client's investment management agreement with ODCA.

As noted above, clients may limit ODCA's discretionary authority in any or all of the situations described above. ODCA may provide non-discretionary advice and may accept advisory accounts with limited discretion or where investments or brokerage arrangements are client-directed pursuant to an agreement between ODCA and the client. Please see Item 12 above.

## **ITEM 17 – VOTING CLIENT SECURITIES**

ODCA generally votes (except to the extent that a client otherwise instructs in writing) in all matters for which a shareholder proxy is solicited by, or with respect to, issuers of securities beneficially held in client accounts. ODCA's utmost concern is to make decisions in the best interest of its clients, and ODCA seeks to act in a prudent and diligent manner intended to enhance the economic value of the assets in each client's account.

Unless a client otherwise instructs ODCA in writing, ODCA votes as it deems appropriate in accordance with its written policies and procedures. ODCA utilizes the services of a third-party proxy voting service to provide or assist in the development of proxy voting guidelines and to track and vote proxies in accordance with such guidelines.

Where a proxy proposal raises a material conflict between ODCA's interests and the interests of a client, ODCA seeks to resolve the conflict.

Additional information regarding ODCA's proxy voting policies and procedures and/or information on votes cast can be obtained by contacting ODCA.

## **ITEM 18 – FINANCIAL INFORMATION**

Not applicable.