

**Kerrisdale Advisers, LLC**

Kerrisdale Capital Management, LLC  
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This Brochure provides information about the qualifications and business practices of Kerrisdale Advisers, LLC. If you have any questions about the contents of this Brochure, please contact Edward Gu, Chief Compliance Officer (“CCO”), at (212) 584-8937 or by email at [egu@kerrisdalecap.com](mailto:egu@kerrisdalecap.com). Additional information about Kerrisdale Advisers, LLC is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Registration of an investment adviser does not imply that Kerrisdale Advisers, LLC or any of its principals or employees possesses a particular level of skill or training in the investment advisory business or any other business.

**Item 2: Material Changes**

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The Adviser's business activities have not changed materially since the time of the last update.

**Item 3: Table of Contents**

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**Item 4: Advisory Business**

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Kerrisdale Advisers, LLC (“**Kerrisdale**”, the “**Adviser**”, “**we**”, or the “**Firm**”) is an investment adviser with its principal place of business in New York, NY. Kerrisdale commenced operations in April 2009. The Firm provides investment management services to the following private pooled investment vehicles:

- Kerrisdale Partners, L.P. (“Domestic Feeder Fund”)
- Kerrisdale Partners Offshore, Ltd. (“Offshore Feeder Fund”)
- Kerrisdale Partners Master Fund, Ltd. (“Master Fund”)

These are collectively referred to as the “Kerrisdale Funds”. The Firm provides advice to the Kerrisdale Funds based on specific investment objectives and strategies. However, Kerrisdale does not tailor advisory services to the individual needs of investors (the “Investors”) in the Funds. The Investors may not impose restrictions on investing in certain securities or types of securities.

Kerrisdale Capital Management, LLC (the “General Partner”) is the general partner of Kerrisdale Partners, L.P. Sahm Adrangi is the principal owner of Kerrisdale.

Kerrisdale has entered into “side letters” with certain limited partners of the Kerrisdale Funds that outline terms that may differ from the terms for other limited partners. These different terms may be with respect to fees, expenses, withdrawal rights, and other key provisions.

We also manage separate accounts for selected clients (“Separate Accounts” and together with the Kerrisdale Funds, the “Client Accounts”), generally on a *pari passu* basis with the Master Fund. However, from time to time, the Kerrisdale Funds may have names or position sizes that are different from the Separate Accounts. For example, short positions may differ across accounts because of the share borrowing ability at different brokers or specific client-driven investment restrictions. The Separate Accounts may also have predefined liquidity parameters.

As of December 31, 2013, the Firm managed net assets of approximately \$371 million of the Client Accounts, all of which are managed on a discretionary basis.

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**Item 5: Fees and Compensation**

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We charge management fees and performance allocations to our Client Accounts. Our Separate Account fees are subject to negotiation and we charge different fees for our different Separate Accounts.

Our fee schedule for the Kerrisdale Funds is as follows:

*Management Fee:* We charge a quarterly management fee, payable in arrears, equal to 0.375% of assets under management as of the end of each quarter. Kerrisdale reserves the right to waive or reduce management fees for certain investors, including employees, family members, strategic partners, advisors and consultants and others as may be determined in Kerrisdale’s sole discretion. Any Management Fee payable for any period of less than one full quarter shall be pro-rated. All fees received by Kerrisdale are deducted directly from Fund or Investor accounts;

*Performance Allocation:* We charge a performance allocation equal to up to 20% of the appreciation in net asset value of assets under management during each year, but only to the extent that such appreciation causes the net asset value to exceed its high water mark. Kerrisdale and the General Partner reserve the right to modify the fee structure as reflected in the offering documents on new capital contributions.

Net asset value includes net realized and unrealized profits and losses. The Performance Allocation is calculated net of management fees, but before the performance fee allocation.

The Adviser bears its separate expenses arising out of its services to the Client Accounts relating to its general overhead expenses (including office rent, compensation and benefits of its professional and administrative staff, maintenance of its books and records, and fixed expenses, including telephones, and general purpose office equipment). Further, all costs associated with the organization of the Kerrisdale Funds, including, but not limited to, legal and other professional fees associated with the initial organization of the Kerrisdale Funds, have been paid by the Adviser.

The Kerrisdale Funds shall pay for all ordinary operating and other expenses, including, but not limited to, investment-related expenses (such as brokerage commissions, clearing and settlement charges, custodial fees, interest expenses); fees and expenses relating to software tools, programs or other technology utilized in managing the Funds (including, without limitation, third-party software licensing, order management systems and risk management software); risk exposure and portfolio analysis systems; expenses relating to consultants, brokers or other professionals or advisors who provide research, advice or due diligence services with regard to investments, appraisal fees and expenses and investment banking expenses (which may include a share of any profits realized by the Kerrisdale Funds from investment ideas generated by consultants or on which consultants provide substantial services); research costs and expenses (including subscription and other fees for news, quotation, reports, financial databases, and similar information and pricing services); legal expenses (including, without limitation, the costs of on-going legal advice and services, blue sky filings and extraordinary legal expenses, such as those related to litigation or regulatory investigations or proceedings); insurance premiums; fund accounting fees and audit expenses; administrative fees; tax preparation expenses and any applicable tax liabilities (including transfer taxes and withholding taxes); other governmental charges or fees payable by the Kerrisdale Funds; director and officer and/or errors and omissions liability insurance premiums or fiduciary liability insurance premiums for directors, officers and personnel of the General Partner and the Adviser; legal expenses and settlement costs relating to claims against consultants which relate to their investment ideas and for which we agree to provide indemnification; costs of printing and mailing reports and notices; other expenses associated with the operation of the Kerrisdale Funds, including any extraordinary expenses (such as indemnification); and other similar expenses related to the Kerrisdale Funds, as the General Partner determines in its sole discretion. To the extent that any such costs or expenses are paid or advanced by the Adviser, Kerrisdale will be entitled to reimbursement from the Kerrisdale Funds.

The expenses incurred by the Kerrisdale Funds may benefit other clients. Certain Separate Accounts may not be charged certain expenses as per their compensation agreements with Kerrisdale, and therefore these Separate Accounts may benefit from the services paid for by expenses incurred by the Kerrisdale Funds. For example, consultant research expenses paid for by the Kerrisdale Funds may benefit Separate Account clients, who may not be charged these expenses as part of their total fees and expenses.

The Separate Accounts will each bear certain ordinary investment-related expenses, including, but not limited to, brokerage commissions, clearing and settlement charges, custodial fees and interest expenses.

Kerrisdale compensates certain consultants who provide research on investments via both fixed fee payments as well as variable fee payments whereby these consultants receive compensation equivalent to a percentage of profit and loss generated on the investments for which they provide consulting services. Kerrisdale believes that these variable fee payments are more favorable for its clients because these consultants receive fees mainly to the extent that Kerrisdale's clients generate positive returns on their investments. However, to the extent that certain investments generate abnormally high profit for Kerrisdale's clients, the expenses associated with these variable fee arrangements may also be abnormally high, and may lead to high expense ratios. Despite this risk, Kerrisdale believes that its variable fee arrangements with certain investment research consultants are favorable to its clients overall.

Because Kerrisdale engages in external communications of its investments, as described more fully in Item 8, Kerrisdale may be the target of defamation lawsuits by companies whose stock it has shorted and has publicly described as overvalued or who it has alleged as having falsified their financial statements. Costs associated with such lawsuits may be paid for by the Kerrisdale Funds. These litigation costs may be expensed as incurred, and therefore, the Kerrisdale Funds may pay for litigation expenses associated with historical investments that are no longer material to the Kerrisdale Funds. Additionally, as part of Kerrisdale's external communications of its investments, Kerrisdale may conduct research that it shares with third parties who then communicate externally with the public on those investments. Kerrisdale may indemnify these third parties with respect to legal expenses incurred relating to investments of the fund, and such legal expenses may be paid for by the Kerrisdale Funds.

Kerrisdale maintains directors and officers liability insurance, which is designed to protect Kerrisdale management and employees against certain types of litigation, including litigation arising out of actions taken in the past. Kerrisdale also maintains an errors and omissions insurance policy. We believe the deductibles for these insurance policies are reasonable and will benefit investors by mitigating any litigation expense. As of the date of this filing, Kerrisdale has not been named as a defendant in any litigation arising out of its research.

Fees and expenses can be waived by the Firm for any reason.

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

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The Firm generally receives a Performance Allocation with respect to each Client Account that is calculated based upon a percentage of the net capital appreciation of the relevant Client Account. The performance allocations are charged in compliance with Rule 205-3 of the Investment Advisers Act of 1940, as amended (the "**Advisers Act**").

We have described our performance fees above under "Fees and Compensation."

Our Separate Account clients may have unique investment objectives and risk appetites and may therefore direct us to invest their accounts in a different manner than our investment strategy for the Kerrisdale Funds. Although we generally invest in similar securities across all of our Client Accounts, the portfolio composition and performance of our Separate Accounts may be significantly different than the Kerrisdale Funds.

Despite the different investment goals, risk appetites, and liquidity preferences of our Separate Accounts, we seek to allocate trades across our Client Accounts in a fair manner

that recognizes our fiduciary duty to all of our Client Accounts. Typically, trades are allocated among client accounts based on percentage of assets under management using average price for securities traded by the same broker.

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**Item 7: Types of Clients**

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Investors in the Client Accounts are institutional and individual investors. The criteria applicable to investors in the Kerrisdale Funds are described in the respective Confidential Explanatory Memorandum and Confidential Private Placement Memorandum of the Offshore Feeder Fund and the Domestic Feeder Fund, respectively.

The minimum initial investment for the Kerrisdale Funds is US\$ 1,000,000, subject to negotiation, and the minimum subsequent investment is US\$ 25,000.

These minimum initial investment thresholds can be waived at the Firm's discretion.

Kerrisdale determines the minimum size it will accept for a Separate Account on a case by case basis.

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

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***Methods of Analysis & Investment Strategy***

Kerrisdale's investment philosophy is grounded in the belief that superior investment results over multi-year holding periods can be produced by in-depth fundamental research into asset valuation and by viewing "risk" as the permanent loss of capital rather than short term measures of variation relative to a particular market index. When not fully invested, the Adviser may maintain client assets in cash or other liquid instruments having shorter-term maturities. Kerrisdale expects its most common investment asset class to be equity and debt securities and options, but Kerrisdale has the ability to and will invest in private, unregistered and non-publicly traded securities. Issuers may be U.S.-based or foreign-based. Kerrisdale may invest in other asset classes as opportunities arise, and is not limited in its mandate as to what asset classes it may invest in.

Kerrisdale emphasizes valuation in its decision making, which typically leads to several general investment types. With respect to companies, as well as many other assets, valuation can be determined by estimating the discounted present value of the future cash flows of the company or asset, comparing multiples of earnings and cash flows to comparable companies, calculating replacement costs and utilizing numerous other valuation techniques. With respect to certain assets, valuation may be determined via the supply-demand dynamics that will be impacting the price of the asset in future years.

Kerrisdale is not necessarily looking for immediate catalysts in value creation, believing instead that with time the value of an asset will be more appropriately recognized in the market. Kerrisdale's short investment strategy may be focused on absolute returns or as a hedge against the long portfolio. Kerrisdale may use leverage. Kerrisdale may hold cash rather than make investments that do not meet its risk and return criteria.

*Investment Process*

Investment ideas will be generated in part from research of companies that are considered statistically undervalued or overvalued. For long investments, this would include the following characteristics: high free cash flow yields, low multiples of enterprise value to pretax cash flow, low price to earnings multiples, and double-digit historical returns on equity. Investment ideas may also be generated from discussions with buy-side and sell-side analysts, industry experts and other colleagues and contacts with attractive investment ideas. Investment ideas may also be generated from reading industry publications, journals and websites.

Short investments could include companies that are overvalued; are believed to be bankruptcy candidates; are committing fraud; have declining businesses whose declines are not yet captured by their valuation multiples; etc.

Once an investment candidate is identified, Kerrisdale will investigate the underlying business model with a particular emphasis on the residual free cash flow available to management to create shareholder value. An in-depth review of the financial history of the company across economic cycles is undertaken to see what the patterns have been for free cash flow generation and to gauge what they are likely to be in the future. Management's track record regarding return on capital trends and capital allocation decisions is also examined. The Adviser seeks to identify management teams who remain disciplined in devoting capital to the best return opportunities, whether they be capital investments, acquisitions, share buybacks, or dividends. Alternatively, the Adviser looks for restructuring candidates where the new management catalyst or new strategic direction is likely to lead to significant improvements in capital returns and free cash flow generation. In these cases the analysis will focus more on prospective potential rather than historical patterns, with profit and cash flow margin levels for similar well-run industry competitors as potential guideposts. Short investment ideas are expected to be fundamental in nature, with the analysis described above focusing on the identification of material competitive deficiencies, accounting irregularities, declining business trends, bankruptcy risk, and other negative criteria. To the extent the Kerrisdale Funds invest in "new issues," the companies must meet the above criteria.

*External Communications on Investments*

Kerrisdale may write articles, reports or other communications explaining the rationales for certain investments and may distribute these communications externally. The Adviser may distribute these communications on its own website at [www.kerrisdalecap.com](http://www.kerrisdalecap.com) or on third party websites. Kerrisdale may distribute these communications to email recipients and may post links to these communications on Twitter. The Adviser typically does not charge a fee to the readers or recipients of our external investment research communications.

The identified author of external communications may be the Adviser, General Partner, employees of the Adviser or General Partner, or other affiliates. The Adviser will also write or otherwise generate communications and research on investments that it provides to third parties who may then share the communications externally. In certain cases, the Adviser may enter into a contract with such third parties, and may provide or receive financial compensation.

***Investment Risks***

All investments involve the risk of a loss of capital. The Firm believes that its investment program and its research and risk management techniques moderate this risk through the



careful selection of securities and other financial instruments. No guarantee or representation is made that Kerrisdale's investment program will be successful, and investment results may vary substantially over time.

As part of its investment program, Kerrisdale will buy and sell many financial instruments, including equities, debt and other income securities, high-yield bonds, small-capitalization stocks, new issues, exchange traded funds, convertible securities, swaps, options and other derivatives, distressed securities, repurchase agreements, and non-US and emerging market securities. Kerrisdale may also invest in private offerings with venture capital characteristics. The Adviser's investment program will utilize such investment techniques as limited diversification, margin transactions, short sales, and futures and forward contracts, which practices may, in certain circumstances, increase the adverse impact to which the Client Accounts' may be subject.

We utilize leverage in our investment program, and we invest in products, such as options, that are inherently leveraged. When we consider it appropriate, we engage in short sales, options and futures transactions that generate gains when the markets or the price of particular securities fall.

There are risks associated with our communication of our investment rationales externally for certain investments. Other investors, or the underlying companies of the stocks in question, may disagree with our investment rationales and may respond to our communications, thereby influencing market perception on our investments in a way that is adverse to our investment position. Companies may sue us for defamation and report our articles to regulatory authorities, which may distract us from our business of researching attractive investments for our clients. As a consequence, litigation expenses incurred to defend lawsuits brought against the funds or persons who are indemnified by the funds may adversely affect our returns, even when our investment rationales are fundamentally correct.

Furthermore, our general practice is to expense litigation costs in the period in which they are incurred, or to create a reserve if the litigation costs are expected to be material in a given case. In general, we will not attempt to reallocate litigation costs or a reserve for litigation costs to a prior accounting period in which the gains that resulted in the litigation were generated. This practice could result in an allocation of expenses to investors other than those who benefited from the investment idea. For example, new investors may effectively bear litigation costs for investment ideas that generated profits that were realized before they became an investor. Conversely, an investor who withdraws its capital prior to the initiation of litigation may effectively receive the benefit of investment ideas without paying all of the costs associated with those investment ideas. Also, the Adviser will not be obligated to refund any management fees or performance fees paid in prior periods that were derived from gains on investment ideas that later result in significant litigation costs.

We may modify our investment objectives and strategies at any time, subject to the terms of the agreements that govern our Client Accounts.

Because we utilize a similar investment strategy that we apply in managing the Kerrisdale Funds to all of our Client Accounts, the risk factors detailed in the Confidential Explanatory Memorandum for our Offshore Feeder Fund and the Confidential Private Placement Memorandum for the Domestic Feeder Fund apply to all Investors, and we refer Investors and approved potential clients to the Confidential Explanatory Memorandum of the Offshore Fund.

In addition to the general risks involved in implementing our investment strategy that we note above, the risks described in our Confidential Explanatory Memorandum relate to,

among other things: the use of leverage; non-diversification; rapid turn-over; investment in derivative securities and other derivative instruments, including swaps and option transactions of all kinds and distressed and special situation securities; the cost and uncertain success of hedging; short selling; the possibilities that our investments may not have the liquidity that we anticipate and that trading could be suspended on the markets in which we invest; investment in non-U.S. securities and other instruments, including emerging market securities, and on non-U.S. exchanges and markets, including currency risk; investing in foreign sovereign debt; investing in debt securities, including interest rate and credit risk; engaging in over-the-counter transactions; broker-dealer failure; the impact of future regulatory changes; and the possibility that our incentive fees could motivate us to make riskier or more speculative investments than we otherwise would.

**Other Risks***Limited Operating History*

Kerrisdale has a limited operating history upon which prospective investors can evaluate its likely performance. There can be no assurance that the Client Accounts will achieve their investment objective.

*Suspension of Redemption and Deferment of Redemption Proceeds*

In certain circumstances, the Firm may suspend the valuation of the Fund's assets, and/or the right or obligation to redeem the Kerrisdale Funds' investments and/or extend the period for payment on redemption.

If the Adviser expects that a Kerrisdale Fund will incur material litigation expenses in a particular case, it may create a reserve to pay the estimated expenses. In that event, an investor who elects to withdraw part or all of its capital account will not be paid any portion of its capital account that is allocated to the reserve until the reserve is released, which could result in substantial delays before the investor receives the complete return of its capital account.

**Item 9: Disciplinary Information**

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Neither we nor any of our management personnel are subject to or have in the past been subject to any criminal or civil action in any domestic or foreign court, and neither we nor any of our management personnel have been subject to any administrative proceedings before the SEC or any other state, federal or foreign financial regulatory authority.

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

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No Kerrisdale management persons are engaged in other financial industry activities or affiliations.

**Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

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

We and our affiliates and employees have a financial interest in the Client Accounts through a Performance Allocation and/or a direct investment interest in the Client Accounts. As

such, we could be considered to have recommended to Investors that they buy or sell securities or investments in which the Firm or a related person has some financial interest.

**Code of Ethics & Personal Trading**

Pursuant to Rule 204A-1 of the Advisers Act, we have adopted a Code of Ethics and an Employee Investment Policy that establishes various procedures with respect to investment transactions in accounts in which our employees and their immediate families have a beneficial interest or accounts over which an employee has investment discretion.

Kerrisdale employees are permitted to trade securities for their personal accounts, including securities purchased or sold for Client Accounts, subject to the following restrictions:

All employee trades must be pre-approved by the Chief Compliance Officer (“CCO”) or the portfolio manager. The CCO may restrict employee trading for any reason, including the following:

- The Firm is in possession of material non-public information about an issuer;
- One of the Firm’s employees has accepted a position, such as a member of a board of directors or a member of a board or credit committee which will be likely to cause the Firm or such employee to receive material non-public information;
- An employee’s trading in a company’s securities could present a conflict of interest vis-à-vis Client Accounts; and
- The employee’s trading could be considered improper and/or illegal, as determined by the CCO or the portfolio manager.

Kerrisdale employees are required to direct their brokerage firms to send duplicate monthly statements for all covered accounts (defined below) to the CCO. The CCO will review the statements to monitor employees’ adherence to the Firm’s policies.

Covered accounts include personal securities account(s) of each employee of Kerrisdale and the employee’s spouse and children. The policy will also apply to any accounts over which the employee controls or influences investment decisions or has the right or authority to exercise any degree of control or discretionary authority, or any account in which the employee has a beneficial interest.

These policies apply to any personal transactions involving equity, debt, options, or futures. This policy does not apply to transactions involving open or closed end mutual funds including ETF’s, direct obligations of the U.S Government, money market instruments, shares issued by money market funds, or other instruments which afford the investor no discretion over individual securities transactions.

**Item 12: Brokerage Practices**

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We have adopted the following policies and practices to meet the Firm’s fiduciary responsibilities and to ensure our trading practices are fair to all Client Accounts and that, except where noted below, no Client Account is advantaged or disadvantaged over any other.

**Aggregation**

The aggregation or blocking of client transactions allows an adviser to execute transactions in a more timely, equitable, and efficient manner and seeks to reduce overall commission charges to clients. Our policy is to aggregate Client Account transactions from the same trading platform where possible and when advantageous to clients. In these instances, Client Accounts participating in any aggregated transactions will receive an average share price and transaction costs will be shared equally and on a pro-rata basis. Currently we have three trading platforms: Goldman, Sachs & Co., Jefferies & Company, Inc., and Interactive Brokers LLC. Client Accounts that are primed with certain brokers will receive different transaction prices from those Client Accounts that are primed with other brokers due to different trading platforms required by different prime brokers.

**Allocation**

In allocating trades and investments between the Client Accounts, Kerrisdale strives to treat all Client Accounts on a *pari passu* basis. However, our Separate Account clients may have unique investment goals, risk appetites, and liquidity preferences and may therefore direct us to invest their accounts in a different manner than our investment strategy for the Kerrisdale Funds. Although we generally invest in similar securities across all of our Client Accounts, the portfolio composition and performance of our Separate Accounts may be significantly different than the Kerrisdale Funds. After each trading day, we allocate trades amongst our Client Accounts. Despite the different investment goals and risk appetites of our Separate Accounts, we seek to allocate trades across our Client Accounts in a fair manner that recognizes our fiduciary duty to all of our Client Accounts.

**Best Execution**

As an investment advisory firm, we have a fiduciary duty to seek best execution for client transactions. As a matter of policy and practice (and except when clients direct brokerage, as described below), we seek to obtain best execution for client transactions; in other words, we seek to obtain not necessarily the lowest commission but the best overall qualitative execution in the particular circumstances. We consider a number of factors in selecting a broker-dealer to execute transactions (or series of transactions) and determining the reasonableness of the broker-dealer's compensation. Such factors include listed bids and asks; the opportunity for price improvement; transaction costs; anonymity; liquidity; speed of execution; quality of research; expertise with difficult securities; trading style and strategy; geographic location; frequency of errors; and access to new issues. In selecting a broker-dealer to execute transactions (or series of transactions) and determining the reasonableness of the broker-dealer's compensation, we need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. It is not the Kerrisdale's practice to negotiate "execution only" commission rates, thus a client may be deemed to be paying for research, brokerage or other services provided by a broker-dealer which are included in the commission rate.

**Soft Dollars**

Kerrisdale maintains a soft dollar account with a brokerage firm and uses soft dollars generated by Client Accounts' trading activities to purchase research services or products that would otherwise have been an expense of the Firm. Kerrisdale's soft dollar arrangements fall within the parameters of Section 28(e) of the Securities Exchange Act of 1934, as amended.

Research services within Section 28(e) may include, but are not limited to, research reports (including market research); certain financial newsletters and trade journals; software providing analysis of securities portfolios; corporate governance research and rating services; attendance at certain seminars and conferences; discussions with research analysts; meetings with corporate executives; consultants' advice on portfolio strategy; data services (including services providing market data, company financial data and economic data); advice from broker-dealers on order execution; and certain proxy services. Brokerage services within Section 28(e) may include, but are not limited to, services related to the execution, clearing and settlement of securities transactions and functions incidental thereto (i.e., connectivity services between an adviser and a broker-dealer and other relevant parties such as custodians); trading software operated by a broker-dealer to route orders; software that provides trade analytics and trading strategies; software used to transmit orders; clearance and settlement in connection with a trade; electronic communication of allocation instructions; routing settlement instructions; post trade matching of trade information; and services required by the SEC or a self regulatory organization such as comparison services, electronic confirms or trade affirmations.

When Kerrisdale uses client commissions to obtain Section 28(e) eligible research and brokerage products and services, we periodically review and evaluate our soft dollar practices and to determine in good faith whether, with respect to any research or other products or services received from a broker-dealer, the commissions used to obtain those products and services were reasonable in relation to the value of the brokerage, research or other products or services provided by the broker-dealer. This determination will be viewed in terms of either the specific transaction or Kerrisdale's overall responsibilities to the accounts or portfolios over which we exercise investment discretion.

The use of client commissions (or markups or markdowns) to obtain research and brokerage products and services raises conflicts of interest. For example, Kerrisdale will not have to pay for the products and services itself. This creates an incentive for Kerrisdale to select or recommend a broker-dealer based on its interest in receiving those products and services.

Kerrisdale may cause clients to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for soft dollar benefits (known as paying-up), resulting in higher transaction costs for clients.

We generally seek to allocate soft dollar benefits equitably among all of our clients by pooling the credits for investment or trading related activities for all of our clients. However, the soft dollar benefits allocated to each client account may not be in proportion to the soft dollar credits each client generates.

### ***Directed Brokerage***

Separate Account clients may instruct the Firm to direct transactions for their accounts through a specified broker. In that case, the Firm will make no attempt to negotiate commissions on its Separate Account client's behalf. In addition, the Firm will not seek better execution or prices from other brokers or be able to aggregate its Separate Account client's transactions through other brokers with orders for other clients. As a result, the Separate Account client may pay higher brokerage commissions or receive less favorable prices than might otherwise be possible. Moreover, the Separate Account client's accounts may not be traded in line with the Kerrisdale Funds and may not achieve the same performance results as the Kerrisdale Funds. In addition, given the daily liquidity requirements of the Separate Account clients, the Firm has agreements in

place which provides for a liquidity rule in which trades are not allocated based on the liquidity constraints of the underlying instrument. Kerrisdale utilizes a trailing average value traded method to determine the suitability of investments for Separate account clients.

**Trade Errors**

If it appears that a trade error has occurred, Kerrisdale will review the relevant facts and circumstances to determine an appropriate course of action. The Funds (and not the Investment Manager) will benefit from any gains resulting from trade errors and will be responsible for any losses (including additional trading costs) resulting from trade errors and similar human errors, absent bad faith, fraud, willful misconduct or gross negligence.

**Item 13: Review of Accounts**

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**Review of Accounts**

The Client Accounts managed by the Firm are reviewed on a continual basis to assure conformity with investment objectives and guidelines.

**Reporting**

Kerrisdale will distribute an audited financial report for the Kerrisdale Funds with respect to the previous fiscal year to all Investors within 120 days of year-end. In addition, each Kerrisdale Fund will generally distribute net asset value updates and performance reports on a monthly basis.

**Item 14: Client Referrals and Other Compensation**

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Kerrisdale may pay referral fees to independent persons or firms ("Solicitors") for introducing clients to us. Whenever we pay a referral fee, we require the Solicitor to provide the prospective client with a copy of this document (our Firm Brochure) and a separate disclosure statement that includes the following information:

- the Solicitor's name and relationship with our Firm;
- the fact that the Solicitor is being paid a referral fee;
- the amount of the fee; and
- whether the fee paid to Kerrisdale by the client will be increased above our normal fees in order to compensate the Solicitor.

As a matter of Firm practice, advisory fees paid to us by clients referred by Solicitors are not increased as a result of any referral. Where applicable, cash payments for client solicitations will be structured to comply fully with the requirements of Rule 206(4)-3 under the Advisers Act, related SEC staff interpretations, and other applicable laws and regulations.

In addition, Kerrisdale has engaged certain firms to serve as third party placement agents for the Kerrisdale Funds and these agents may receive a portion of our Management Fees and Performance Allocations as compensation for their services. These placement agents are not authorized to, and do not, solicit Separate Account clients for us; however, if an institutional client requests a Separate Account arrangement and we agree to that request, we may pay these firms with respect to such a particular Separate Account client. The fees we pay to our placement agents do not result in an increase in the Management Fees and

Performance Allocations paid by our clients, and our clients do not pay fees to our placement agents directly.

**Item 15: Custody**

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***Kerrisdale Funds***

Kerrisdale has access to the assets of each Kerrisdale Fund since it or an affiliate serves as the General Partner, or on the Board of Directors, of the Funds and therefore is deemed to have custody under Rule 206(4)-2 even though Kerrisdale does not physically hold the securities and other assets of the Funds. Investors will not receive statements from any custodians. Instead, the Funds are subject to an annual audit by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, and the audited financial statements are distributed to each Investor. The audited financial statements are prepared in accordance with generally accepted accounting principles and distributed within 120 days of each Fund's fiscal year end.

***Separate Accounts***

Separate account assets will typically be deposited with a qualified custodian selected by the Separate Account client and Kerrisdale. The Firm may be authorized to provide instructions to the qualified custodian for the transfer of the funds and securities of such an Account. Under the Advisory Agreement, Adviser may cause management fees and, if applicable, performance-based compensation to be paid out of the Separate Account by the qualified custodian.

Therefore, under Rule 206(4)-2 of the Investment Advisers Act, Kerrisdale is deemed to have custody of the Kerrisdale Funds and certain Separate Accounts.

**Item 16: Investment Discretion**

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Prior to assuming full discretion in managing a client's assets, the Adviser enters into an investment management agreement or other agreement that sets forth the scope of the Adviser's discretion.

Kerrisdale possesses discretionary portfolio management authority over the Client Accounts with respect to asset allocations and direct investments as per the advisory agreements and offering documents in place.

Kerrisdale has the authority to determine (i) the securities to be purchased and sold for the client account (subject to restrictions on its activities set forth in the applicable investment management agreement and any written investment guidelines) and (ii) the amount of securities to be purchased or sold for the client account.

**Item 17: Voting Client Securities**

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To the extent Kerrisdale has been delegated proxy voting authority on behalf of its clients, Kerrisdale will attempt to vote on each proxy in the best interests of the Kerrisdale Funds after careful review of each proposal. Kerrisdale will utilize the analytical talent of the firm to determine the correct vote on a case-by-case basis in order to maximize the economic interests of its Investors. Kerrisdale will maintain voting records on-site. Kerrisdale Investors will be able to view the voting records on-site during normal business hours upon request. Kerrisdale Advisers generally does not vote on proxies from the separate accounts where it serves as sub-advisor. Nevertheless, Kerrisdale Advisers may advise the separate accounts advisers or owners on the proxy voting.

**Item 18: Financial Information**

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We are not required to provide a balance sheet in response to this item and are not subject to any financial condition that is reasonably likely to impair our ability to meet our financial obligations to our clients.