

RATIONAL ASSET MANAGEMENT COMPANY

PART 2A OF FORM ADV: FIRM BROCHURE

Rational Asset Management Company
408 West 14th Street, 2nd Floor
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October 17, 2014

This brochure provides information about the qualifications and business practices of Rational Asset Management Company (“Rational” or the “Firm”). If you have any questions about the contents of this brochure, please contact Danilo Santiago, Rational’s Chief Compliance Officer at (646) 652-6284 or dsantiago@rationalasset.com. 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.

Any reference to Rational as a registered investment adviser does not imply a certain level of skill or training.

Additional information about Rational also is available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2: Material Changes

There are no material changes to report since the previous annual updating amendment to Form ADV, Part 2A filed on February 4, 2014.

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Item 4: Advisory Business

Item 4.A.

Rational Asset Management Company, founded in March 2008, and Rational Asset Management Company II, founded in June 2011 (together, “**Rational**” or the “**Firm**”), are co-investment managers founded by Claudio Skilnik and Danilo Ruas Santiago (the “**Principals**”). Mr. Skilnik and Mr. Santiago are Rational’s principal owners.

Item 4.B.

Rational is an investment management firm that provides advisory services to pooled investment vehicles: Rational Value Fund Ltd., a Cayman Islands exempted company, and Rational Value Onshore Fund, LLC, a Delaware limited liability company (the “**Funds**”), in a master feeder structure through Rational Value Fund (Master) (the “**Master Fund**,” and together with the Funds, the “**Investment Funds**”).

Rational covers a quasi-static group of approximately 90 companies, most based in the US or with a significant part of their operations in the US, that belong to the following GICS sectors: Consumer Discretionary, Consumer Staples, Energy, Industrials, Information Technology, Financials (not banks nor insurance companies), Health Care, Materials, and Utilities.

When defining the companies that would be included within Rational’s knowledge base, Mr. Santiago and Mr. Skilnik made sure that the knowledge base reflected the U.S. GDP in a proportional manner. The reasoning for following this rationale was two-fold: (1) Rational’s Principals, as portfolio managers, wanted to make sure the portfolio, at all times, is exposed to the U.S. economy; and (2) Rational needed to ascertain for itself that performance would be coming from its differentiated analysis as opposed to sector rotation, excessive concentration in certain industries, and/or other factors not strictly related to stock picking.

Rational has very specific portfolio build-up rules. The rules below must be followed at all times. The Funds will not:

- allocate more than 5% of the total capital of a Fund in a single long position, and not more than 4% on a short position (other than treasury bills and other short term debt instruments issued by the Government of the United States of America) at the time of the investment and on market value during the life of such Fund;
- invest more than 120% of the total capital of a Fund at any one time in long positions based both on cost at the time of the investment and on market value during the life of such Fund;
- invest more than 70% of the total capital of a Fund at any one time in short positions based both on cost at the time of the investment and on market value during the life of such Fund;

- allow a Fund's net long positions (i.e. longs less shorts) to exceed 60% net long nor 20% net short of the total capital of such Fund at any one time based on cost at the time of the investment and on market value during the life of that Fund. Total gross exposure cannot exceed 180%.

Companies whose valuations are deemed "unquantifiable" (e.g. due to management action or market conditions) are eliminated from the knowledge base and – if in the portfolio at the moment of this decision – also from the portfolio. This rule acts as a "stop loss" for positions that might have moved against the Firm and became excessively risky to be considered an investment.

Rational's Principals constructed highly detailed and complete proprietary "discounted dividend models" (DDMs) – every single company in Rational's "knowledge base" has its own model, built and customized under the same template. Having a template greatly improves the efficiency and accuracy of Rational's team of analysts. From each DDM, Rational derives at least three "fair values" – a low-case, a base-case and a great-case fair value. Rational initiates long positions when the share price stays at least 10 trading days below the "low-case". Conversely, Rational initiates short positions when the share price stays at least 10 trading days above the "great-case". Rational will completely close the position when the share price reaches its "base-case" fair value, on both the long and short sides.

Item 4.C.

The Firm's advisory services to the Funds are provided pursuant to the terms of the relevant offering memoranda and are not tailored to individual client needs.

Item 4.D.

Not Applicable. Rational does not participate in a wrap fee program.

Item 4.E.

As of December 31, 2013, Rational managed approximately \$71 million in client assets on a discretionary basis. Rational does not manage client assets on a non-discretionary basis.

Item 5: Fees and Compensation

Item 5.A.

Rational Asset Management Company is entitled to receive management fee at an annual rate of 2% of the net asset value of the relevant Fund, paid monthly in arrears. Rational's fees are generally not negotiable.

Item 5.B.

Not Applicable. Rational receives management fees directly from the Funds without deducting any fees from client accounts.

Item 5.C.

The Funds each pay an administration fee pursuant to the administration agreement. The Master Fund pays the Firm's prime broker a fee for providing prime brokerage and custodial services pursuant to the brokerage agreement.

Item 5.D.

Not Applicable. Rational's fees are not paid in advance.

Item 5.E.

Not Applicable. Rational, or any of its supervised persons, does not accept compensation for the sale of securities or other investment products. Rational solely provides investment recommendations.

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

The Master Fund pays Rational Asset Management Company II a performance allocation share equivalent to an annual rate of 20% of the net new appreciation in net asset value of the relevant Fund, paid semi-annually. The concept of perennial high water mark will be applied for performance fee calculations.

All performance allocations are charged in compliance with Rule 205-3 of the Investment Advisers Act of 1940, as amended (the "Advisers Act"), whereby each investor that incurs a performance allocation must be a "qualified client."

Item 7: Types of Clients

Rational provides discretionary investment advice to the Investment Funds, as more fully described in Item 4B. The Investment Funds generally require minimum investments of \$1 million. For more information surrounding investor suitability, please review the Investment Funds' offering documents.

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

Item 8.A.

Rational places a strong emphasis on financial modeling. Rational's Principals and analysts utilize their time learning about companies and quantifying the value of the equity interests offered by those companies in different scenarios, using a proprietary discounted dividend model. Below are some of the risks associated with Rational's investment program.

Item 8.B and Item 8.C.

An investment in Rational involves significant risks. While it is the intention of Rational to implement strategies which are designed to minimize potential losses, there can be no assurance that these strategies will be successful. It is possible that an investor may lose a substantial proportion or all of its investment in Rational. The following risk factors do not purport to be a complete explanation of the risks involved in investing in the Firm.

Investment Risks. The value of the portfolio may fall as well as rise. There can be no assurance that the Funds will achieve their investment objective, that the Funds will ever be profitable or that a member will recover any or all of the amount invested in the Funds. The capital return and income of the Funds are based on the capital appreciation and income on the shares it holds in the Master Fund, less expenses incurred. Therefore, the Funds' return may be expected to fluctuate in response to changes in such capital appreciation or income. Many unforeseeable events may cause sharp market fluctuations, which could adversely affect the Funds. Changes in the macroeconomic environment, including, for example, interest rates, inflation rates, industry conditions, competition, technological developments, political events and trends, changes to tax laws, currency exchange rates, regulatory policy, employment and consumer demand and innumerable other factors, could substantially and adversely affect the performance of the Funds. The Funds' investments could also be materially adversely affected by natural disasters, wars and terrorist acts. None of these conditions will be within the control of Rational.

Volatility. The prices of the instruments traded by the Master Fund may be subject to periods of volatility. Price movements are influenced by many unpredictable factors, such as market sentiment, inflation rates, interest rate movements and general economic and political conditions.

Short Selling. The Funds' strategy seeks opportunities to sell short the securities of companies whose stock prices appear to be excessive in relation to prospective earnings growth or intrinsic value. Short sales are inherently risky because theoretically the potential loss from a short sale is unlimited, whereas the potential profit cannot exceed the amount of the investment. Short selling may be utilized because it can afford the opportunity to profit when stocks become overpriced. Short positions generally are intended to protect against a declining market, but they may also be independently viewed as a profit opportunity.

Hedging Risks. The Funds may attempt to create "hedged positions" consisting of investments in a number of different instruments. The valuation models and trading techniques which will be used to determine the constituents of the "hedged position" are extremely complex, and the series of transactions required to create the "hedged position" are often difficult to execute. In some instances, during the process of setting up a hedged position, the position may remain temporarily unhedged for a significant period of time. The "hedged positions" will generally not be hedged against all known risks. For example, a "hedged position" consisting of a long foreign convertible bond and a short position in the underlying stock is potentially exposed to changes in interest rates and foreign exchange rates. The Funds mark to market the restricted positions held in the portfolio once such positions have been hedged, giving rise to a possible risk to the Funds that Rational may be compensated based on such restricted positions.

Market Disruptions. The Master Fund may incur material losses in the event of disrupted markets and other extraordinary events. The risk of loss from pricing distortions is compounded by the fact that in disrupted markets many positions become illiquid, making it difficult or impossible to close out positions against which the markets are moving.

Foreign Exchange Risks. The Master Fund may invest a portion of its capital in foreign securities. As a result, income or losses may be affected by fluctuations in the rates of exchange between the U.S. dollar and the foreign currencies of the countries in which the Master Fund holds investments. Rational may or may not hedge the currency risks of the Master Fund for significant investment transactions denominated in currencies other than U.S. dollars.

Item 9: Disciplinary Information

Item 9.A.

Not Applicable.

Item 9.B.

Not Applicable.

Item 9.C.

Not Applicable.

Item 10: Other Financial Industry Activities and Affiliations

Item 10.A.

Not Applicable. Rational is currently not applying to register as a broker-dealer and does not intend to so apply.

Item 10.B.

Not Applicable. Neither Rational nor or any of its management persons is applying to register with the National Futures Association or intends to do so.

Item 10.C:

Rational Asset Management Company is the registering adviser entity and is disclosed as such on Rational's Form ADV Part 1A. Rational Asset Management Company II, in its capacity as a co-investment manager, serves as an investment adviser affiliate, or related person, as it is under the common control of the Firm's Principals, Mr. Skilnik and Mr. Santiago.

Item 10.D.

Not Applicable. Rational and its supervised persons do not participate in the sale of securities or other related investment products of mutual funds.

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

Item 11.A.

Employees of Rational may only purchase and sell securities in accordance with the Firm's Code of Ethics to which all employees are subject. This policy is monitored by the Chief Compliance Officer.

Employees are permitted to maintain personal brokerage accounts, subject to the Code of Ethics and personal trading policy.

The Code of Ethics includes the following points:

- A statement of the standard of business conduct.
- Limits on gifts and entertainment.
- Limits on political contributions.
- Restrictions on personal trading.
- Employees must acknowledge in writing having received and read a copy of the Code of Ethics.
- Any exceptions to the above need prior approval of the Chief Compliance Officer, or in the case of the Chief Compliance Officer, another Principal.

Currently, Rational's access persons do not have any personal trading accounts.

A copy of Rational's Code of Ethics is available to clients and prospective clients upon request.

Item 11.B.

Not Applicable. Rational, or any related person, does not recommend securities to clients in which the Firm or related person has a financial interest.

Item 11.C.

Not Applicable. Neither Rational nor any related person invests in the same securities held by clients.

Item 11.D.

Not Applicable.

Item 12: Brokerage Practices

Item 12.A.1.

Rational may allocate transactions to broker-dealers for execution on markets/exchanges and at prices and commission rates that, in the Firm's good faith judgment, are in the best interest of its clients. Rational takes into consideration primarily available prices, brokerage commission rates, and other relevant factors including, but not limited to, execution, clearance, and settlement and error correction capabilities of the broker or dealer generally and in connection with securities of the type and in the amounts to be bought or sold; the broker's or dealer's willingness to commit capital; reliability and financial stability; the size of the transaction; availability of securities to borrow for short sales; and the market for the security. Research furnished by brokers may include, but is not limited to: research reports on or other information about particular companies or industries; economic surveys and analyses; recommendations as to specific securities; financial publications; portfolio evaluation services; financial database software and services; computerized news and pricing services; quotation equipment and other computer hardware for use in running software used in investment decision making; and other products or services that may enhance the Firm's investment decision making.

Rational currently does not use soft dollars, however, should Rational use soft dollars in the future, they will only do so as permitted under the safe harbor of Section 28(e) of the Securities Exchange Act of 1934, as amended.

Item 12.A.2.

Rational does not participate in selecting or recommending broker-dealers in exchange for client referrals.

Item 12.A.3.

Directed brokerage is not applicable to Rational.

Item 12.B.

It is Rational's policy, when purchasing securities for more than one of the Investment Funds, to purchase such securities directly through separate accounts in order to avoid any potential conflicts of interest. It is worth noting that the vast majority of Rational's trades are executed through VWAP algorithms throughout the entire trading day. Rational does not try to time the perfect moment to enter or leave a trade as it does not believe that to be fundamental under its investment strategy.

Rational will act in a fair and reasonable manner in allocating investment and trading opportunities among the Investment Funds. Rational will consider participation in all appropriate opportunities within the purpose and scope of each Investment Fund's objectives which are under consideration, and Rational will evaluate such factors as it considers relevant in determining whether a particular situation or strategy is suitable and feasible for each Investment Fund.

The Firm's Brokerage Committee determines the appropriate brokers consistent with the Firm's duty to obtain best execution.

Item 13: Review of Accounts

Item 13.A. and 13.B.

The Principals will review the portfolio assets in the Funds and the values of the securities held by the Funds on a daily basis.

Both Principals meet regularly with certain analysts to review and discuss portfolio status, potential investments, and related issues.

On an annual basis, Rational delivers audited financial statements to investors in the Investment Funds within 120-days of fiscal year-end. The Funds are audited annually by an accounting firm that is registered with the Public Company Accounting Oversight Board. The audits of the Investment Funds are conducted in accordance with accounting principles that are generally accepted in the U.S. (i.e., U.S. GAAP).

Item 13.C.

SS&C GlobeOp serves as the administrator to the Investment Funds and sends monthly statements to investors identifying net asset value and reflecting allocated income, fees charged and opening and closing balance in the account during the month, including the deduction of fees. Investors also receive monthly reports on the investment performance and value of assets under management.

Item 14: Client Referrals and Other Compensation

Item 14.A:

Not Applicable. The Firm does not receive any compensation from a person or entity who is not a client in return for providing investment advice.

Item 14.B:

Rational has engaged Silver Leaf Partners LLC, Pixeltel S.A. and Lytcott Advisors to solicit investors in the Investment Funds. Investors will not incur higher fees due to the referral compensation arrangements.

Item 15: Custody

For purposes of Rule 206(4)-2 under the Advisers Act (the “**Custody Rule**”), Rational is deemed to have custody over the Funds’ assets. To ensure compliance with the Custody Rule, Rational is required to provide investors with audited financial statements for the Funds prepared by an independent accounting firm that is registered with and subject to review by the Public Company Account Oversight Board and in accordance with U.S. GAAP. These statements must be delivered to investors within 120 days of each Fund’s fiscal year end. Investors should carefully review these audited financial statements.

JP Morgan Securities LLC is the qualified custodian for the Investment Funds.

Item 16: Investment Discretion

Rational has full discretion to manage securities accounts on behalf of the Investment Funds. This authority is granted pursuant to Investment Management Agreements (“**IMAs**”) between Rational and the Investment Funds. Individual investors grant authority to the Investment Funds to enter into IMAs with Rational by signing a subscription agreement.

Item 17: Voting Client Securities

As a matter of policy and as a fiduciary to its clients, Rational is responsible for voting proxies for portfolio securities consistent with the best economic interests of its clients. Rational understands and appreciates the importance of proxy voting. The Firm will vote all proxies in the best interests of its clients and in accordance with the procedures outlined below (as applicable), unless otherwise mandated by an IMA or applicable law (e.g. ERISA).

- All proxies sent to clients that are received by any employee (to vote on behalf of the clients) are given to the Chief Compliance Officer covering the subject portfolio security.
- Prior to voting any proxies, the Chief Compliance Officer will determine if there are any

conflicts of interest related to the proxy in question. If a conflict is identified, the Chief Compliance Officer will then make a determination (which may be in consultation with outside legal counsel) as to whether the conflict is material or not.

- If no material conflict is identified pursuant to these procedures, the Principal responsible for covering the subject security will make a decision regarding how to vote the proxy in question in accordance with the guidelines put forth below.
- Rational will abstain from voting if the relevant Fund holds a de minimis amount of the issuer's outstanding shares.

Voting Guidelines: In the absence of specific voting guidelines mandated by a particular Fund, Rational will endeavor to vote proxies in the best interests of each Fund.

Clients that wish to obtain a record of the Firm's proxy voting policy or proxy voting history may contact the Chief Compliance Officer.

Item 18: Financial Information

Item 18.A:

Not Applicable.

Item 18.B.

There are no conditions that impair Rational's ability to meet its contractual and fiduciary commitments to its clients.

Item 18.C.

Not Applicable. The Firm has not been subject to a bankruptcy petition, past or pending.