

PART 2A OF FORM ADV: FIRM BROCHURE

Discovery Capital Management, LLC

March 31, 2014

This brochure (the “Brochure”) provides information about the qualifications and business practices of Discovery Capital Management, LLC (the “Adviser”), an investment adviser registered with the United States Securities and Exchange Commission (the “SEC”). If you have any questions about the contents of this Brochure, please contact us at (203) 956-7950. This information 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 Discovery Capital Management, LLC also is available on the SEC’s website at www.adviserinfo.sec.gov.

Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.

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Item 2. Material Changes

This Brochure is filed as the annual update to Discovery Capital Management, LLC's Form ADV Part 2A. The Adviser is updating the Form ADV Part 2A filed in March 2013 in order to reflect the following material changes:

- 1) Certain clarifications have been made regarding the Adviser's investment strategy (see Items 4 and 8);
- 2) Certain clarifications have been made to the list of expenses charged to client accounts (see Item 5); and
- 3) Effective as of January 1, 2014, Deborah Box is the Adviser's new Chief Compliance Officer (see Items 11 and 17).

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Item 4. Advisory Business

A. General Description of Advisory Firm. The Adviser is a Connecticut limited liability company with its principal place of business in South Norwalk, Connecticut. The Adviser was formed in April 1999 and commenced operations as an investment adviser in August 1999. Robert K. Citrone is the managing member and principal owner of the Adviser.

The Adviser, together with two affiliates, provides investment management services to pooled investment funds and Robert K. Citrone is the portfolio manager of the pooled investment funds. The Adviser's compliance program is applicable to the Adviser and to each of the two affiliates. Robert K. Citrone is the managing member and principal owner of each of the two affiliates.

B. Description of Advisory Services (including any specializations). The Adviser provides investment supervisory services to pooled investment funds intended for sophisticated investors and institutional investors on a discretionary basis. The general investment program of these pooled investment funds is to make investments in equity, debt and currencies across emerging and developed markets.

C. Availability of Tailored Services for Individual Clients. The Adviser provides advice to client accounts (which consist of pooled investment vehicles) based on their specific investment objectives and strategies.

Certain pooled investment vehicle clients may impose restrictions on investing in certain securities or certain types of securities, consistent with such client's investment strategy, policies or restricted list.

D. Client Assets Under Management. As of December 31, 2013, the Adviser had approximately \$37,498,631,057 regulatory assets under management on a discretionary basis.

Asset Based Compensation

Each pooled investment fund client is charged an investment management fee based on the value of the client's assets under management. Investment management fees are generally paid quarterly in arrears. For each pooled investment fund client for which the Adviser or its affiliate serves as general partner or investment manager, the investment management fee is deducted from client accounts by the client's custodian upon an instruction from the Adviser or its affiliate. For other clients, the Adviser bills clients separately.

Performance Based Compensation

The Adviser or its affiliate also charges an incentive allocation, which is compensation that is based on a share of capital gains on or capital appreciation of the assets of a client. This compensation may be paid to the Adviser or to a related person of the Adviser.

Other Expenses

In addition to paying investment management fees and, if applicable, incentive-based allocations or other compensation, client accounts will also be subject to other expenses such as directors' fees (if applicable to a client), legal, administrator, accounting, auditing and other professional expenses including, but not limited to, regulatory, compliance, filings and reporting expenses (to the extent related to a client or its investments), all federal, state and local taxes and filing fees payable by the client, research expenses (including subscription fees for services such as Bloomberg and Reuters), fund-related insurance costs (including directors and officers and errors and omissions insurance for the Adviser and its affiliates and directorship liability) (if applicable to a client), all investment expenses including commissions, interest on margin accounts and other indebtedness, fees and expenses of any third-party valuation and/or pricing services (and related software and subscriptions), custodial fees, registrar and transfer agent fees, bank service fees and other reasonable expenses related to the purchase, sale or transmittal of the such pooled investment vehicle's assets. To the extent such expenses are incurred for the benefit of multiple clients, the Adviser will make a good faith allocation of such expenses among its clients.

Client assets are often invested in money market mutual funds, ETFs or other registered investment companies. In these cases, the client will bear its pro rata share of the investment management fee and other fees of such money market mutual funds, ETFs or other registered investment companies, which the client will incur in addition to the investment management fee and incentive allocation charged by the Adviser or its affiliate. In the event client assets are invested in a private fund or managed account that charges a performance fee in any fiscal year, any incentive fee or allocation payable to the Adviser or its affiliate that would otherwise apply to the relevant client account for such fiscal year will be reduced dollar-for-dollar by the amount of such performance fee, which reduction will, in the case of a client account that is a private fund, be applied on a pro rata basis in accordance with each investor's interest in the private fund as of the end of such fiscal year. However, the client(s) will bear any fixed or management fees and expenses of any unaffiliated investment fund or managed account.

Most client assets are invested in a master-feeder structure. Feeder funds bear a pro rata share of the expenses associated with the related master fund. In addition, clients will incur brokerage and other transaction costs. Please refer to Item 12 of this Firm Brochure for a discussion of the Adviser's brokerage practices.

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

The Adviser and its affiliates and investment personnel provide investment management services to multiple portfolios for multiple clients. As noted in Item 5, the Adviser or its affiliate is paid performance-based compensation by private pooled investment vehicle clients. The Adviser's investment personnel are typically compensated on a basis that includes a performance-based component. In addition, certain client accounts may have higher asset-based fees or performance-based compensation arrangements than other accounts. Accordingly, the Adviser, its affiliates and its investment personnel have a greater incentive, and face a conflict of interest, to favor client accounts that pay the Adviser (and indirectly the portfolio manager) higher performance-based compensation and advisory fees. In addition, the Adviser will receive performance based compensation on unrealized appreciation as well as realized gains in assets. The Adviser has adopted and implemented policies and procedures intended to address conflicts of interest relating to the management of multiple accounts, including accounts with multiple fee arrangements, and the allocation of investment opportunities. The Adviser's procedures relating to the allocation of investment opportunities require that accounts with the same investment strategy participate in investment opportunities pro rata based on asset size and require that, to the extent orders are aggregated, the client orders are price-averaged. The Adviser's procedures relating to the allocation of investment opportunities among accounts with different investment strategies are discussed in Item 16. Finally, the Adviser's procedures also require the objective allocation of limited opportunities (such as initial public offerings and private placements). These areas are monitored by the Adviser's Chief Compliance Officer. Moreover, the Adviser reviews investment allocations for the purpose of ensuring that the Adviser is adhering to its allocation policy. The performance of similarly managed accounts is also regularly compared to determine whether there are any unexplained significant discrepancies.

Item 7. Types of Clients

The Adviser's clients consist of pooled investment vehicles.

The minimum subscription amount for investors in the Adviser's sponsored pooled investment vehicles is \$1 million.

With respect to any client that is a pooled investment vehicle, any initial and additional subscription minimums are disclosed in the offering memorandum for the pooled investment vehicle.

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

A. Methods of Analysis and Investment Strategies. The Adviser utilizes a variety of methods and strategies to make investment decisions and recommendations. Investing in securities involves a substantial risk of loss that clients should be prepared to bear.

Objective: The investment objective of the Adviser on behalf of its clients is to seek high risk-adjusted total returns by making directional and relative value investments, long and short, primarily through investment positions in equity, debt (primarily sovereign debt), local interest rates, currencies and commodities across emerging and developed markets.

Strategy: The Adviser attempts to identify investment opportunities with attractive risk-return characteristics by employing a combination of “Global Macro” and “Equity Long-Short” strategies to identify investment opportunities. The Adviser will utilize (i) top-down global macro analysis, including political risk assessment, to identify opportunities in countries and asset classes, and (ii) fundamental, bottom-up research for industry and security selection.

Philosophy: The Adviser believes that superior global macro investing is a function of proper top-down analysis and asset allocation, whereas superior performance within an asset class, country or industry, is driven by proper bottom-up analysis and security selection. The Adviser further believes that being nimble – having the ability to quickly adjust the risk profiles of its clients’ portfolios – and retaining portfolio flexibility are critical to managing portfolio risk. Thus, attempting to maintain a high degree of portfolio liquidity will be a core component of the Adviser’s investment strategy and risk management process. The Adviser intends to look for investment opportunities across emerging and developed markets. The Adviser has significant experience investing in emerging markets and believes that a significant portion of investment performance in emerging markets is driven by country selection.

Strategy Implementation: The Adviser will utilize on the ground research as a primary tool for assessing attractive directional and relative value investments in the countries in which it is considering to make or has made an investment. This assessment will typically involve frequent in country due diligence trips. These due diligence trips may include meetings with local market participants, research analysts and/or executives “on the ground”. In making investment decisions, the Adviser may also often consult with outside macro research consultants. The Adviser will apply its dual research process, local in country due diligence, experience, as well as independent outside research, to select what it believes are the most attractive investment opportunities from the investment alternatives it finds through its evaluation of multiple asset classes, markets, countries and industries. These opportunities may be positioned long or short and in multiple asset classes. Prior to establishing an investment position, the Adviser will analyze key variables, which may include events identified from local due diligence, potential catalysts for change and/or its competitive advantage in each position. As investments reach selected targets, they may be replaced with new ideas. Positions may also be reduced, increased or eliminated if the Adviser’s conviction level changes due to new information, events or valuations. The Adviser will generally use this screening process when analyzing various investment ideas.

The investment strategy summarized above represents the Adviser’s current intentions, is general in nature and is not exhaustive. Except as specified by particular clients, there are no limits on the types of securities in which the Adviser may take positions on behalf of its clients, the types of positions that it may take, the concentration of its investments or the amount of leverage that it may use. The Adviser may use any trading or investment techniques, whether or not contemplated by the expected investment strategies described above. In addition, there are limitations in describing any investment strategy due to its complexity, confidentiality and indefinite nature. Depending on conditions and trends in securities and commodities markets and the economy generally, the Adviser may pursue any objectives or use any techniques that it considers appropriate and in clients’ interests.

The management style offered by the Adviser may be deemed speculative and is not intended as a complete investment program. It is designed for sophisticated investors who fully understand and are capable of bearing the risk of the loss of their entire investment. No guarantee or representation is made that clients will achieve their investment objectives.

B. Material Risks (Including Significant, or Unusual Risks) Relating to Investment Strategies.

Global Macro. There can be no assurance that the Adviser will be able to accurately predict macroeconomic events.

Emerging Markets Regulatory/Legal Risks. In emerging markets, there may be less government supervision and regulation of business and industry practices, stock exchanges, over-the-counter markets, brokers, dealers and issuers than in other more established countries. Whatever supervision is in place may be subject to manipulation or control. The process of legal and regulatory reform may not be proceeding at the same pace as market developments which could result in investment risk. Legislation to safeguard the rights of private ownership may not yet be in place in certain areas, and there may be a risk of conflict among local, regional and national requirements. In certain cases, the laws and regulations governing investments in securities may not exist or may be subject to inconsistent or arbitrary appreciation or interpretation. Both the independence of judicial systems and their immunity from economic, political or nationalistic influences remain largely untested in many countries. The Adviser may also encounter difficulties in pursuing legal remedies or in obtaining and enforcing judgments in non-U.S. courts.

Currency Risks. Investments that are denominated in a non-U.S. currency are subject to the risk that the value of a particular currency will change in relation to one or more other currencies. As a result, a client could realize a net loss on an investment, even if there were a gain on the underlying investment before currency losses were taken into account.

Hedging. There can be no assurances that a particular hedge is appropriate, or that certain risk is measured properly.

Possible Ineffectiveness of Risk Reduction Techniques. The Adviser may employ various risk reduction strategies designed to minimize the risk of clients' trading positions. A substantial risk remains, nonetheless, that such strategies will not always be possible to implement, and when possible will not always be effective in limiting losses. If the Adviser analyzes market conditions incorrectly, or employs a risk reduction strategy that does not correlate well with client investments, such risk reduction techniques could increase rather than mitigate losses. These risk reduction techniques may also increase volatility and/or result in a loss if the counterparty to the transaction does not perform as promised. Moreover, even though the Adviser may employ "stop loss" orders on individual positions, there is no assurance that any such order will be executed at or near the desired "stop loss" level.

Concentration. Client accounts may not be diversified among a wide range of types of securities, countries or industry sectors. Accordingly, client portfolios may be subject to more rapid change in value than would be the case if the Adviser were required to maintain a wider diversification among types of securities and other instruments, geographic areas or sectors.

Leverage. Performance may be more volatile since the Adviser usually employs leverage on behalf of client accounts.

Short Selling Risk. The Adviser's investment program includes a significant amount of short selling. Short selling transactions expose the Adviser to the risk of loss in an amount greater than the initial investment, and such losses can increase rapidly and without effective limit.

Commodities. Commodity investments are affected by business, financial market or legal uncertainties. There can be no assurance that the Adviser will correctly evaluate the nature and magnitude of the various factors that could affect the value of and return on its commodity investments. Prices of

commodity investments may be volatile, and a variety of factors that are inherently difficult to predict, such as domestic or international economic and political developments, may significantly affect the results of the client's portfolio and the value of its investments. In addition, the value of the client's portfolio may fluctuate as the general level of interest rates fluctuates.

Special Situations. The Adviser may invest client assets in companies involved in (or the target of) acquisition attempts or tender offers or companies involved in work-outs, liquidations, spin-offs, reorganizations, bankruptcies and similar transactions. Likewise, a client's investment may be in markets or companies in the midst of a period of economic or political instability. Because there is substantial uncertainty concerning the outcome of transactions involving financially troubled companies or situations in which a client may invest, there is a potential risk of loss by the client of its entire investment in such companies.

The Adviser's primary strategy uses frequent trading which results in significantly higher commissions and charges to client accounts due to increased brokerage costs, which will offset *client* profits

C. Risks (Including Significant, or Unusual Risks) Associated With Particular Types of Securities.

Non-U.S. Securities. Foreign securities, foreign currencies, and securities issued by U.S. entities with substantial foreign operations can involve additional risks relating to political, economic, or regulatory conditions in foreign countries.

Emerging Markets. Investing in emerging market debt or equity involves certain risks and special considerations not typically associated with investing in other more established economies or securities markets.

High Yield Securities. These securities (i) may be unrated or rated in the lower rating categories by the various credit rating agencies, (ii) are subject to greater risk of loss of principal and interest than higher-rated securities and (iii) are generally considered to be predominantly speculative with respect to the issuer's capacity to pay interest and repay principal.

Equity Securities. The value of equity securities fluctuates in response to issuer, political, market, and economic developments. Fluctuations can be dramatic over the short term as well as long term, and different parts of the market and different types of equity securities can react differently to these developments.

Interest Rate Risks. Generally, the value of fixed-income securities changes inversely with changes in interest rates. As interest rates rise, the market value of fixed-income securities tends to decrease. Conversely, as interest rates fall, the market value of fixed-income securities tends to increase. This risk is greater for long-term securities than for short-term securities.

Illiquid Assets. Certain investments may have no readily available market or third-party pricing. Reduced liquidity may have an adverse impact on market price and the Adviser's ability to sell particular securities when necessary to meet liquidity needs or in response to a specific economic event, such as the deterioration of creditworthiness of an issuer. Reduced liquidity in the secondary market for certain securities may also make it more difficult for the Adviser to obtain market quotations based on actual trades for the purpose of valuing a client's portfolio.

Volatility. The prices of some of the instruments traded by the Adviser have been subject to periods of excessive volatility in the past, and such periods may continue. Price movements are influenced by many unpredictable factors, such as market sentiment, inflation rates, interest rate movements and general economic and political conditions.

While volatility can create profit opportunities, it can also create the specific risk that historical or theoretical pricing relationships will be disrupted; causing what should otherwise be comparatively low

risk positions to incur significant losses. On the other hand, the lack of volatility can also result in losses for certain positions that profit from price movements.

Commodity Futures and Options. Commodity futures markets are highly volatile and are influenced by factors such as changing supply and demand relationships, governmental programs and policies, national and international political and economic events and changes in interest rates. In addition, because of the low margin deposits normally required in commodity futures trading, a high degree of leverage may be typical of a pooled investment vehicle engaging in commodity futures trading. As a result, a relatively small price movement in a commodity futures contract may result in substantial losses to such a pooled investment vehicle. Commodity options, like commodity futures contracts, are speculative, and their use involves risk.

Security Futures and Options. In connection with the use of futures contracts and options, there may be an imperfect correlation between the change in market value of a security and the prices of the futures contracts and options in the client's account. In addition, the Adviser's investments in security futures and options may encounter a lack of a liquid secondary market for a futures contract and the resulting inability to close a futures position prior to its maturity date.

Derivatives. Swaps, and certain options and other custom derivative or synthetic instruments are subject to the risk of nonperformance by the counterparty to such instrument, including risks relating to the financial soundness and creditworthiness of the counterparty. In addition, investments in derivative instruments require a high degree of leverage, meaning the overall contract value (and, accordingly, the potential for profits or losses in that value) is much greater than the modest deposit used to buy the position in the derivative contract. Derivative securities can also be highly volatile. The prices of derivative instruments and the investments underlying such derivative instruments may fluctuate rapidly and over wide ranges and may reflect unforeseeable events or changes in conditions, none of which can be controlled by the client or the Adviser.

Fixed-Income and Debt Securities. Investment in fixed-income and debt securities such as bonds, notes and asset-backed securities, subject a client's portfolio to the risk that the value of these securities overall will decline because of rising interest rates. Similarly, portfolios that hold such securities are subject to the risk that the portfolio's income will decline because of falling interest rates. Investments in these types of securities will also be subject to the credit risk created when a debt issuer fails to pay interest and principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the price of that debt to decline. Lastly, investments in debt securities will also subject the investments to the risk that the securities may fluctuate more in price, and are less liquid than higher-rated securities because issuers of such lower-rated debt securities are not as strong financially, and are more likely to encounter financial difficulties and be more vulnerable to adverse changes in the economy.

Investments in Restricted Securities. The Adviser may be prevented from buying or selling certain publicly traded securities if the Adviser or its affiliates acquire material, non-public information with respect to such securities. In addition, with respect to a publicly traded security that a client already holds, such security will be placed on a "restricted securities list" and will not be traded until the material, non-public information becomes public or is no longer material.

The above is only a brief summary of some of the important risks that a client or investor may encounter. Before deciding to invest in a fund that the Adviser manages, you should consider carefully all of the risk factors and other information in the fund's offering circular or private offering memorandum.

Item 9. Disciplinary Information

This Item is not applicable.

Item 10. Other Financial Industry Activities and Affiliations

A. Commodities-Related Registration.

The Adviser is registered with the Commodity Futures Trading Commission as a commodity pool operator.

B. Material Relationships or Arrangements with Industry Participants.

The Adviser is not obligated by contract to buy, sell or recommend for one client any security or other investment that may be bought, sold or recommended for other clients or for the Adviser's own or related persons' account, but the Adviser will endeavor to fairly allocate the investment opportunity or dispose of the investment in the event of an actual conflict.

Each of the private funds for which the Adviser or its affiliate serves as general partner or investment manager has entered, and may in the future enter, into agreements, or "side letters," with certain prospective or existing limited partners or shareholders whereby such investors may be subject to terms and conditions that are more advantageous than those set forth in the offering memorandum for the fund. For example, such terms and conditions may provide for special rights to make future investments in a fund or managed account; special redemption rights; a waiver of redemption penalties to be paid by the investor and/or other redemption-related terms; rights to receive reports from the fund on a more frequent basis or that include information not provided to other investors and such other rights as may be negotiated by the fund and such investors. The modifications are solely at the discretion of the fund and may, among other things, be based on the size of the investor's investment in the fund, an agreement by an investor to maintain such investment in the fund for a significant period of time, or other similar commitment by an investor to the fund.

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

A. Code of Ethics. The Adviser has adopted a Code of Ethics (the “Code”) that obligates the Adviser and its supervised persons to put the interests of the Adviser’s clients before their own interests and to act honestly and fairly in all respects in their dealings with clients. All of the Adviser’s personnel are also required to comply with applicable federal securities laws. Clients or prospective clients may obtain a copy of the Code by contacting Deborah Box (Chief Compliance Officer) by email at dbbox@discap.com, or by telephone at (203) 956-7950. See below for further provisions of the Code as they relate to the preclearing and reporting of securities transactions by supervised persons.

The Adviser, in the course of its investment management and other activities, may come into possession of confidential or material nonpublic information about issuers, including issuers in which the Adviser or its related persons have invested or seek to invest on behalf of clients. The Adviser is prohibited from improperly disclosing or using such information for its own benefit or for the benefit of any other person, regardless of whether such other person is a client. The Adviser maintains and enforces written policies and procedures that prohibit the communication of such information to persons who do not have a legitimate need to know such information and to assure that the Adviser is meeting its obligations to clients and remains in compliance with applicable law. In such circumstances, the Adviser will have no responsibility or liability to the client for not disclosing such information to the client (or the fact that the Adviser possesses such information), or not using such information for the client’s benefit, as a result of following the Adviser’s policies and procedures designed to provide reasonable assurances that it is complying with applicable law.

B. Investing in Securities Recommended to Clients. In addition, the Adviser or its supervised persons may invest in the same securities (or related securities, e.g., warrants, options or futures) that the Adviser or a supervised person recommends to clients. Such practices may present a conflict where, because of the information an Adviser has, the Adviser or its supervised person are in a position to trade in a manner that could adversely affect clients (e.g., place their own trades before or after client trades are executed in order to benefit from any price movements due to the clients’ trades). In addition to affecting the Adviser’s or its supervised person’s objectivity, these practices by the Adviser or its supervised persons may also harm clients by adversely affecting the price at which the clients’ trades are executed. The Adviser has adopted the following procedures in an effort to minimize such conflicts:

1. The Adviser requires its supervised persons to preclear transactions relating to “reportable securities” (as defined in the Code) in their personal accounts with the Chief Compliance Officer or her delegate, who may deny permission to execute the transaction if such transaction will have any adverse economic impact on one of the Adviser’s clients.
2. The Code generally prohibits the Adviser or its supervised persons from executing personal securities transactions of any kind in any securities that are on a restricted securities list maintained by the Chief Compliance Officer.
3. With respect to all “reportable securities”, all of the Adviser’s supervised persons are required to (i) submit an Initial Holdings Report within ten (10) days of becoming a supervised person; (ii) make arrangements for all duplicate trade confirms and/or duplicate account statements to be sent or otherwise made accessible to the Chief Compliance Officer on a regular basis; (iii) attest to and verify on a quarterly basis all transactions in all “reportable securities” and (iv) attest to and verify on an annual basis all positions in all “reportable securities”.
4. Trading in the personal accounts of the Adviser’s supervised persons generally will be reviewed by the Chief Compliance Officer or her delegate and compared with transactions for the client accounts and reviewed against the restricted securities lists.

To the extent that the Adviser or a supervised person owns securities that the Adviser or its supervised persons also recommends to clients, such clients’ proxies will be voted according to predetermined

guidelines rather than subject to the Adviser's (or its supervised person's) discretion. Please refer to Item 17 for further information regarding the Adviser's proxy voting policy and procedures.

A. Factors Considered in Selecting or Recommending Broker-Dealers for Client Transactions. The Adviser considers 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 but are not limited to net price, reputation, financial strength and stability, efficiency and speed of execution. In selecting a broker-dealer to execute transactions (or series of transactions) and determining the reasonableness of the broker-dealer's compensation, the Adviser need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. It is not the Adviser'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. The Adviser's Best Execution Committee meets periodically to evaluate the broker-dealers used by the Adviser to execute client trades using the foregoing factors.

1. Research and Other Soft Dollar Benefits. The Adviser receives research or other products or services other than execution from a broker-dealer and/or a third party in connection with client securities transactions. This is known as a "soft dollar" relationship. The Adviser will limit the use of "soft dollars" to obtain research and brokerage services to services that constitute research and brokerage within the meaning of Section 28(e) of the Securities Exchange Act of 1934 ("Section 28(e)"). 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 the Adviser uses client commissions to obtain Section 28(e) eligible research and brokerage products and services, the Adviser's Best Execution Committee meets periodically to review and evaluate its 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 the Adviser's overall responsibilities to the accounts or portfolios over which the Adviser exercises 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, the Adviser will not have to pay for the products and services itself. This creates an incentive for the Adviser to select or recommend a broker-dealer based on its interest in receiving those products and services.

The Adviser 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.

Research and brokerage services obtained by the use of commissions arising from a client's portfolio transactions may be used by the Adviser in its other investment activities, including, for the benefit of other client accounts. In the event that soft dollar commissions are used to obtain particular research and

brokerage services that only apply to certain of the Adviser's clients, the commissions generated from such other clients' trading would effectively be used to obtain such services. During the Adviser's last fiscal year, as a result of client brokerage commissions (or markups or markdowns), the Adviser and/or its related persons acquired research reports (including market research), certain financial newsletters and trade journals; attended certain seminars and conferences; had discussions with research analysts; held meetings with corporate executives; and received data services (including services providing market data, company financial data and economic data).

In determining whether to direct client brokerage transactions to particular broker-dealers, the Adviser's Best Execution Committee meets periodically to review and evaluate the soft dollar practices of the Adviser 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.

The Adviser has entered into "client commission arrangements" pursuant to which the Adviser executes transactions through a broker-dealer and request that the broker-dealer allocate a portion of the commissions or commission credits to another firm that provides research and other products to the Adviser. The Adviser excludes from use under these arrangements those products and services that are not eligible under Section 28(e) and applicable regulatory interpretations.

In some instances, the Adviser may obtain a product or service that is used, in part, by the Adviser for Section 28(e) eligible purposes and, in part, for other purposes. In such instances, the Adviser will make a good faith effort to determine the relative proportion of the product or service used to assist the Adviser in carrying out its investment decision-making responsibilities and the relative proportion used for administrative or other purposes outside Section 28(e). Such determination will be made based on the actual use of the product or service by the Adviser's personnel. The proportion of the product or service attributable to assisting the Adviser in carrying out its investment decision-making responsibilities will be paid through brokerage commissions generated by client transactions and the proportion attributable to administrative or other purposes outside Section 28(e) will be paid for by the Adviser from its own resources. The determination by the Adviser of the appropriate allocation of "mixed use" products and services creates a potential conflict of interest between the Adviser and clients.

From time to time the Adviser may participate in capital introduction programs arranged by broker-dealers, including firms that serve as prime brokers to a private fund managed by the Adviser or recommend investments in these private funds as investments to their clients. The Adviser may place client portfolio transactions with firms who have made such recommendations or provided capital introduction opportunities, if the Adviser determines that it is otherwise consistent with seeking best execution. In no event will the Adviser select a broker-dealer as a means of remuneration for recommending the Adviser or any other product managed by the Adviser (or an affiliate) or affording the Adviser with the opportunity to participate in capital introduction programs.

B. Order Aggregation. The Adviser often purchases or sells the same security for many clients contemporaneously and using the same executing broker. It is the Adviser's practice, where appropriate, to aggregate client orders for the purchase or sale of the same security submitted contemporaneously for execution using the same executing broker. Such aggregation may enable the Adviser to obtain for clients a more favorable price or a better commission rate based upon the volume of a particular transaction. In cases where trading or investment restrictions are placed on a client's account, the Adviser may be precluded from aggregating that client's transaction with others. In such a case, the client may pay a higher commission rate and/or receive less favorable prices than clients who are able to participate in an aggregated order. When an aggregated order is completely filled, the Adviser allocates the securities purchased or proceeds of sale among the participating accounts in accordance with the Adviser's pre-determined allocation percentages ("Allocation Percentages") (see Item 16 for details about the Adviser's allocation policy). Adjustments or changes may be made under certain circumstances, such as to avoid odd lots or excessively small allocations. If the order at a particular broker is filled at several different prices, through multiple trades, all such participating accounts will generally receive the average

price and pay the average commission, subject to odd lots, rounding, and market practice. If an aggregated order is only partially filled, the Adviser's procedures provide that the securities or proceeds are to be allocated in a manner deemed fair and equitable to clients. Depending on the investment strategy pursued and the type of security, this may result in an allocation to all participating clients that is inconsistent with the Allocation Percentages (as described in Item 16) then in effect.

Item 13. Review of Accounts

Each pooled investment fund managed by the Adviser and its affiliates is reviewed by the portfolio manager and other trading and operations personnel of the Adviser, on a continuous basis to determine whether securities positions should be maintained in view of current market conditions (by the portfolio manager) as well as with respect to certain regulatory and legal matters (by the trading, compliance and operations staff). Matters reviewed include specific securities held, adherence to investment guidelines and the performance of each client account.

Investors in pooled investment funds managed by the Adviser and its affiliates receive reports pursuant to the terms of each client's offering memoranda or as otherwise described in the offering document of the client.

Item 14. Client Referrals and Other Compensation

A. Economic Benefits Received from Non-Clients for Providing Services to Clients.

The Adviser receives certain research or other products or services from broker-dealers through “soft-dollar” arrangements. These “soft-dollar” arrangements may create an incentive for the Adviser to select or recommend broker-dealers based on the Adviser’s interest in receiving the research or other products or services and may result in the selection of a broker-dealer on the basis of considerations that are not limited to the lowest commission rates and may result in higher transaction costs than would otherwise be obtainable by the Adviser on behalf of its clients. The Adviser may also receive access to capital introduction events from broker-dealers who conduct business on behalf of the Adviser. Please see Item 12 for further information on the aforementioned practices, including the Adviser’s procedures for addressing conflicts of interest that arise from such practices.

This item is not applicable.

Item 16. Investment Discretion

The Adviser provides investment advisory services on a discretionary basis to clients. Please see Item 4 for a description of any limitations clients may place on the Adviser's discretionary authority.

Prior to assuming 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.

Unless otherwise instructed or directed by a discretionary client, the Adviser 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. Investment opportunities are generally allocated pro rata based on asset size among the Adviser's clients that share the same investment strategy, however, due to differences in client risk tolerances, investment restrictions, cash flows, and other criteria, there may be differences among those clients in invested positions and securities held. Furthermore, clients with different investment strategies (such as different risk or concentration limits) will often participate together in investment opportunities. In those instances, clients will be allocated investment opportunities according to pre-determined allocation percentages ("Allocation Percentages") that the Adviser sets on a monthly basis. The Adviser calculates the Allocation Percentages by taking into account each client's asset size and particular investment strategy. The Allocation Percentages are set each month and applied prospectively to allocations occurring during the month, and from time to time there may be deviations from the Allocation Percentages due to: (i) a client's investment objectives and strategies; (ii) client risk profiles; (iii) restrictions placed on a client's portfolio by the client or by applicable law; (iv) nature and liquidity of the security to be allocated; (v) size of available position; (vi) current market conditions; and (vii) account liquidity, account requirements for liquidity and timing of cash flows.

Allocations will be made among client accounts eligible to participate in initial public offerings (IPOs) and secondary offerings on a pro rata basis, except when the Adviser determines in its discretion that a pro rata allocation is not appropriate, which may include situations when (i) only a de minimis amount of an IPO is available to be purchased, (ii) a client's investment guidelines explicitly prohibiting participation in IPOs or secondary offerings and (iii) a client's status as a "restricted person" under applicable regulations.

Securities acquired by the Adviser for its clients through a limited offering will generally be allocated pursuant to the allocation policy described above. Eligibility will be based on the legal status of the clients and the client's investment objectives and strategies.

If it appears that a trade error has occurred, the Adviser will review the relevant facts and circumstances to determine an appropriate course of action. In the event that a client account incurs a trade error as a result of the Adviser's gross negligence, willful misconduct, or fraud, trade errors will be corrected by the Adviser as soon as practicable, in a manner such that the client incurs no loss. Trade errors that result other than by breach of the standard of care above are borne by the client account.

Item 17. Voting Client Securities

A. Policies and Procedures Relating to Authority to Vote Client Securities. To the extent the Adviser has been delegated proxy voting authority on behalf of its clients, the Adviser complies with its proxy voting policies and procedures that are designed to ensure that in cases where the Adviser votes proxies with respect to client securities, such proxies are voted in the best interests of its clients. In voting proxies, the Adviser utilizes the services of a third-party proxy agent that typically votes in favor of routine corporate housekeeping proposals, including election of directors (where no corporate governance issues are implicated), selection of auditors and increases in or reclassification in common stock and typically votes against proposals that make it more difficult to replace members of a board of directors. For all other proposals, the Adviser will determine whether a proposal is in the best interests of its clients and may take into account the following factors, among others: (i) whether the proposal was recommended by management and the Adviser's opinion of management; (ii) whether the proposal acts to entrench existing management; and (iii) whether the proposal fairly compensates management for past and future performance.

Under the Adviser's proxy voting policy, the Chief Compliance Officer may authorize a vote that is contrary to typical votes described above if she, in consultation with the analyst covering the issuer to which the vote relates, determines that such a vote is in the best interests of the Adviser's clients and the vote does not involve a conflict of interest between the Adviser and its clients. If a material conflict of interest between the Adviser and a client exists, the Adviser will determine whether voting in accordance with the guidelines set forth in the proxy voting policies and procedures is in the best interests of the client or take some other appropriate action.

Clients may obtain a copy of the Adviser's proxy voting policies and procedures and information about how the Adviser voted a client's proxies by contacting Deborah Box (Chief Compliance Officer) by email dbbox@discap.com or by telephone at (203) 956-7950.

Item 18. Financial Information

This Item is not applicable.

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