

## **Form ADV Part 2A: Firm Brochure**

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### **Pyrrho Capital Management, LP**

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This brochure provides information about the qualifications and business practices of Pyrrho Capital Management, LP. If you have any questions about the contents of this brochure, please contact Gigi Lam, the Chief Compliance Officer (“**CCO**”), at (212) 984-1883 or [glam@pyrrhocapital.com](mailto:glam@pyrrhocapital.com). The information in this brochure has not been approved or verified by the SEC or by any state securities authority.

Pyrrho Capital Management, LP is an investment adviser registered with the U.S. Securities and Exchange Commission (“**SEC**”). Registration with the SEC does not imply a certain level of skill or training.

Additional information about Pyrrho Capital Management, LP also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Material Changes

Pyrrho Capital Management, LP has no material changes to report since the previous Annual ADV Amendment filed on April 1, 2013.

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#### 4. **Advisory Business**

Pyrrho Capital Management, LP (“**Pyrrho**” the “**Firm**,” “**we**,” or “**our**”) is an investment advisory Firm which was co-founded in 2012 by Joshua Bederman and Vishal Bhutani, the Firm’s principal owners.

We provide investment management services to various clients including a private pooled investment vehicle in a master-feeder structure and a separately managed account. Pyrrho Global Event Drive Fund, LP (the “**Onshore Fund**”) and Pyrrho Global Event Driven Offshore Fund, Ltd. (the “**Offshore Fund**”) invest in the Pyrrho Master Fund, L.P. (the “**Master Fund**”, collectively with the Onshore Fund and Offshore Fund, the “**Fund**”). Because the Onshore Fund and Offshore Fund place all of their investable assets in the Master Fund, we only provide investment advice to the Master Fund.

We also provide investment management services as a subadvisor to a private pooled investment fund through a managed account arrangement (the “**Managed Account**” together with the Fund are referred to as Pyrrho’s “**Clients**”). The Master Fund and

We specialize in investing our Client’s assets in catalyst-driven investments across the capital structure of U.S. and non-U.S. issuers.

The Fund will not be tailored to the needs of any particular private fund investor (each an “**Investor**”) and the Managed Account will be managed based on the objectives and needs of the managed account client.

As of December 31, 2013, we have \$50,073,448 in discretionary regulatory assets under management.

#### 5. **Fees and Compensation**

While we do not receive a management fee from the Managed Account, we typically receive a management fee from the Fund based on a percentage of the Master Fund’s assets. Our fee schedule is set out below.

##### Master Fund Asset-Based Management Fee:

*Founders’ Series 1:* Pyrrho receives a management fee equal to 1.0% per annum of each Founders’ Series 1 investor’s capital account balance.

*Founders' Series 2:* Pyrrho receives a management fee equal to 1.25% per annum of each Founders' Series 2 investor's capital account balance.

The management fee described above is deducted from the Master Fund's account monthly in advance. Because the Investors can only redeem shares at the close of a quarter, they will not pay a management fee in excess of what they owe.

Except under certain limited circumstance, Pyrrho's fees are generally not negotiable.

The Fund bears all of its own organizational, operational, and investment related expenses. The Managed Account also pays for all of its own operating expenses.

For more information on brokerage transactions and costs, please see Item 12: Brokerage Practices.

## **6. Performance-Based Fees**

We receive performance-based compensation from our Clients.

Our affiliate, Pyrrho Global GP, LLC (the "**General Partner**"), receives a performance-based compensation from the Fund and the Managed Account as profit-sharing allocations.

### Master Fund Performance Allocation:

*Founders' Series 1:* The General Partner receives 10% annually of net realized and unrealized profits for the year attributable to a Founders Series 1 Investor, subject to a loss carryforward requirement or "high water mark."

*Founders' Series 2:* The General Partner receives 15% annually of net realized and unrealized profits for the year attributable to a Founders Series 2 Investor, subject to a loss carryforward requirement or "high water mark."

A loss carryforward or "high water mark" ensures that we only receive performance compensation when an investor's account value for the year has recovered any losses from prior years.

We deduct our performance-based compensation described above from the Master Fund's account at the end of each year, or whenever an Investor redeems, but only on the withdrawn or redeemed amount.

The General Partner receives a monthly performance-based profits allocation from the Managed Account as agreed in the investment management agreement between the Managed Account and Pyrrho.

The existence of the performance-based compensation may create an incentive for Pyrrho to make riskier or more speculative investments.

## **7. Types of Clients**

As described in Item 4, we provide advisory services to the Fund and subadvisory services to a private pooled investment fund through the Managed Account. Investors in the Fund may include high net worth individuals and other institutional investors meeting the terms of the exceptions and exemptions under which the Fund operates. Although we have the authority to accept subscriptions for a lesser amount, the required minimum investment in the Fund is generally \$1,000,000. Please review the Fund offering documents for more information pertaining to investor suitability.

## **8. Method of Analysis, Investment Strategies and Risk of Loss**

### **Method of Analysis/Investment Strategy:**

Our investment objective is to achieve superior risk-adjusted total returns on behalf of our Clients through catalyst-driven investments across the capital structure of U.S. and non-U.S. issuers. The investment management of the assets of the Managed Account is further subject to the investment guidelines and limitations established in conjunction with the investment manager to the Managed Account.

We will invest in issuers that we believe are or will be impacted by corporate events, actions, activities or other catalysts. Potential securities in which we may invest include, but are not limited to, equities, equity derivatives, bank loans, corporate bonds, credit derivatives, swaps, structured products and other derivative instruments.

The investments made on behalf of our Clients may be in North America, Europe, Asia, South America, Sub-Saharan Africa and Australasia and may be in U.S. dollars as well as non-U.S. dollars.

### ***Investment Framework***

We seek to identify issuers that experience a surplus or deficit of cash and/or liquid assets, and will have catalysts that cause those assets to be redistributed through the capital structure. We then take a long position in the segment of the

capital structure that will benefit from that redistribution, or a short position in the segment that will be impaired by it.

Where appropriate, investments may be combined with systematic hedging of relevant market risks.

#### *Targeted Investment Opportunities*

We believe that significant corporate events, actions and/or market trading activities often create asymmetric returns within an issuer's securities. Such events include:

- Security exchanges;
- Stock repurchases;
- Capital markets activity;
- Defaults and covenant breaches;
- Dividends;
- Debt maturities and calls;
- Mergers and acquisitions;
- Bankruptcy filings;
- Asset sales and spin-offs; and
- Restructurings and recapitalizations.

Investments on behalf of our Clients will largely be comprised of situations in which we believe the securities tend to be inefficiently priced or otherwise underappreciated in the market.

#### **Risk Factors:**

Investing in securities involves risk of loss that Clients and Investors should be prepared to bear. The following are the material risks involved in the Firm's investment strategy. This list does not purport to be a complete enumeration or explanation of the risks involved in such strategy.

*Market Conditions.* Due to market turmoil and the overall weakening of the financial services industry, the Clients, prime broker(s) and other financial institutions' financial condition may be adversely affected and they may become subject to legal, regulatory, reputational and other unforeseen risks that could have a material adverse effect on business and operations. Moreover, market conditions have substantially reduced the availability of credit, which may have a material adverse effect on our ability to achieve our Clients' investment objectives with respect to any particular investment and/or the entire portfolio, which could have a material adverse effect on a Client's overall return objectives.

*Leverage.* Subject to applicable margin and other limitations, we may borrow funds on behalf of our Clients in order to make additional investments and thereby increase both the possibility of gain and risk of loss. Consequently, the effect of fluctuations in the market value of a Client's portfolio would be amplified. Client the assets under

*Interest Rate Fluctuations.* The prices of portfolio investments tend to be sensitive to interest rate fluctuations and unexpected fluctuations in interest rates could cause the corresponding prices of the long and short portions of a position to move in directions which were not initially anticipated. In addition, interest rate increases generally will increase the interest carrying costs of borrowed securities and leveraged investments.

*Derivatives.* Derivative instruments, or "derivatives," include futures, options, swaps, structured securities and other instruments and contracts that are derived from, or the value of which is related to, one or more underlying securities, financial benchmarks, currencies or indices. Derivatives allow an investor to hedge or speculate upon the price movements of a particular security, financial benchmark currency or index at a fraction of the cost of investing in the underlying asset. The value of a derivative depends largely upon price movements in the underlying asset. Therefore, many of the risks applicable to trading the underlying asset are also applicable to derivatives of such asset. However, there are a number of other risks associated with derivatives trading. For example, because many derivatives are "leveraged," and thus provide significantly more market exposure than the money paid or deposited when the transaction is entered into, a relatively small adverse market movement can not only result in the loss of the entire investment, but may also expose a Client to the possibility of a loss exceeding the original amount invested. Client

*Counterparty Creditworthiness.* In addition to the exchange-traded and exchange-cleared options contracts, we may also invest in the over-the-counter ("**OTC**") market in contracts that involve dealing with Counterparties and their ability to meet the terms of the contracts. In particular, we may enter into repurchase agreements, forward contracts and swap arrangements, each of which expose a Client to credit risk to the extent that the Counterparty defaults on its obligations to perform under the relevant contract.

*Short Sales.* We may enter into transactions, known as "short sales," in which we sell a security on behalf of a Client that our Client does not own in anticipation of a decline in the market value of the security. Short sales that are not made "against the box" theoretically involve unlimited loss potential since the market price of securities sold short may continuously increase.

*Fixed Income Securities.* Fixed-income securities provide periodic returns and the eventual return of the principal at the end of the term. The value of fixed-income securities changes in response to interest rate fluctuations and market perception of the issuer's ability to pay off its obligations. Fixed-income securities are subject to the risk that their issuer may be unable to make interest or principal payments on its obligations.

*Distressed Debt and Securities.* Distressed debt refers to bonds and other forms of securities issued by a company that is undergoing bankruptcy or reorganization or is likely to do so in the near future and will often have low ratings. The risk of investing in distressed debt and securities is that the subject company's projected performance never takes place. When this is the case, the securities bought on behalf of a Client may become worth less than the amount initially paid for them, resulting in a loss.

*Potential Involvement in Litigation.* As a result of our Clients' activities generally, including possible investments in distressed investments and the possibility that we may participate in restructuring activities, it is possible that our Clients may become involved in litigation, including litigation respecting creditor disputes and similar issues among classes of claimants. Litigation entails expense and the possibility of counterclaims against a Client, including its general partner and our Firm, and ultimately judgments may be rendered against our Client for which it does not carry insurance.

*Non-U.S. Securities.* Investments in non-U.S. securities involve certain factors not typically associated with investing in U.S. securities, such as risks relating to (i) currency exchange matters, including fluctuations in the rate of exchange between the U.S. dollar (the currency in which the books of our Clients are maintained) and the various foreign currencies in which our Clients' portfolio securities will be denominated, and costs associated with conversion of investment principal and income from one currency into another; (ii) differences between the U.S. and non-U.S. securities markets, including the absence of uniform accounting, auditing and financial reporting standards and practices and disclosure requirements, and less government supervision and regulation; (iii) political, social or economic instability; (iv) imposition of non-U.S. income, withholding or other taxes; and (v) the extension of credit, especially in the case of sovereign debt.

*Illiquidity.* The investments made on behalf of our Clients may be very illiquid, and consequently we may not be able to sell such investments at prices that reflect our assessment of their value or the amount paid for such investments by our Clients. Illiquidity may result from the absence of an established market for



the investments as well as legal, contractual or other restrictions on their resale by our Clients and other factors. Furthermore, the nature of our Clients' investments, especially those in financially distressed companies, may require a long holding period prior to profitability.

**9. Disciplinary Information**

We have not been subject to any disciplinary action, whether criminal, civil or administrative (including regulatory) in any jurisdiction. Likewise, no person involved in the management of the Firm has been subject to such action.

**10. Other Financial Industry Activities and Affiliations**

Pyrrho and its employees do not have any material relationships or arrangements that could pose material conflicts of interest to the Firm or the Clients.

The Firm is currently an exempt commodity pool operator and exempt commodity trading advisor with the CFTC.

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

To help ensure that each of our employees conducts his or her affairs, including personal securities transactions, in a manner to avoid serving his or her own personal interests ahead of the interests of our Clients and to avoid conflicts of interest, we have adopted a code of conduct (the "**Code of Ethics**") pursuant to Rule 204A-1 under the Investment Advisers Act of 1940, as amended, which includes policies and procedures governing the personal trading activities of our employees. A copy of the Code of Ethics is available upon request to our Clients and any Investor or prospective investor.

Employees of our Firm do not recommend to our Clients, nor do they buy or sell for our Clients, securities in which they have a material financial interest.

Generally, our Firm, our affiliates and the principals and employees of our Firm may not buy or sell for themselves the same securities (or related securities, e.g. warrants, options or futures on such securities) that we recommend to our Clients. We may permit exceptions to this rule when an employee arrives at our Firm owning securities of an issuer in which our Clients have invested or may invest. In order to avoid any potential conflicts of interest that may arise between our employees and our Clients and to prevent our employees from selling the same or similar securities in which we trade for our Clients contemporaneously for their personal accounts, our CCO must review and pre-approve all employee

personal securities trades. We would permit an employee to sell his or her position if our Clients are not actively trading that particular security and if doing so would not adversely affect our Clients in any way.

## **12. Brokerage Practices**

We have complete discretion in deciding which broker-dealers to use. In selecting broker-dealers and determining the reasonableness of their commissions for our Clients' transactions, we seek to obtain best execution by taking into account any combination of the following factors:

- the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any);
- the operational efficiency with which transactions are effected, taking into account the size of order and difficulty of execution; the financial strength, integrity and stability of the broker;
- the Firm's risk in positioning a block of securities; the quality, comprehensiveness and frequency of available research services considered to be of value; and
- the competitiveness of commission rates in comparison with other brokers satisfying our other selection criteria.

We are not required to weigh any of the above factors equally. We need not solicit competitive bids and do not have an obligation to seek the lowest available commission cost. Since commission rates are negotiable, selecting brokers on the basis of considerations which are not limited to applicable commission rates may at times result in higher transaction costs than would otherwise be obtainable. Our Clients bear the brokerage commissions and other charges related to its investment transactions.

Research and Soft Dollar Benefits. Currently we do not maintain soft dollar accounts or soft dollar benefits. However, in the future, should we receive research products or other soft dollar benefits from brokers we will ensure they fall within the safe harbor established by Section 28(e) of the Securities Exchange Act of 1934, as amended.

Brokerage for Client Referrals. We may consider investor referrals in selecting broker-dealers. At times, we may have an incentive to select a broker-dealer based on our interest in receiving referrals, rather than on our Clients' interest in receiving most favorable trade execution.

Although the Clients are managed by the same team of investment professionals, the expected risk and return profile for each may differ and in certain cases investment opportunities may be offered to one Client and not to other Clients. Where an investment opportunity is suitable among one or more Client, we may aggregate Clients' trades when such aggregation is expected to be in the best interest of all participating Clients. Such aggregation may enable Pyrrho to obtain Clients a more favorable price or better commission rate or otherwise reduce transaction costs. Participating Clients in a block trade on a pro rata basis must receive the average price and pay proportional share of any commission.

### **13. Review of Accounts**

Our Chief Investment Officer and Senior Portfolio Manager engage in active management and frequent transactions on behalf of our Clients and, accordingly, review our transactions, positions and cash balances on a daily basis.

We have engaged an outside administrator to prepare monthly unaudited reports reviewing the Clients' performance for such month. These reports are distributed to Fund investors. Additionally, audited financial reports prepared by independent auditors are distributed to the Fund's investors on an annual basis.

### **14. Client Referrals and Other Compensation**

We currently maintain one third-party marketer relationship. The arrangement was executed in accordance with Rule 206(4)-3 of the Advisers Act.

### **15. Custody**

While it is our practice not to accept or maintain physical possession of the Master Fund's assets, we are deemed to have custody of its assets under Rule 206(4)-2 of the Investment Advisers Act of 1940, as amended, because we have the authority to access funds and deduct fees and expenses from the Master Fund.

In order to comply with Rule 206(4)-2, we utilize the services of a qualified custodian (as defined under Rule 206(4)-2) to hold all of our Master F's assets. In accordance with Rule 206(4)-2, we also (1) engage an outside auditor to audit the Fund at the end of each fiscal year and (2) distribute the results of the audit in audited financial statements that are prepared in accordance with generally accepted accounting principles to all Investors within 120 days after the end of the fiscal year.

We do not have custody of the Managed Account.

## **16. Investment Discretion**

### Scope of Authority

Our Firm accepts discretionary authority to manage our Clients' assets. This means that we have the authority to determine, without obtaining specific consent from the Clients, which securities to buy or sell and the amount of securities to buy or sell. Despite this broad authority, we are committed to adhering to the investment strategy and programs as described in Item 4: Advisory Business. This discretionary authority is provided through Pyrrho's investment management agreements with its Clients.

## **17. Voting Client Securities**

### Proxy Voting Policies and Procedures

We have the authority to vote Clients' securities and have implemented proxy voting policies and procedures in accordance with securities laws and our fiduciary obligations. We will review each proxy statement on an individual basis and vote exclusively with the goal to best serve the financial interests of our Clients.

We generally intend to vote proxies so as to promote the long-term economic value of the underlying securities. We will consider each proxy on its own merits and will make an independent determination whether to support or oppose management's position. We believe the recommendation of management should be given substantial weight, but will not support management proposals that may be detrimental to the underlying value of the Client's positions.

Upon request, our Clients and Investors can obtain a copy of our proxy voting policies and procedures and information regarding how the Firm has voted proxies on behalf of the Clients.

### Potential Conflicts of Interest

If a proxy vote creates a material conflict between our interests and the interests of a Client, we will resolve the conflict before voting the proxies by taking steps designed to ensure that a decision to vote the proxy was based on our determination of our Client's best interest and was not the product of the conflict.

## **18. Financial Information**

Pyrrho has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to its Clients and has not been the subject of a bankruptcy proceeding.