

## Item 1 – Cover Page

**Sapphire Capital Management, Ltd.**

Office 11, Building 211, Avenue 11

Jidd Ali 721, Middle Governorate

Kingdom of Bahrain

Contact: Hussain Rahimi

Managing Director

Telephone: +(973) 3363 7700

Email: [HRAHIMI@SAPCM.COM](mailto:HRAHIMI@SAPCM.COM)

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This brochure on Form ADV (the “Brochure”) provides information about the qualifications and business practices of Sapphire Capital Management, Ltd. (“SCM”, or “we” or “Adviser”), CRD Number 168042. The information in the Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. SCM is a registered investment adviser with the Securities and Exchange Commission (“SEC”). Registration of an investment adviser with the SEC or any state securities authority does not imply any level of skill or training.

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

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## Item 2 – Material Changes

This Part 2A constitutes an update to the Adviser's ADV Part 2 dated September 16, 2013. This Item 2 discusses only specific material changes that are made to the Brochure. Each time we will reference the date of our last annual update of the Brochure.

There have been no material changes to SCMs' policies or practices.

Pursuant to SEC Rules, Clients receive a summary of any materials changes to the Brochure, and any subsequent versions of the Brochure within 120 days of the close of SCMs' fiscal year, which is December 31.

We will provide you with a new version of the Brochure as necessary based on changes or new information, at any time, without charge. Currently, you may request a copy of this Brochure by contacting Mr. Hussain Rahimi at +(973) 3363 7700 or [HRAHIMI@SAPCM.COM](mailto:HRAHIMI@SAPCM.COM).

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#### Item 4 – Advisory Business

Sapphire Capital Management, Ltd. (“**SCM**”) is an investment advisory firm registered with the Securities and Exchange Commission. The Board of Directors of the Investment Manager consists of International Business Net Ltd., Mr. Hussain Adel Haider Ali Rahimi, and Mr. Adel Haider Ali Rahimi. IBN is the parent company of the Investment Manager. Mr. Hussain Adel Haider Ali Rahimi is the portfolio manager controlling person of the Fund and will conduct the trading activities of the Fund and manage its day-to-day activities.

SCM provides asset management services to its sole client, Sapphire Master Fund, Ltd. (“**Fund**”), a British Virgin Islands Business Company organized on May 16, 2013, which is also recognized as a professional fund (Fund). SCM is the Investment Adviser and Investment Manager of the Fund and is responsible for the day-to-day administration of the Fund’s affairs and has complete discretionary investment authority over the Fund’s assets and the Fund has given complete discretion to SCM to manage the Fund’s assets in accordance with the Fund’s Confidential Offering Memorandum (“**Offering Documents**”).

The Fund was formed to pool investment funds of its investors (each a “**Shareholder**” and, collectively, “**Shareholders**”) for the purpose of investing in publicly traded equity securities.

The Shareholders, by pooling their assets in the Fund, will be able to invest their funds in a portfolio of securities managed by SCM who is seeking to maximize return while controlling risk. In the absence of a pooling vehicle such as the Fund, an investor may not ordinarily be able to achieve the same degree of diversification and/or monitor, evaluate and implement the same investment strategies as the Fund.

As of March 31, 2014, SCM does not have any third-party assets under management and has not formally commenced operations.

SCM does not provide advisory services to separate managed account clients.

This Brochure provides information regarding the Investment Adviser and the qualifications, business practices, and nature of advisory services that should be considered. Please contact Mr. Hussain A. Rahimi, Chief Compliance Officer, if you have any questions about this Brochure. Additional information about the Investment Advisor is available on the Internet at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. The CRD number for Sapphire Capital Management, Ltd., SCM is 168042. Mr. Hussain Adel Haider Ali Rahimi will provide its investment advisory services. He is appropriately licensed, qualified, and authorized to provide advisory services on behalf of the Fund.

## **Item 5 – Fees and Compensation**

### **Management Fee**

With respect to any Class A Shares, the Investment Manager will receive an annual management fee, calculated at an annual rate of 2% (the “Management Fee”) of each Series of Shares.

The Investment Manager will not receive a Management Fee from Class B Shares.

The Management Fee will be paid annually in arrears, based on the value of each Series of Shares, as of the last day of the fiscal year.

The Directors may elect to reduce, otherwise modify or waive the Management Fee with respect to any Shareholder. If Subscriptions are made at any time other than at the beginning of a calendar year, a pro rata portion of the Management Fee will be paid to the Investment Manager in respect of such Subscription (based on the actual number of days remaining in such partial month). If Shares are redeemed at any time other than at the end of a calendar year, a pro rata portion of the Management Fee will be paid to the Investment Manager in respect of such Subscription (based on the actual number of days invested in the Fund in such partial year).

### **Expenses**

The Directors of the Fund and the Investment Manager sponsored the formation of the Fund and the Investment Manager and paid for all costs associated with the organization of the Fund and the Investment Manager, including, but not limited to, legal and other professional fees.

The Fund bears all costs of its operation, including but not limited to all Fund trading costs and expenses (for example, brokerage commissions, expenses related to short sales and clearing and settlement charges), and all ongoing legal, accounting and bookkeeping fees and expenses. These expenses also include the fees and expenses charged by the Administrator for its accounting and bookkeeping services.

The Investment Manager bears its own operating, general, administrative and overhead costs and expenses, other than the expenses described above. Any or all of the expenses of the Investment Manager or the Fund may be paid for by the use of “soft dollar” commissions or a rebate of commissions generated by the payment of brokerage commissions by the Fund.

### **Expense Cap**

The fund will bear all operational expenses to a maximum of one percent (1%) of the net assets value at the end of each calendar year (the “Expense Cap”). The Expense Cap calculation will include all operational expenses excluding the Investment Management fees.

## Item 6 – Performance Based Fees and Side-by-Side Management

Generally, the Investment Manager will receive an Incentive Allocation (“**Incentive Allocation**”) with respect to any Class A Shares, equal to 30% of the Net Income allocated to such Shareholder subject to a hurdle rate of 8%. The Incentive Allocation with respect to each Series will be calculated and accrued as of each date on which the Net Asset Value per Share of that Series is calculated. It will generally be determined as of December 31<sup>st</sup> of each year and, on the redemption of Shares, as of the effective date of the redemption, but only as to the Shares being redeemed.

With respect to any Class B Shares, the Investment Manager will not receive an incentive allocation.

Incentive Allocations are subject to a “high water mark” procedure. That is, the Investment Manager will be eligible to receive an Incentive Allocation as to a Series as of a year end (or earlier date, if the fee is being paid as a result of an intra-year redemption) only if the appreciation in the Net Asset Value per Share of that Series for the calendar year (or portion thereof) exceeds any depreciation in that Net Asset Value for that Series that has not been recouped. The “high water mark” of a Share is the Net Asset Value per Share of that Share immediately after the most recent determination of an Incentive Allocation with respect to such Share (or if no Incentive Allocation has yet been determined with respect to such Share, the Net Asset Value per Share of the Share immediately following the issuance of such Share). The “high water mark” procedure prevents the Investment Manager from receiving an Incentive Allocation on profits that simply restore previous losses.

## Item 7 – Types of Clients

The sole client of SCM is the Fund.

Shares are offered only to non-“U.S. Persons” and a limited number of U.S. Persons that are ((i) “Accredited Investors” within the meaning of certain regulations under the U.S. Securities Act of 1933, as amended (the “Securities Act”), (ii) “Qualified Purchasers” as that term is defined in Section 2(a)(51) of the Investment Company Act, (iii) “Qualified Clients” within the meaning of certain regulations under the Investment Advisers Act of 1940, and (iv) exempt from U.S. federal income taxation. The Fund reserves the right to impose additional requirements for subscription by particular types of Shareholders and Shareholders resident in particular jurisdictions, and may decline to accept the subscription of any prospective Shareholder.

Each eligible investor must also represent that it is a “Professional Investor” within the meaning of the Securities and Investment Business Act, 2010 of the British Virgin Islands (“SIBA”). A “Professional Investor” is any person: (a) whose ordinary business involves, whether for his own account or the accounts of others, the acquisition or disposal of property of the same kind as the property, or a substantial part of the property, of the Fund; or (b) who has signed a declaration that he, whether individually or jointly with his spouse, has net worth in excess of

one million dollars in the United States currency or its equivalent in any other currency and that he consents to being treated as a Professional Investor.

The Fund Interests are continuously offered in the sole discretion of SCM. The minimum investment amount is \$100,000; however, SCM has discretion to accept lesser amounts. Generally, new Shareholders will be admitted on the first day of each month and withdrawals may be made annually on thirty (30) days' prior written notice to SCM, subject to a lock-up period and certain other restrictions more fully described in the Offering Documents. There is no minimum or maximum aggregate amount of funds that may be contributed by all Shareholders to the Fund. Shareholders are not required to make any additional capital contributions to the Fund. The minimum additional capital contribution that will be accepted from an existing Shareholder is twenty five thousand dollars (\$25,000), unless SMC agrees otherwise. SCM, in its sole discretion, can accept or reject any initial subscriptions from prospective Shareholders and any additional capital contributions from existing Shareholders.

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

Before purchasing Shares in the Fund, prospective Shareholders should carefully consider various risk factors and conflicts of interest, as well as suitability requirements, restrictions on transfer and withdrawal of Interests and various legal, tax and other considerations, all of which are discussed below and in the Confidential Offering Memorandum. The Fund's investment program entails substantial risk of loss that investors should be prepared to bear and there can be no assurance that their investment objectives will be achieved.

The Fund's investment objective is to seek consistent above average returns while also attempting to preserve capital and mitigate risk. The Investment Manager anticipates that most of the Fund's assets will be invested U.S. and international equities, debt, warrants, options and other derivatives. The Fund will seek to utilize different types of trades including, but not limited to, long/short, market arbitrage or market securities hedging. The Fund will also purchase equities that the Investment Manager believes to be undervalued and sell short equities that the Investment Manager believes to be overvalued. The Investment Manager will invest in companies without regard to market capitalization, geographic location or market sector. The Fund's investment strategy may also include options, event-driven investments, private placements and use of leverage. Although the strategy and asset allocation utilized by the Investment Manager is primarily centered on publicly traded equity securities of companies, the Investment Manager intends to follow a flexible approach in order to place the Fund in the best position to capitalize on opportunities in the financial markets. Accordingly, the Investment Manager may employ other strategies and may take advantage of opportunities in diverse asset classes if they meet the Investment Manager's standards of investment merit. The Fund may also engage in business acquisitions.

The Fund represents a diversification opportunity for an investment portfolio, not a complete investment program. There can be no assurance that the Fund will achieve its investment objective or avoid substantial losses, and investment results may vary substantially over time

and from period to period. Moreover, an investment in the Fund provides limited liquidity since the Shares are not freely transferable, and the Shareholders will have limited redemption rights. Shares are suitable only for investors who can afford to lose all or a substantial portion of their investment. All investments risk a total loss of capital.

An investor should not make an investment in the Fund with the expectation of sheltering income or receiving cash distributions. Investors are urged to consult with their business, tax and legal advisers before investing in the Fund.

#### **Item 9 – Disciplinary Information**

This section requires registered investment advisers to disclose all material facts regarding any legal or disciplinary events that would be material to the evaluation of the advisory business or the integrity of the firm's management. Neither SCM nor its personnel has been involved in any legal, regulatory or disciplinary events. No prospective Client has threatened SCM or its personnel with disciplinary activities.

#### **Item 10 – Other Financial Industry Activities and Affiliations**

Broker-Dealer Affiliations. None.

Futures/ Commodities Affiliations. None.

Material Relationships. SCM acts as Investment Manager to the Fund.

Conflicts of Interest. SCM is accountable to the Fund as a fiduciary and, consequently, must exercise good faith and integrity in handling the business of the Fund. Nevertheless, in the conduct of such business, conflicts may arise between the interests of SCM and those of investors. Investors should consider the potential for conflicts of interest before investing.

Diverse Limited Partners. The Shareholders are expected to include taxable and tax-exempt entities and persons or entities resident of or organized in various jurisdictions. As a result, conflicts of interest may arise in connection with decisions made by SCM that may be more beneficial for one type of Shareholder. In making such decisions, SCM intends to consider the investment objectives of the Fund as a whole, not the investment objectives of any Shareholder individually.

Use of Third Party Marketers. SCM may enter into fee sharing arrangements with third-party marketers or solicitors who refer investors to the Fund. All such arrangements shall be conducted in compliance with SEC Rule 206(4)-3. Such third party marketers may have a conflict of interest in advising prospective investors whether to purchase or redeem Interests.

Advisory Services to Others. SCM and/or its managers, members, officers, affiliates and employees provide investment advice to other parties and may manage other accounts and



private investment vehicles similar to the Fund. In connection with such other investment management activities, SCM and/or its managers, members, officers, affiliates and employees may decide to invest the funds of one or more other accounts or clients or recommend the investment of funds by other parties, rather than the Fund's funds, in a particular security or strategy. In addition, SCM and such other persons will determine the allocation of funds from the Fund and such other accounts or clients to investment strategies and techniques on whatever basis they consider appropriate or desirable in their sole and absolute discretion.

Lack of Separate Representation. Neither the Fund Agreement nor any of the agreements, contracts and arrangements between the Fund, on the one hand, and SCM on the other hand, were or will be the result of arm's-length negotiations. The attorneys, accountants and others who have performed services for the Fund in connection with this offering, and who will perform services for the Fund in the future, have been and will be selected by SCM. No independent counsel has been retained to represent the interests of investors or Shareholders, and the Fund Agreement has not been reviewed by any attorney on their behalf. Investors are therefore urged to consult their own counsel as to the terms and provisions of the Confidential Offering Memorandum.

No Obligation of Full-Time Service. Neither SCM nor Mr. Hussain A. Rahimi has any obligation to devote their full time to the business of the Fund. They are only required to devote such time and attention to the affairs of the Fund as they decide is necessary for the Fund's operations and they may engage in other activities or ventures, including competing ventures and/or unrelated employment, which may result in various conflicts of interest between such persons and the Fund.

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

Code of Ethics. None.

Personal Trading by SCM and Affiliates. SCM and its principals and affiliates may make trades and investments for their own accounts. In these accounts, they may use trading and investment methods that are similar to, or substantially different from, the methods used by them to direct the Fund's account. The records of these personal accounts will not be made available to Shareholders.

#### **Item 12 – Brokerage Practices**

Soft Dollars and Directed Brokerage. SCM may be offered non-monetary benefits or "soft dollars" by brokers to induce SCM to engage such brokers to execute securities transactions on behalf of the Fund. These soft dollars may take the form of research and other related services regarding securities investments and may be available for use by SCM or their affiliates in connection with transactions in which the Fund does not participate. Brokers may also solicit or refer investors to invest in the Fund. The availability of these benefits may influence SCM to select one broker rather than another to perform services for the Fund. SCM intends to use its

best efforts to assure either that the fees and costs for services provided to the Fund by such brokers are reasonable in relation to the fees and costs charged by other equally capable brokers not offering such services or that the Fund also will benefit from the services.

Brokerage Practices.

SCM is responsible for the placement of the portfolio transactions of the Fund and the negotiation of any commissions paid on such transactions. Portfolio securities normally are purchased through brokers on securities exchanges or directly from issuers or from underwriters or market makers for the securities. Purchases of portfolio instruments through brokers involve a commission to the broker. Purchases of portfolio securities from dealers serving as market makers include the spread between the bid and the asked price. SCM will not commit to provide any level of brokerage business to any broker. SCM may utilize the services of one or more introducing brokers that will execute the Fund's brokerage transactions through the broker and custodian that will clear the Fund's transactions.

Securities transactions for the Fund are executed through brokers selected by SCM in its sole discretion and without the consent of the Fund. In placing portfolio transactions SCM will seek to obtain the best execution for the Fund, taking into account 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 broker'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.

Referral of Investors. SCM may also direct some Fund brokerage business to brokers who refer prospective investors to the Fund. If such referrals occur, they are likely to benefit SCM while, at the same time, provide little, if any, benefit to the Shareholders. Consequently, SCM will have a conflict of interest with the Fund when allocating Fund brokerage business to a broker who has referred investors to the Fund. To prevent Fund brokerage commissions from being used to pay investor referral fees, SCM will not allocate Fund brokerage business to a referring broker unless SCM determines in good faith that the commissions payable to such broker are reasonable in relation to those available from non-referring brokers offering services of substantially equal value to the Fund.

Selling commissions and/or referral fees may be paid in connection with the sale of Interests. SCM may share a portion of its Management Fee with third parties introducing Shareholders to the Fund, or SCM may use its own resources to compensate third parties for such introductions.

Placement agents may or may not be used by the Fund in connection with the Fund. If a placement agent is used, the Fund will not bear any related placement fee, other than a placement fee paid by the Fund and offset against the Management Fee on a dollar-for-dollar basis.

Allocation of Trades. SCM may at times determine that certain securities will be suitable for acquisition by the Fund and by other accounts managed by SCM, possibly including SCM's own accounts, or accounts of an affiliate. If that occurs and SCM is not able to acquire the desired aggregate amount of such securities on terms and conditions which SCM deems advisable, SCM will endeavor to allocate, in good faith, the limited amount of such securities acquired among the various accounts for which SCM considers them to be suitable. SCM may make such allocations among the accounts in any manner which it considers to be equitable under the circumstances including, but not limited to, allocations based on relative account sizes, the degree of risk involved in the securities acquired, and the extent to which a position in such securities is consistent with the investment policies and strategies of the various accounts involved.

Aggregation of Orders. SCM may aggregate purchase and sale orders of securities held by the Fund with similar orders being made simultaneously for other accounts or entities if, in SCM's reasonable judgment, such aggregation is reasonably likely to result in an overall economic benefit based on an evaluation that the Fund will be benefited by relatively better purchase or sale prices, lower commission expenses or beneficial timing of transactions, or a combination of these and other factors. In many instances, the purchase or sale of securities for the Fund will be affected simultaneously with the purchase or sale of like securities for other accounts or entities. Such transactions may be made at slightly different prices, due to the volume of securities purchased or sold. In such event, the average price of all securities purchased or sold in such transactions may be determined, at SCM's sole discretion, and the Fund may be charged or credited, as the case may be, with the average transaction price.

## **Item 13– Review of Accounts**

### **Account Reviews**

SCM provides professional investment management services to the Fund and monitors its portfolio on a continuous basis. Each Shareholder will receive an annual report containing audited financial statements of the Fund, including a balance sheet and statements of income and such Shareholder's equity. These statements will be prepared in accordance with International Accounting Standards or such other official standards as may be agreed between the Directors and the Auditors. In addition, each Shareholder will receive unaudited monthly summary reports containing estimated monthly performance and estimated Shareholder Account balances. The Fund shall bear all fees incurred in providing such tax returns and reports..

## **Item 14 – Client Referrals and Other Compensation**

SCM does not have any such referral arrangements.

### **Item 15 – Custody**

SCM is deemed to have custody of funds and securities as SCM has the authority to have management fees deducted directly from Shareholder capital accounts. Each Shareholder Interest represents a percentage interest in the Fund determined by reference to the capital account of each Shareholder in relation to the aggregate capital accounts of all Shareholders. SCM has established procedures to ensure all funds and securities are held at a qualified custodian in a separate account for the Fund and in the Fund's name.

### **Item 16 – Investment Discretion**

SCM has discretionary authority to manage funds and securities on behalf of the Fund as described in its Offering Documents. SCM has the authority to determine the type of securities and the amount of securities that can be bought or sold for the Fund's portfolio without obtaining the Shareholder's consent for each transaction.

### **Item 17 – Voting of Client Securities**

SCM, as a matter of policy and as a fiduciary to the Fund, has a responsibility for voting proxies for portfolio securities in the collective best interest of the Fund and its Shareholders.

### **Item 18 – Financial Requirements**

Regulations require that registered investment advisers provide certain financial information if they require or solicit prepayment of fees six months or more in advance. SCM does not require this sort of prepayment and therefore there is nothing to disclose in this regard. SCM does not have a financial condition that is likely to impair its contractual commitments to the Partnership. Neither SCM nor its personnel has ever been the subject of a bankruptcy petition and currently neither is the subject of a bankruptcy petition.