

# **Blackhorse Asset Management Pte. Ltd.**

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## **Form ADV Part 2A**

Uniform Application for Investment Adviser Registration

March 11, 2014

This brochure (the “Brochure”) provides information about the qualifications and business practices of Blackhorse Asset Management Pte. Ltd. (“Blackhorse”). If you have any questions about the contents of this Brochure, please contact us via telephone at (65) 6327-4906 or via email at [regis@blackhorse.com.sg](mailto:regis@blackhorse.com.sg). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Blackhorse is a registered investment adviser. Registration with the SEC does not imply that Blackhorse or its employees possess a certain level of skill or training.

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

## Item 2 Material Changes

This Brochure dated, March 11, 2014 is Blackhorse's initial Form ADV Part 2A Firm Brochure. In the future, this Item will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes.

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## **Item 4 Advisory Business**

Blackhorse is an investment adviser with its principal place of business in Singapore. Blackhorse was founded by John Engle in October 2001 and commenced operations as an investment adviser on October 6, 2001. Blackhorse is principally owned by John Engle and Houghton Enterprise Limited, a British Virgin Islands corporation principally owned by John Engle. John Engle owns, directly and indirectly, a total of approximately 92% of Blackhorse. Blackhorse registered with the Monetary Authority of Singapore as an exempt fund manager in 2006. In 2013, under Singapore's new regulatory regime, Blackhorse registered as a Registered Fund Management Company.

Blackhorse was established to provide bottom-up, fundamental research and advisory expertise to institutional and accredited individual investors seeking to capitalize on pricing anomalies and dynamic growth in the Asian ex-Japan equity markets. Blackhorse applies this approach to investing across the portfolios it manages.

Blackhorse provides investment advisory services to commingled investment vehicles (the "Funds") and to an unrelated investment management firm that is a division of a bank (the "Advisory Client" and, collectively with the Funds, the "Clients"). The Advisory Client has imposed certain investment guidelines, including a restricted securities list. Blackhorse tailors its advisory services to conform to these guidelines.

Blackhorse does not participate in wrap fee programs.

As of February 28, 2014, Blackhorse advised approximately US\$116 million in assets. All assets were managed on a discretionary basis.

## Item 5: Fees and Compensation

Each Client of Blackhorse, and each investor in the Funds, is either a “qualified purchaser” as defined in Section 2(a)(1)(51)(A) of the Investment Company Act of 1940, or a non-United States person. The rate of Blackhorse’s fees varies depending upon factors such as the type of account and the amount of assets being managed. All advisory fees and compensation borne by a Client, and the specific manner of calculating such fees and compensation, are set forth in detail in the advisory contract between such Client and Blackhorse.

Blackhorse charges the Funds two types of fees. One is an asset-based fee based on the amount of assets of the Fund (the “Management Fee”). Clients (other than The Blackhorse Emerging Enterprises Master Fund) are also subject to a performance fee equal to a portion of each investor’s net profit (the “Performance Fee”). No Performance Fee is charged on the recoupment of losses.

The fee structures below are Blackhorse’s standard fees for the Funds. The fees charged to any investor in the Funds may be waived or reduced and is intended to be waived on investments made by Blackhorse, its affiliates and their principals and employees.

### Blackhorse Emerging Enterprises Fund

1.00% per annum Management Fee, payable quarterly in arrears.

15% per annum Performance Fee, calculated annually subject to a high water mark.

### Blackhorse Enhanced Vietnam Inc.

1.25% per annum Management Fee, payable quarterly in arrears.

15% per annum Performance Fee, calculated annually subject to a high water mark.

### BEVI 2

1.25% per annum Management Fee, payable quarterly in arrears.

15% per annum Performance Fee, calculated annually subject to a high water mark.

The Management Fees and Performance Fees are generally deducted directly from the investor’s capital account by the Fund’s administrator.

The amounts of fees charged to the Advisory Client were individually negotiated, based on Client specific factors. Blackhorse bills the Advisory Client separately for such fees, and the Advisory Client can direct that the fees be deducted from its account or may choose to pay from a separate account. Fees are assessed and paid quarterly. All fees are billed in arrears.

With respect to both the Funds and the Advisory Client, in addition to the fees stated above, there are additional fees born by the Clients, such as legal and compliance expenses; administrative expenses; external accounting, audit and tax preparation expenses, and organizational expenses. Clients may be charged additional fees by their service providers, such as a fee from a bank to wire money.

In addition to paying investment management fees and, if applicable, performance-based fees, client accounts will also be subject to other investment expenses such as custodial charges, brokerage fees, commissions and related costs; interest expenses, research expenses (primarily through soft dollar arrangements as further described in Item 12), taxes, duties and other governmental charges, transfer and registration fees or similar expenses; costs associated with foreign exchange transactions, other

portfolio expenses; and costs, expenses and fees (including, investment advisory and other fees charged by investment advisers with, or funds in, which the Client's account invests; provided, however, that where a Client's assets are invested in a Fund managed by Blackhorse, the Client will not be charged two layers of fees).

With respect to Funds that constitute a master-feeder structure, the feeder funds bear a pro rata share of the expenses associated with the master fund. With respect to any client that is a commingled investment vehicle, provisions relating to fees and compensation are described in the applicable commingled investment vehicle's offering documents.

Blackhorse does not act in any capacity as a broker-dealer, and accordingly, Blackhorse does not receive any compensation for acting as a broker-dealer. In addition, neither Blackhorse nor any of its supervised persons accepts compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds. For more information see Item 12, specifically Blackhorse's soft dollar policy.

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

As discussed in Item 5, Blackhorse charges each client (other than The Blackhorse Emerging Enterprises Master Fund) a Performance Fee.

The Performance Fee is calculated annually as of each fiscal year end (October for BEEF and February for BEVI, December for BEVI 2) (and with respect to any intra-year redemption on the date of such redemption) and is made as soon as practical thereafter. No Performance Fee is assessed on the recoupment of losses.

The Performance Fee, once paid, is not subject to claw-back in the event of subsequent losses. Thus a Client may be subject to a Performance Fee even where it did not receive a profit during the term of its investment.

All Performance Fees are charged in accordance with Section 205(a)(1) and Rule 205-3 of the Investment Advisers Act of 1940 (the “Advisers Act”).

Because Blackhorse has the responsibility for managing more than one account, often with different fee structures (e.g., side-by-side management), potential conflicts of interest can arise. Blackhorse undertakes to act in a fair and equitable manner and to resolve and mitigate conflicts or potential conflicts in a timely manner. One potential conflict of interest is that there is a potential for providing preferential treatment to one Client account over others in terms of allocation of management time, resources, and investment opportunities. Second, Blackhorse may have an incentive to make investments that are more speculative for the accounts of Clients that are subject to the highest Performance Fee in order to increase its potential compensation with respect to such clients. To mitigate these risks, Blackhorse has implemented policies and procedures to address trade allocation decisions, order aggregation and brokerage allocation decisions. These policies seek to ensure fair allocation of investment opportunities among all Clients and minimize any potential for bias. Blackhorse’s trade allocation policies and procedures (discussed more fully in Item 12).

## Item 7: Types of Clients

Blackhorse provides investment management services to the Funds and the Advisory Client. In the future, Blackhorse may provide advisory services to additional managed accounts for high net worth individuals or institutional investors, including, but not limited to, corporate and public pension funds, sovereign wealth funds, endowments, foundations, family offices and other investment advisers, as well as to other commingled fund vehicles.

The Funds Blackhorse manages are The Blackhorse Emerging Enterprises Funds, a master-feeder fund structure, Blackhorse Enhanced Vietnam Inc. and BEVI 2. Each of the Funds, including each of the feeder funds, is a Cayman Islands exempted limited company. Investment in the Funds is only open to sophisticated investors who have sufficient knowledge and experience in financial and business matters to evaluate the risk of an investment in the Fund. All investors are required to be either (i) non-United States persons, or (ii) both accredited investors, as defined in Rule 501 under the Securities Act of 1933 and qualified purchasers as defined in Section 2(a)(1)(51)(A) of the Investment Company Act of 1940. The minimum initial investment in a fund managed by Blackhorse is \$100,000. . Prospective fund investors are required to complete a subscription agreement, which will require disclosure of certain private information required to substantiate the investor's identity and investment qualifications. The directors of the funds and Blackhorse, as applicable, are generally free to accept or reject subscriptions for any or no reason without obligation to disclose the underlying reason(s). Requirements for maintaining any minimum investment in a separately managed account are individually negotiated and set forth in the relevant advisory contract.



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

Blackhorse utilizes a variety of methods of analysis and strategies to make investment decisions for its Clients in the course of managing their portfolios.

Blackhorse conducts bottom-up research-driven stock selection in both small and large cap names in Asia ex-Japan which are, for the most part, below the radar screen of traditional sell-side analysts. Blackhorse focuses its methods of analysis on identifying large anomalies that it believes have the potential to generate returns of 30% or more over a 15-month time horizon.

Blackhorse sells stocks in its Clients' accounts when a defined catalyst is fulfilled and the stock has hit its target price or when there is a perceived change in the trajectory of the stock (e.g., it may not achieve its target price).

THE FOLLOWING IS A BRIEF SUMMARY OF THE MATERIAL RISKS ASSOCIATED WITH BLACKHORSE'S METHODS OF ANALYSES AND INVESTMENT STRATEGIES. ELIGIBLE POTENTIAL INVESTORS IN A FUND SHOULD REFER TO SUCH FUND'S OFFERING MEMORANDUM FOR A MORE COMPLETE DISCUSSION OF THE RISKS ASSOCIATED WITH SUCH FUND.

### **Potential Loss of Investment**

No guarantee or representation is made that Blackhorse's investment strategies will be successful. Prospective investors should be aware that the value of their investment and the return derived from Blackhorse's investment strategies can fluctuate. In addition, there can be no assurance that Blackhorse will achieve its investment objective on behalf of any Client. As is true of any investment, there is a risk that an investment in Blackhorse strategies will be lost entirely or in part. The Blackhorse strategies are not a complete investment program and should represent only a portion of a Client's investment assets.

**Past performance of Blackhorse in any venture is not indicative of future performance.**

### **Investment Strategies**

Blackhorse's strategies can be considered speculative in that Blackhorse will seek to anticipate movements in the price level or volatility of individual securities, market segments and the financial markets as a whole and to position Blackhorse's investments to benefit from such expected movements. Successful implementation of this strategy requires accurate assessments of general economic conditions, the prospects of individual companies or industries, and the future behavior of other financial market participants. Even with the most careful analysis, the direction of the financial markets is often driven by unforeseeable economic, political and other events and the reaction of market participants to these events. There can be no assurance that Blackhorse's strategies strategy will be successful and an unsuccessful strategy may result in significant losses to Clients.

### **Futures**

Blackhorse will not trade futures contracts or options on futures. This could limit the Company's trading and hedging opportunities in a manner that may be detrimental to Blackhorse's performance.

**Leverage**

As part of its investment strategy, Blackhorse may utilize leverage such as trading on margin. Leverage has the effect of magnifying changes in the value of the portfolio and creates opportunities for greater total returns. However, at times of adverse price movements, the portfolio similarly may incur substantial losses. Furthermore, if the assets of the portfolio pledged to secure the borrowings decline in value, Blackhorse may have to liquidate some or all of its assets to meet the collateral requirements at times and at prices that are disadvantageous to Clients. The low margin deposits normally required in futures and option trading permit an extremely high degree of leverage. Accordingly, a relatively small price movement in a futures contract may result in immediate and substantial profits or losses to the investor. Thus, like other leveraged investments, any trade may result in losses well in excess of the amount invested.

**Political & Economic Risks**

The value of a Client's investment may be affected by uncertainties such as political or diplomatic developments, social and religious instability, changes in government policies, taxation and interest rates and other political and economic developments in law or regulations and, in particular, the risk of, and change in, legislation relating to the level of foreign ownership. While countries in Asia ex-Japan have implemented many reforms which have improved the overall framework for investors and companies in which they invest, there is no guarantee that reform will continue or that they will continue at any particular pace.

**Business and Commercial Risks**

Investee companies are subject to operating and financial risks. Over the period of investment, the investee companies will be subject to changes in their economic environment, technology, regulatory changes, changes in market conditions and state of competition, and to potential management execution shortcomings. The securities of the investee companies in which Blackhorse will invest generally may be the most junior in the investee companies' capital structure and, thus, may be subject to the greatest risk of loss.

**Competition**

Blackhorse will be competing for investment opportunities with a large number of other investors and corporate buyers. It is possible that competition for appropriate investment opportunities may increase, thus reducing the number of investment opportunities available to Blackhorse and adversely affecting the terms upon which such investment can be made. Competition for business in Asia ex-Japan is increasing swiftly, partly as a result of the region's increasing internationalization. The financial viability of some investments made by Blackhorse may be affected by changes in the region's trade regime. Blackhorse's investments in export-oriented industries, for example, may be affected by changes in trade regimes or by protectionist measures in foreign countries. Similarly, Blackhorse's investments in investee companies selling into the domestic market may be adversely affected by increasing competition from international firms as trade barriers are reduced, such as those resulting from increasing compliance with the Common Effective Preferential Tariff program under the ASEAN Free Trade Area. As a result of such changes, Blackhorse's investments could suffer substantial declines in value at any stage.

**Emerging Market Risks**

Many of the countries in Asia ex-Japan are emerging markets, and as a consequence are substantially smaller, less liquid, less regulated and more volatile than major securities markets, such as those in more developed economies. The limited liquidity of securities in the Asia ex-Japan markets could also

affect Blackhorse's ability to acquire or dispose of securities at the price and at the time it wishes to do so. Market volatility of a large enough magnitude can sometimes weaken what is deemed to be a sound fundamental basis for investing in a particular market. Investment expectations may therefore fail to be realized in such instances.

**Illiquid Investments**

Blackhorse may invest in assets that are subject to legal or other restrictions on transfer and which are illiquid. Blackhorse may not be able to sell them when it desires to do so or to realize what it perceives to be their fair value in the event of a sale. It may be considerably more difficult for Blackhorse to exit its investments than it is for investors in more developed geographic regions. In addition, Blackhorse will endeavor to realize investments in pre-listing companies through listings on the stock exchanges throughout the region. There is no guarantee that stock exchanges throughout the region will provide liquidity for Blackhorse's investments in pre-listing companies.

**Exchange Control and Currency Risk**

Clients' assets will be invested in securities denominated in currencies other than US Dollars. The net asset values of the Funds, however, are expressed in US Dollars and will fluctuate in accordance with, among other things, changes in the foreign exchange rate between the US Dollar, on the one hand, and the currencies in which investments are made, on the other hand. Investor subscriptions to the Funds will be made in US Dollars, and Blackhorse will have to convert such US Dollars into local currencies prior to making investments in securities denominated in currencies other than US Dollars. Any income received by the Funds from these investments will be received in those currencies, some of which may fall in value against the US Dollar. The Funds will have to convert local currencies back to US Dollars prior to distributing any income and realization proceeds from such investments. There can be no assurance that fluctuations in exchange rates will not have an adverse effect on (a) the value of Clients' investments, or (b) the distributions received by clients in US Dollars after conversion of the income and realization proceeds from the Blackhorse's non-dollar-denominated investments. In addition, some countries in Asia ex-Japan have exchange control restrictions and Blackhorse may encounter difficulties or delay in relation to the receipt of its divestments due to these controls.

Blackhorse may seek to hedge against a decline in the value of a Client's investments resulting from currency depreciation, but only if and when suitable hedging instruments are available on a timely basis and on acceptable terms. There is no assurance that any hedging transactions engaged in by Blackhorse will be successful in protecting against currency depreciation.

**Currency Conversion and Capital Controls**

Some of Blackhorse's investments are expected to be in securities that are denominated in currencies, such as the Vietnamese Dong, that are not freely convertible into the US Dollar. Blackhorse will need to convert Dong back to US Dollars to make distributions to Clients, but the Dong is currently not a convertible currency. The Government does not guarantee that hard currency will be available to Blackhorse or that it will receive any priority if there is a shortage. Until the State Bank of Vietnam issues clear procedures for the conversion of Dong into foreign currency by an offshore investment fund, it is possible that Blackhorse may have difficulty accomplishing such conversion. This may include the need to obtain a special approval, and such approval may not be received quickly or at all. Any delay in conversion increases exposure to depreciation of the Dong against other currencies. If conversion is not effected at all, some of the Client's assets may be denominated in a non-convertible currency.

**Settlement, Clearing and Registration Risks**

In cases where organized securities markets and banking and telecommunications systems are underdeveloped, concerns inevitably arise in relation to settlement, clearing and registration of transactions in securities where these are acquired. Furthermore, due to the local postal and banking systems in some countries in Asia, no guarantee can be given that all entitlements attaching to quoted and over-the-counter traded securities acquired by the funds, including those related to dividends, can be realized. This exposes the assets in question to risks arising from acts, omissions, and solvency of the prime broker and counterparty risk for that period of time.

**Inflation**

Some countries in Asia, such as Vietnam have, at times in the past, experienced extremely high rates of inflation. Inflation and rapid fluctuations in inflation rates have had and may continue to have negative effects on the economies and securities markets of certain emerging countries. Therefore, the performance of the Blackhorse could be affected by rates of inflation in the countries in which the Blackhorse invests.

**Accounting, Auditing and Financial Reporting Standards**

The accounting, auditing and financial reporting standards, practices and disclosure requirements in many Asian countries differ from those in more developed countries. Some accounting systems do not require disclosure of contingent liabilities; do not require private parties to disclose related party transactions; do not require disclosure of methods for providing for pension and retirement plans; do not require disclosure of commitments to purchase assets; and, in some cases, such as in Vietnam, it is unclear whether a company must disclose the accounting policies they have chosen to use. Accordingly, less information may therefore be available to Blackhorse than in respect of investments in more developed countries. However, Blackhorse intends to make investments in pre-listing companies and overseas listed in other countries on the basis of financial statements audited by a major international firm of accountants, and listed companies are all required to have audited financial statements. In addition, Blackhorse intends to encourage the management of investee companies to adopt international accounting standards and practices in order to improve the standing of their company in the view of international investors.

**Lack of Adequate and Timely Investee Company Information and Financial Disclosure** Investors in some countries in Asia generally have access to less reliable and less detailed information than investors in developed countries, including both general statistics, economic data and information concerning the operations, financial results, capitalization, financial obligations, earnings and securities of specific enterprises. In most cases, the national accounting, auditing and financial reporting standards and practices and disclosure requirements are different from those employed in more developed countries, and in most instances do not correspond to international accounting standards or differ from standards and requirements generally accepted in the international capital markets. The extent of the research and other inquiries conducted by Blackhorse of prospective enterprises in which Blackhorse may invest shall in many cases be limited as compared with the standards for such inquiries in more developed markets. In addition, as a result of these factors, Blackhorse may not be able to provide information to investors in as timely a fashion as would otherwise be the case.

**Counterparty Risk**

Blackhorse will transact most of its investments through financial institutions including but not limited to brokers, dealers and banks. All purchases and sales of securities will carry counterparty risks until the transactions have settled. All deposits of securities or cash with a custodian, bank or financial institution

will carry counterparty risk. Upon default by a counterparty Blackhorse may be forced to unwind certain transactions and Blackhorse may encounter delays and difficulties with respect to court procedures in seeking recovery of Blackhorse's assets.

### **Default of Broker or Custodian**

Certain brokerages and banks will have custody of the funds' assets. Bankruptcy or fraud at any of these institutions may impair the operational capabilities or the capital position of funds. The funds' custodians may not be required to segregate the funds' assets deposited with them, in which case the funds' assets may be subject to the claims of the custodians' general creditors if the custodian becomes insolvent.

### **Legal Systems**

The laws and regulations affecting the economies of some countries in Asia are not always well established. There can be no assurance that the funds will be able to obtain effective enforcement of its rights by legal proceedings. Furthermore, the judicial systems may not be reliable or objective and the ability to enforce acknowledged legal rights is often lacking. There is therefore not the same degree of certainty as investors would expect if they invested in other jurisdictions.

### **Investments in Pre-Listing Companies**

While Blackhorse does not intend to invest a significant percentage of any Client's portfolio in pre-listed companies, and while such investment may offer the opportunity for significant capital gains, such investments also involve a high degree of business and financial risk. Generally, investments in pre-listed companies will be difficult to value, and there may be little or no protection for such investments. Sales of securities in pre-listed companies which obtain a listing may not be possible and, if possible, may only be possible at substantial discounts.

### **Regulatory Change**

The regulation of global securities markets has undergone substantial change in recent years, and such change is expected to continue for the foreseeable future. The effect of regulatory change on Blackhorse, while impossible to predict, could be substantial and adverse.

### **Reliance on Key Personnel**

The operations of the strategies and the Blackhorse are substantially dependent upon the skill, judgment and expertise of its key personnel. The death, disability or other unavailability of its key personnel could be material and adverse to the strategies.

## Item 9: Disciplinary Information

There are no legal or disciplinary events to report. There are no criminal or civil actions in a US, foreign or military court of competent jurisdiction in which Blackhorse or its Directors or Officers have been involved.

## Item 10: Other Financial Industry Activities and Affiliations

Neither Blackhorse nor any of its management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

Neither Blackhorse nor any of its management persons are registered, or have any an application pending to register, as a futures commission merchant, commodity pool operator, commodity trading advisor or an associated person of any of the following.

Blackhorse is registered as a Registered Fund Management Company with the Monetary Authority of Singapore (MAS) in Singapore. Blackhorse and its management persons have no other relationships or arrangements that are material to Blackhorse's advisory business or its Clients. However, each of John Engle, Jonathan Ross and Regis Dale are permitted to serve on boards of directors of companies, including other investment advisers. In such event, Blackhorse will not invest Client assets in such companies.

Blackhorse does not recommend or select other investment advisers for its Clients.

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

Blackhorse's Compliance Manual and Code of Ethics ("Code"), adopted pursuant to Rule 204A-1 under the Advisers Act, confirms Blackhorse's commitment to the highest ideals of honesty, integrity and openness. Blackhorse demonstrates this commitment through its measures taken to ensure the confidentiality of Client information, prohibition of illegal insider trading and personal trading, and other important matters. All employees must abide by the Code and undergo training when they start and certify that they have read and understand the Code. A copy of the Code is available to Clients or prospective Clients by submitting a request to Regis Dale, Managing Director, at [regis@blackhorse.com.sg](mailto:regis@blackhorse.com.sg).

Blackhorse's personal trading policy allows employees to buy or sell funds but not individual securities in the markets in which we buy or sell securities for the clients we advise.

Blackhorse may recommend to Clients that they buy or sell securities or investment products in which Blackhorse or a related person has some financial interest. Blackhorse may also buy or sell for itself securities that it also recommends to Clients. The decision to make such recommendation is based solely on the suitability of the investment for the particular Client.



## Item 12 Brokerage Practices

### Counterparty Selection

Generally, in determining which broker or dealer to use, Blackhorse has a duty to obtain “best execution,” which the SEC generally describes as a duty to execute securities transactions so that a client’s total costs or proceeds in each transaction are the most favorable under the circumstances. This duty generally begins with a requirement that Blackhorse obtain the best price available for the securities in each transaction. However, Blackhorse may not always pay the lowest possible commission or other transaction cost, but may take into account a number of factors, including a broker’s trading expertise, financial strength, stability and responsibility, reputation, reliability, responsiveness to the members of Blackhorse, and accuracy of recommendations on particular securities, ability to execute trades, block trading and block positioning capabilities, nature and frequency of sales coverage, net price, depth of available services, willingness to execute related or unrelated difficult transactions in the future, order of call, back office, processing and special execution capabilities, efficiency of execution and error resolution. Blackhorse may give consideration to certain of these factors more than others in choosing brokers depending on the particular investment at issue.

### Soft Dollar Policy

Blackhorse is permitted pursuant to its Investment Management Agreements to utilize “soft dollar” credits generated by brokerage of its clients to pay for research and or other products or services other than execution from a broker-dealer or a third party under the “safe harbor” provided by Section 28(e) of the U.S. Securities and Exchange Act of 1934, as amended (the “1934 Act”). Section 28(e) provides a safe harbor for advisers that receive “soft dollar” benefits that are limited to certain research and brokerage products and services.

Blackhorse receives a benefit by means of “soft dollar” benefits because it does not have to produce or pay for the research or brokerage products or services.

As a result, Blackhorse may have an incentive to select or recommend a broker-dealer based on its interest in receiving the research or brokerage products or services, rather than the clients’ interest in receiving the most favorable execution.

This practice 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”).

The “soft dollars” generated by one Client’s account may be used by Blackhorse to serve that account as well as others and that “soft dollar benefits possibly may be applied disproportionately to the soft dollar credits that an account generates.

During the past fiscal year, the Adviser directed client transactions to one or more broker-dealer in return for “soft dollar” benefits. These benefits were limited to vendors on an approved list, that is updated as required, who provide services related to research and market data services, market data feeds and electronic trading services or other services within the parameters of Section 28(e) of the 1934 Act.

The procedures used to direct client transactions to a particular broker-dealer in return for “soft-dollar” benefits received are the same as those procedures used to select broker-dealers for trading transactions except as already noted. Blackhorse periodically reviews and evaluates its soft dollar practices 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 Blackhorse’s overall responsibilities to the accounts or portfolios over which Blackhorse exercises investment discretion. Blackhorse allocates “soft dollars” among its Clients in a manner it determines to be equitable based on the benefits received and the assets managed

### **Brokerage for *Client* Referrals**

Blackhorse does not direct some of Client brokerage business to brokers-dealers that refer prospective Clients.

### **Directed Brokerage**

Blackhorse may limit itself to the use of brokers, clearinghouses, exchanges or other counterparties that meet certain criteria determined from time to time by Blackhorse. Additionally, Clients may sometimes request that a particular broker-dealer or select group of broker-dealers be used to effect transactions in their accounts, or may request that certain broker-dealers be restricted from effecting such transactions. These limitations may result in Clients paying more for such services than would be the case if such decisions were based solely on price.

### **Trade Aggregation and Allocation Policy**

Blackhorse seeks to execute trades in a way that minimizes transaction and booking costs and that seeks to achieve fair treatment for all accounts when allocating individual executions. Blackhorse often executes orders in blocks (i.e., trades for multiple accounts grouped into single orders) to achieve execution efficiency, cost efficiency, anonymity and to minimize volatility in prices across accounts. When Blackhorse encounters investment opportunities that are appropriate for more than one Client or fund, or when an aggregated order is only partially filled, the investment is allocated to the funds pro-rata based on the asset size of the fund.

## **Item 13: Review of Accounts**

Each Client's portfolio is reviewed by the relevant Portfolio Manager(s) and senior trading and research personnel from Blackhorse's trading group, on a continuous real-time basis to determine whether securities positions should be maintained in view of current market conditions and significant market, economic and political events, as well as the performance of each Client's portfolio. In addition, Blackhorse's Chief Compliance Officer, senior operational personnel and fund administration staff review each Client's portfolio on a continuous daily basis with respect to various legal and regulatory, operational, and fund administration matters, including, but not limited to, compliance with applicable regulations and adherence to any applicable investment guidelines.

All Client portfolios are actively managed and are reviewed regularly throughout the trading day.

Investors in the Funds receive monthly performance reports containing a written overview of the Fund's investment activities

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

Blackhorse has no arrangements whereby a party who is not a Client compensates or otherwise provides an economic benefit to the Adviser for providing services to clients other than the “soft-dollar” benefit arrangement detailed in Item 12.

Blackhorse may from time to time enter into client referral agreements with “third party marketing” firms to solicit new clients. Blackhorse has such an agreement with Enclave Capital LLC and Blue Lakes Advisors SA for Client referrals.

## Item 15 Custody

Blackhorse is not subject to Rule 206(4)-2 of the Advisers (the “Custody Rule”) because it is an “offshore adviser” as defined in ABA Subcommittee on Private Investment Entities, SEC Staff Letter, Aug. 10, 2006 (the “ABA Letter”) and (i) each of the Funds (including, for the avoidance of doubt, each feeder fund in the Blackhorse Emerging Enterprises master-feeder fund structure) is an “offshore fund” as defined in the ABA Letter, and (ii) the Advisory Client is a non-U.S. person. Nevertheless, Blackhorse does utilize qualified custodians to maintain all Client assets. In the event that Blackhorse were to provide advisory services to a United States person or an investment fund other than an offshore fund, Blackhorse would comply with the Custody Rule with respect to such Client.

## **Item 16 Investment Discretion**

Blackhorse, through its investment management agreements with its Clients, is generally given discretion and authority to invest, reinvest and manage a Client's assets in accordance with the specific investment guidelines and other related terms set forth in each such agreement, which may contain certain parameters or restrictions with respect to Blackhorse's investment discretion and authority. Such parameters and restrictions may include, among others, prohibited investments, position/exposure limits, counterparty requirements and restrictions, and applicable legal and regulatory restrictions. To enable Blackhorse to exercise fully such discretion, Blackhorse is generally authorized to take all other action that Blackhorse reasonably considers necessary or advisable in order to carry out its duties.

## **Item 17 Voting *Client* Securities**

Blackhorse has the authority to vote proxies for securities held in Client portfolios unless otherwise stipulated in the applicable investment advisory agreement. Pursuant to its investment agreement with the Advisory Client, Blackhorse has no authority to vote proxies for securities held in the Advisory Client's portfolio. With respect to the Fund's, investors in the Funds may not direct Blackhorse's vote in any proxy solicitation.

Blackhorse's proxy voting policy was adopted in accordance with Rule 206(4)-6 and calls for it to exercise its duty of care and loyalty to its Clients when it votes proxies. Blackhorse generally will not vote proxies in situations where it holds an immaterial position (less than or equal to 1% of outstanding voting equity), or when Blackhorse receives a proxy for a security which it no longer holds in the portfolio of any Client.

Absent good reason to the contrary, Blackhorse will generally give substantial weight to management recommendations regarding voting, and will vote for routine matters in favor of the management proposals. Non-routine matters will be voted on a case-by-case basis, given the complexity of many of these issues. Where there is a measureable change in the structure, management, control or operation of the company, or a change that is inconsistent with industry standards and/or laws of the state of incorporation applicable to the company, Blackhorse will generally vote against such proposals.

Potential conflicts of interest between Blackhorse and its Clients may arise when Blackhorse's relationships with an issuer or with a related third party actually conflict, or appear to conflict, with the best interest of the Client(s). If the issue is specifically addressed in Blackhorse's proxy voting policies and procedures, Blackhorse will vote in accordance with the stated policies. In a situation where the issue is not specifically addressed in the policies and an apparent or actual conflict exists, Blackhorse shall either: i) delegate the voting decision to an independent third party; ii) inform the client of the conflict of interest and obtain advance consent of each client for a particular voting decision; or iii) obtain approval of a voting decision from Blackhorse's Chief Compliance Officer, who will be responsible for documenting the rationale for the decision made and voted. In all such cases, Blackhorse will make disclosures to clients of all material conflicts and will keep documentation supporting its voting decisions.

## Item 18 Financial Information

Blackhorse does not require or solicit prepayment of fees.

Blackhorse is not aware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to Clients.

Blackhorse has not been the subject to a bankruptcy petition since inception in 2001.