
PART 2A OF FORM ADV: FIRM BROCHURE

Caravel Management LLC

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This brochure (this "Brochure") provides information about the qualifications and business practices of Caravel Management LLC (the "Investment Adviser"). Please contact Joseph Rivera, Chief Compliance Officer, at 212-994-9825 and/or via electronic mail at jrivera@caravelfund.com if you have any questions about this brochure. Information provided 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. The Investment Adviser is registered as an investment adviser with the SEC. Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.

Additional information about the Investment Adviser is available on the SEC's website at www.adviserinfo.sec.gov.

ITEM 2

MATERIAL CHANGES

Caravel Management LLC (“Caravel”) is updating its firm brochure (the “Brochure”) as of March 31, 2015. The following is a summary of material changes that Caravel has made to the Brochure since the previous annual amendment on March 31, 2014:

- Effective January 1, 2015, Caravel launched:
 - The Caravel Emerging Markets Sustainability Fund (Onshore) L.P. which expects to invest substantially all of its assets in The Caravel Emerging Markets Sustainability Fund (International) Ltd.
 - The Caravel Emerging Markets Sustainability Fund (Offshore) Ltd. which expects to invest substantially all of its assets in The Caravel Emerging Markets Sustainability Intermediate Fund Ltd. which expects to invest substantially all of its assets in The Caravel Emerging Markets Sustainability Fund (International) Ltd., a master fund.
 - The Caravel Ballast Fund (Onshore) L.P. (the "Partnership") which expects to invests substantially all of its assets in The Caravel Ballast Fund (International) Ltd.
 - The Caravel Ballast Fund (Offshore) Ltd. which expects to invests substantially all of its assets in The Caravel Ballast Intermediate Fund Ltd. which expects to invest substantially all of its assets in The Caravel Ballast Fund (International) Ltd., a master fund.

Refer to Items 4, 5, 6, 7 and 8 of this Brochure for further details pertaining to these new funds.

Caravel notes that James A. Harmon's title has changed from Chief Investment Officer to Chairman of the Investment Manager. Caglar Somek is now the Chief Investment Officer for the Investment Manager.

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ITEM 4 ADVISORY BUSINESS

The Investment Adviser, a Delaware limited liability company, was founded in 2004. On May 25, 2006, the Investment Adviser became an SEC registered investment adviser. References in this brochure to “Caravel” and “Investment Adviser” refer to both Caravel Management LLC and its Relying Adviser, Caravel Partners LLC, a limited liability company affiliated with the Investment Adviser. The Investment Adviser serves as the investment adviser for the following private funds:

- The Caravel Fund (Onshore) L.P. (the "Flagship Onshore"), a limited partnership formed under the laws of the State of Delaware on September 21, 2004, which invests substantially all of its investments in The Caravel Fund (International) Ltd. (the "Flagship Master Fund"), a Bermuda company.
- The Caravel Fund (Offshore) Ltd. (the "Flagship Offshore"), a Bermuda mutual fund company incorporated under the laws of Bermuda on March 17, 2006, which invests substantially all of its assets in The Caravel Intermediate Fund Ltd. (the "Flagship Intermediate Fund"), a Bermuda company which invests substantially all of its investments in the "Flagship Master Fund".
- The Caravel Emerging Markets Sustainability Fund (Onshore) L.P. (the “EMSF Onshore”), a limited partnership formed under the laws of the State of Delaware on November 24, 2014, which invests substantially all of its assets in The Caravel Emerging Markets Sustainability Fund (International) Ltd. (the "EMSF Master Fund"), a Bermuda company.
- The Caravel Emerging Markets Sustainability Fund (Offshore) Ltd. (the “EMSF Offshore”), a Bermuda mutual fund company incorporated under the laws of Bermuda on November 26, 2014, which invests substantially all of its assets in The Caravel Emerging Markets Sustainability Intermediate Fund Ltd. ("EMSF Intermediate"), a Bermuda company which invests substantially all of its assets in the "EMSF Master Fund".
- The Caravel Ballast Fund (Onshore) L.P. (the “Ballast Onshore”), a limited partnership formed under the laws of the State of Delaware on August 7, 2014, which invests substantially all of its assets in The Caravel Ballast Fund (International) Ltd. (the "Ballast Master Fund"), a Bermuda company.
- The Caravel Ballast Fund (Offshore) Ltd. (the "Ballast Offshore"), a Bermuda mutual fund company incorporated under the laws of Bermuda on August 21, 2014, which invests substantially all of its assets in The Caravel Ballast Intermediate Fund Ltd. ("Ballast Intermediate Fund"), a Bermuda company which invests substantially all of its assets in the "Ballast Master Fund".

Each of the private funds may be referred to individually in this Brochure as a “Fund” and together as the “Funds” or by strategy without distinction to whether they are onshore vs offshore (“Flagship”, “EMSF” or “Ballast”). Caravel Partners LLC serves as the general partner ("General Partner") of the Flagship Onshore, EMSF Onshore and Ballast Onshore. The terms of each Fund

are disclosed in detail in the relevant Fund's offering documents that are provided to prospective investors prior to investment. The interests in the Funds are offered on a private placement basis, pursuant to Section 3(c)(7) of the Investment Company Act of 1940, (the "Company Act") to persons who are "accredited investors" as defined under the Securities Act of 1933 (the "Securities Act") and "qualified purchasers" as defined under the Company Act, and subject to certain other conditions, which are set forth in the offering documents for the U.S. Fund. The General Partner is registered with the SEC by way of and in reliance upon the registration of the Investment Adviser. The Investment Adviser and General Partner are filing a single Form ADV based upon the SEC's expressed position in the No-Action Letter published on January 18, 2012 entitled "American Bar Association, Business Law Section."

James Harmon ultimately controls the Investment Adviser as the Senior Managing Member. The principal owners of the Investment Adviser are the Harmon family (James, Deborah, Douglas and Jennifer) who collectively own 58 percent of the entity. The remaining 42 percent is owned by four employees of the Investment Adviser. The Investment Adviser provides investment management services to private pooled investment vehicles that are offered to investors on a private placement basis. The investment vehicles are structured as limited partnerships or non-U.S. corporations. In connection with providing these investment management services, the Investment Adviser has been appointed as the Investment Adviser with discretionary trading authorization.

The Investment Adviser has full discretionary authority with respect to investment decisions, and its advice with respect to the Funds (or "Clients") is made in accordance with the investment objectives and guidelines as set forth in their respective offering memoranda and the investment management agreement entered into by the Investment Manager with such Funds. The Investment Adviser typically does not tailor its advisory services to the individual needs of investors in a Fund; accordingly, it typically does not accept material investment restrictions imposed by such Fund investors. Each of the Funds may from time to time enter into agreements ("Side Letters") with one or more of their investors whereby in consideration for agreeing to invest certain amounts in a Fund and/or other consideration deemed sufficiently material, such investors may modify, alter or amend the terms of, among other things, denomination of currency, the fees charged, minimum subscription amounts, redemption rights (including redemption dates, notice periods, and permitted redemption amounts), access to information regarding the Fund's investment portfolio and other rights. Please refer to Item 8 for a more detailed description of the Investment Adviser's investment strategies, as well as a summary of the securities and other instruments purchased by Funds under the management of the Investment Adviser.

The Investment Adviser manages approximately \$731 million as of December 31, 2014 on a discretionary basis. The Investment Adviser does not manage any assets on a non-discretionary basis.

ITEM 5

FEES AND COMPENSATION

Each Fund's applicable fees are set forth in detail in each Funds' offering documents. It is critical that prospective investors refer to the relevant Fund's offering documents for a complete understanding of how Caravel is compensated for its advisory services. The information contained

in this Item 5 is a summary only and is qualified in its entirety by the relevant Fund's offering documents. A brief summary of such fees is provided below.

Flagship Funds

With respect to the Flagship Funds, the Investment Adviser is generally paid a management fee equal to 0.50% (2.0% annualized) payable quarterly in arrears on the last day of each calendar quarter. In addition, the Investment Adviser is generally entitled to an incentive allocation equal to 20%. The incentive allocation is generally made at the end of the calendar year after deduction of the management fee and subject to loss carryforward provisions. For investors investing \$20 million or more in the Funds, the above-described management fee is 1.5% per annum and the incentive fee is 20% per annum over an absolute 8% non-cumulative hurdle.

EMSF Funds

With respect to the EMSF Funds, the Investment Adviser is generally paid a management fee equal to 0.375% (1.5% annualized) payable quarterly in advance on the first day of each calendar quarter. In addition, the Investment Adviser is generally entitled to an incentive allocation equal to 20%. The incentive allocation is generally made at the end of the calendar year after deduction of the management fee and subject to loss carryforward provisions.

Ballast Funds

With respect to the Ballast Funds, the Investment Adviser is generally paid a management fee equal to 0.375% (1.5% annualized) payable quarterly in advance on the first day of each calendar quarter. In addition, the Investment Adviser is generally entitled to an incentive allocation equal to 20%. The incentive allocation is generally made at the end of the calendar year after deduction of the management fee and subject to loss carryforward provisions.

All Funds

The Investment Adviser and the General Partner reserve the right to waive or impose different fees or otherwise modify the fee arrangements of an existing investor in the Funds with the consent of such investor. In addition, the Funds reserve the right to impose different fees on future investors. All such investors will pay their pro rata share of Fund expenses.

The Investment Adviser and its personnel may invest in one or more of the Funds. The Investment Adviser and the Investment Adviser's personnel are not charged a management fee or performance-based compensation by the applicable Funds, but will pay their pro rata share of Fund expenses.

A portion of each Fund may be invested in securities and instruments the Investment Adviser determines to be illiquid and lacking a readily assessable market value and such investments may be maintained in special situation sub-accounts, in which case they are not subject to any performance-based compensation until a gain is realized or deemed realized. Such illiquid investments are usually subject to the management fees described above and are generally valued at cost for the period that they are maintained in a special situation sub-account.

Fees and compensation paid to the Investment Adviser or its affiliates by the Funds are generally deducted from the assets of such Clients. As discussed above, management fees are generally deducted on a quarterly basis and the incentive allocation is generally deducted on an annual basis.

Each Fund bears its own operational expenses, including, without limitation, research-related expenses (including, without limitation, news and quotation equipment and services, and research-related travel expenses); legal, compliance (and including for the Ballast and EMS Funds, other regulatory expenses (including, without limitation, expenses relating to the preparation and filing of Form PF and other regulatory filings)), administration, accounting, auditing and tax preparation expenses and other professional fees; expenses incurred in connection with the development, implementation and maintenance of an electronic investor information delivery site and/or system; Fund-related insurance expenses (including, without limitation, premiums on directors' and officers' and errors and omissions insurance and the Investment Adviser's liability insurance); interest on margin accounts, charges on securities sold short, custodial fees, trustee's fees, brokerage commissions, bank service fees, interest on loans and debit balances, any taxes applicable to a Fund on account of its operations and all other reasonable expenses related to the management and operation of the Fund as well as the purchase, sale or transmittal of Fund assets, as well as the Fund's proportionate share of the expenses of the Intermediate Fund and the Master Fund. A portion of research-related expenses may be paid for using Fund brokerage commissions. See Item 12, Brokerage Practices.

The Investment Manager has agreed to an expense cap for initial (founding) investors in certain Funds which can be amended from time to time at the Investment Manager's discretion. The terms of such expense caps are disclosed in detail in the relevant Fund's offering documents.

Neither the Investment Adviser nor any of its supervised persons accepts compensation (*e.g.*, brokerage commissions) for the sale of securities or other investment products.

ITEM 6

PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

The Investment Adviser and its affiliates accept performance-based compensation from every Client. As a result, the Investment Adviser and its affiliates do not face certain conflicts of interest that may arise when an investment adviser accepts performance-based compensation from some Clients, but not from other Clients.

The Investment Manager has agreed to an incentive fee arrangement for initial (founding) investors in certain Funds which can be amended from time to time at the Investment Manager's discretion. Such incentive fees are disclosed in detail in the relevant Fund's offering documents.

ITEM 7

TYPES OF CLIENTS

The Investment Adviser provides advice to Funds that are private investment funds, as described above. Investors in the Funds include individuals, trusts, estates, charitable organizations, pension plans, endowments, bank or thrift institutions, investment companies, corporations and other business entities. The minimum initial investment that will be accepted from a new investor is \$1 million which is subject to an increase or decrease at the discretion of the Investment Advisor.

ITEM 8

METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Methods of Analysis

The descriptions set forth in this Brochure of specific advisory services that the Investment Adviser offers to Clients, and investment strategies pursued and investments made by the Investment Adviser on behalf of its Clients, should not be understood to limit in any way the Investment Adviser's investment activities. The Investment Adviser may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this Brochure, that the Investment Adviser considers appropriate, subject to each Client's investment objectives and guidelines. The investment strategies the Investment Adviser pursues are speculative and entail substantial risks. Clients should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any Client will be achieved. Investing in securities involves risk of loss that Clients and investors should be prepared to bear.

The Flagship Funds

The Investment Adviser seeks to achieve superior long-term absolute returns by investing in a portfolio of generally 60 actively managed securities based in next generation emerging and frontier markets. The portfolio is predominantly unhedged and unleveraged. The equities in the portfolio will generally be of companies selected from a 40+ country universe beyond BRIC (Brazil, Russia, India and China) markets.

These companies are perceived to have competitive business models, professional management, above-trend earnings and growth rate and positive corporate governance. The Flagship Funds may also invest from time to time in fixed income securities with equity like returns. The Investment Manager will generally hold each security in the portfolio for a period of time commensurate with the growth of earnings and assets of the issuer, typically more than a year.

The Ballast Funds

The Investment Adviser seeks to achieve positive, sustainable risk adjusted returns with lower volatility than emerging and frontier equities by capitalizing on investment opportunities in a diverse group of markets identified by the Investment Adviser. The Investment Adviser will seek to construct a diversified portfolio comprising of approximately 80-120 actively managed securities based in next generation emerging and frontier markets. The portfolio will seek to maintain a net exposure of 10%- 80% with a target volatility for the Fund of 10-15% per annum. The equities in the Ballast Funds' portfolio will generally consist of companies selected from a 40+ country universe of emerging and frontier markets inclusive of BRIC (Brazil, Russia, India and China) markets.

These companies are perceived to have competitive business models, professional management, above-trend earnings and growth rate and positive corporate governance. The Ballast Funds may also invest from time to time in fixed income securities with equity-like returns and in hedged positions which may include ETFs, indices, individual stocks, commodities, foreign exchange and derivatives. The Investment Manager will generally hold each long security in the Ballast Funds' portfolio for a period of time commensurate with the growth of earnings and assets of the issuer, typically more than a year.

The EMSF Funds

The Investment Adviser seeks to achieve superior long-term absolute returns by capitalizing on investment opportunities in a select group of emerging and frontier markets by identifying companies that have strong environmental social and governance ("ESG") profiles that contribute to their ability to maximize value and mitigate risks. The Investment Adviser seeks to construct a portfolio of 50-60 actively managed, high-conviction publicly traded equities in next generation Emerging and Frontier markets (i.e. Beyond-BRIC countries). The portfolio comprising up to approximately 50-60 actively managed securities based in next generation emerging and frontier markets. The portfolio is predominantly unhedged and unleveraged. The equities in the portfolio will generally be of companies selected from a 40+ country universe of emerging and frontier markets inclusive of BRIC (Brazil, Russia, India and China) markets.

These companies are perceived to have competitive business models, professional management, above-trend earnings and growth rate and strong corporate governance. They also must meet pre-determined environmental, social and governance standards as defined by a framework developed by the Investment Manager. The EMSF Funds may also invest from time to time in fixed income securities with equity-like returns. The Investment Manager will generally hold each security in the EMSF Fund's portfolio for a period of time commensurate with its percentage of the growth of earnings and assets of the issuer, typically more than a year.

Investment Strategies

Although all Funds invest in emerging and frontier markets, the Investment Adviser employs different investment strategies to obtain each Fund's investment objectives. Each strategy involves significant risks, many of which are outside of the Investment Adviser's control.

An investment in a Fund will provide limited liquidity as there are significant restrictions on transferability of and withdrawals from interests in a Fund. A description of the significant investment strategies, as well as the risks that such Funds may face in employing such strategies, are set forth below.

Long term: The Investment Adviser believes that superior financial returns can be achieved by investing in undervalued businesses in transitional economies with strong fundamentals and professional management.

Early Stage: The Investment Adviser intends to identify such early stage businesses in countries that are in the early stages of significant political and economic change and where the prospects for GDP growth exceed the global average.

Fundamentals: Members of the Investment Adviser's team have had direct experience living and working in emerging and frontier markets, and have invested in emerging market securities (listed and unlisted) over the past decade.

Concentrated Portfolio: Based on the above (and other) considerations, the Investment Adviser will maintain a concentrated portfolio comprised from 50 to up to 120 securities between all three Funds. The Investment Adviser strives to generate returns from specific investments that

outperform over time, rather than constructing a large portfolio which diversifies out specific risk, and then "times its trades" in an effort to achieve market out-performance. As such, each underlying position in the portfolio is justified on the basis of analysis of its specific earnings, assets and management.

Environmental, Social and Governance Characteristics: For the EMSF Funds, the Investment Adviser seeks to identify companies that have strong environmental social and governance profiles that contribute to their ability to maximize value and mitigate risks. For these Funds, the Investment Adviser will collaborate with the World Resources Institute, a non-governmental research organization, to develop and monitor sustainability parameters.

Hedging: Although most Funds are predominantly unhedged, the Investment Adviser believes that management of risk benefits investors the Ballast Funds. The Investment Adviser approach to hedging seeks to protect against significant drawdowns over the market cycle. Short positions will be used to extract alpha and help reduce country or sector beta exposure. Hedges may include ETFs, indices, foreign exchange, commodities, individual stocks, basket of stocks and derivatives.

Pre-IPO: The Investment Adviser believes that attractive investment opportunities in emerging markets can present themselves in the form of unlisted (private) businesses intending to list in the near future.

Diversification: Portfolio risk is managed by adhering to certain guidelines related to the concentration of exposure.

Fixed Income: As a rule, the Fund's portfolio will consist of emerging markets equities. However, the Investment Adviser believes that there are certain times and certain circumstances in which fixed income securities in emerging markets may yield equity-like returns.

Currency: As with specific risk, the Investment Adviser does not propose to hedge-out currency risk. Such hedging would be extremely difficult and expensive for most of the currencies in which the portfolio is likely to be invested.

Leverage: Currently, the Investment Adviser does not intend to use leverage but may do so in its discretion in order to maximize the Funds' portfolio returns.

Material, Significant or Unusual Risks Relating to Investment Strategies

The following risk factors do not purport to be a complete list or explanation of the risks involved in an investment in the Clients advised by the Investment Adviser. These risk factors include only those risks the Investment Adviser believes to be material, significant or unusual and relate to particular significant investment strategies or methods of analysis employed by the Investment Adviser. A complete description of investment and trading risks is explained in each Fund's private placement memorandum.

General Risk of Emerging and Frontier Markets. Investment in emerging and frontier markets securities involves a greater degree of risk than an investment in securities of issuers based in developed countries. Among other things, emerging markets securities investments may carry the risks of less publicly available information, more volatile markets, less strict securities market

regulation, less favorable tax provisions and a greater likelihood of severe inflation, unstable currency, war and expropriation of personal property than investments in securities of issuers based in developed countries. In addition, the Investment Adviser's investment opportunities in certain emerging and frontier markets may be restricted by legal limits on foreign investment in local securities.

Emerging and frontier markets generally are not as efficient as those in developed countries. In some cases, a market for the security may not exist locally, and, therefore, transactions would need to be made on a neighboring exchange. Volume and liquidity levels in emerging markets are lower than in developed countries. When seeking to sell emerging and frontier markets securities, little or no market may exist for the securities. In addition, issuers based in emerging and frontier markets are not generally subject to uniform accounting and financial reporting standards, practices and requirements comparable to those applicable to issuers based in developed countries, thereby potentially increasing the risk of fraud or other deceptive practices. Furthermore, the quality and reliability of official data published by the government or securities exchanges in emerging markets may not accurately reflect the actual circumstances being reported.

Investment and Repatriation Restrictions. Prior governmental approval for foreign investments may be required under certain circumstances in some emerging and frontier markets countries, and the extent of non-U.S. investment in U.S. companies may be subject to limitation in other emerging and frontier markets countries. Non-U.S. ownership limitations also may be imposed by the charters of individual companies in emerging and frontier markets countries to prevent, among other concerns, violation of foreign investment limitations. Some attractive equity securities may not be available to the Fund because U.S. investors hold the maximum amount permitted under current laws or because of minimum eligibility requirements (such as net worth) for investing in certain types of securities in some emerging and frontier markets countries.

Repatriation of investment income, assets and the proceeds of sales by non-U.S. investors may require governmental registration and/or approval in some emerging and frontier markets countries. The Fund could be adversely affected by delays in or a refusal to grant any required governmental registration or approval for such repatriation or by withholding taxes imposed by emerging and frontier markets countries on interest or dividends paid on securities held by the Fund or gains from the disposition of such securities.

Government Involvement in the Private Sector. Government involvement in the private sector varies in degrees among the emerging and frontier markets countries in which the Fund may invest. Such involvement may include government ownership, wage and price controls or imposition of trade barriers or other protectionist measures.

Legal Risk. Many of the laws that govern private and non-U.S. investment, securities transactions, creditors' rights and other contractual relationships in non-U.S. countries, particularly in developing countries, are new and largely untested. As a result, the Funds may be subject to a number of unusual risks, including inadequate investor protection, contradictory legislation, incomplete, unclear and changing laws, ignorance or breaches of regulations on the part of other market participants, lack of established or effective avenues for legal redress, lack of standard practices and confidentiality customs characteristic of developed markets, and lack of enforcement of existing regulations.

Regulatory controls and corporate governance of companies in developing countries may confer little protection on investors. Anti-fraud and anti-insider trading legislation is often rudimentary. The concept of fiduciary duty is also limited when compared to such concepts in developed country markets. In certain instances, management may take significant actions without the consent of investors. There can be no assurance that this difficulty in protecting and enforcing rights will not have a material adverse effect on the Fund and its operations. Furthermore, it may be difficult to obtain and enforce a judgment in certain of non-U.S. countries in which assets of the Fund are invested.

Taxation by Non-U.S. Jurisdictions. Taxation of dividends, interest, capital gains, other income, and gross sale or disposition proceeds, received by non-residents varies among emerging and frontier markets countries and, in some cases, tax rates are high compared to developed countries. In addition, developing countries typically have less well-defined tax laws and procedures. With respect to certain countries, there is a possibility of expropriation, confiscatory taxation and imposition of withholding or other taxes on dividends, interest, capital gains, other income and gross sale or disposition proceeds.

Currency Exchange Exposure. The Investment Adviser on behalf of the Funds may invest a significant portion of its assets in the securities of non-U.S. issuers and other instruments denominated in non-U.S. currencies, the prices of which are determined with reference to currencies other than the U.S. dollar. The value of the Funds' positions in non-U.S. investments will fluctuate with U.S. dollar exchange rates as well as the price changes of the investments in the various local markets and currencies. In such cases, an increase in the value of the U.S. dollar compared to the other currencies in which the Investment Adviser makes its investments will reduce the effect of any increases and magnify the effect of any decreases in the prices of the Funds' securities in their local markets and may result in a loss to the Funds. Conversely, a decrease in the value of the U.S. dollar will have the opposite effect on the Funds' non-U.S. dollar investments.

Furthermore, the Investment Adviser may incur costs in connection with conversions between various currencies. Non-U.S. currency exchange dealers realize a profit based on the difference between the prices at which they are buying and selling various currencies. Thus, a dealer normally will offer to sell currency to the Investment Adviser at one rate, while offering a lesser rate of exchange should the Investment Adviser desire immediately to resell that currency to the dealer. The Investment Adviser conducts the Funds' currency exchange transactions either on a spot (*i.e.*, cash) basis at the spot rate prevailing in the currency exchange market, or through entering into forward, futures or commodity options contracts to purchase or sell non-U.S. currencies. Most of the Funds' currency exchange transactions occur at the time securities are purchased and are executed through the local broker or custodian acting for the Funds.

The Funds may or may not seek to hedge its non-U.S. currency exposure by entering into currency hedging transactions. There can be no guarantee that securities suitable for hedging currency or market shifts will be available at the time when the Funds wish to use them, or that hedging techniques employed by the Funds will be effective. Furthermore, certain currency market risks may not be fully hedged or hedged at all. To the extent unhedged, the value of the Funds' positions denominated in currencies other than the U.S. Dollar will fluctuate with U.S. Dollar exchange rates as well as with the price changes of the investments in the various local markets and currencies.

Illiquid Portfolio Instruments. As described above, the Funds may invest a portion of their assets in illiquid investments and may designate certain investments as Special Situations Investments. The Funds may not be able to readily dispose of such investments and, in some cases, may be contractually prohibited from disposing of such investments for a specified period of time.

Short Selling. The Funds' investment portfolios may include short positions. In the case of the Ballast Fund, the success of the Ballast Fund's short selling investment strategy depends upon the Investment Manager's ability to identify and sell short securities that are overvalued. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to the Fund of buying those securities to cover the short position. There can be no assurance that the Fund will be able to maintain the ability to borrow securities sold short. In such cases, the Fund can be "bought in" (i.e., forced to repurchase securities in the open market to return to the lender). There also can be no assurance that the securities necessary to cover a short position will be available for purchase at or near prices quoted in the market. Purchasing securities to close out a short position can itself cause the price of the securities to rise further, thereby exacerbating the loss. Short strategies can also be implemented synthetically through various instruments and be used with respect to indices or in the over-the-counter market and with respect to futures and other instruments. In some cases of synthetic short sales, there is no floating supply of an underlying instrument with which to cover or close out a short position and the Fund may be entirely dependent on the willingness of over-the-counter market makers to quote prices at which the synthetic short position may be unwound. There can be no assurance that such market makers will be willing to make such quotes. Short strategies can also be implemented on a leveraged basis. Lastly, even though the Fund secures a "good borrow" of the security sold short at the time of execution, the lending institution may recall the lent security at any time, thereby forcing the Fund to purchase the security at the then-prevailing market price, which may be higher than the price at which such security was originally sold short by the Fund.

Highly Volatile Markets. The prices of financial instruments in which the Funds may invest can be highly volatile. Price movements of forward and other derivative contracts in which the Funds' assets may be invested are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. The Funds are subject to the risk of failure of any of the exchanges on which their positions trade or of their clearinghouses.

Counterparty Risk. Some of the markets in which the Funds may effect transactions are "over-the-counter" or "interdealer" markets. The participants in such markets are typically not subject to credit evaluation and regulatory oversight as are members of "exchange-based" markets. This exposes the Funds to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not *bona fide*) or because of a credit or liquidity problem, thus causing the Funds to suffer a loss. Such "counterparty risk" is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the Funds have concentrated their transactions with a single or small group of counterparties. The Funds are not restricted from dealing with any particular counterparty or from concentrating any or all of their transactions with one counterparty.

Moreover, the Investment Manager has no formal credit function which evaluates the creditworthiness of the Funds' counterparties.

Broker or Dealer Insolvency. While great care is taken in selecting brokers or dealers who will maintain custody of the assets of the Funds, there is a residual risk that any such brokers or dealers could become insolvent. Assets of the Funds held as collateral may not be segregated from the assets of such brokers or dealers and therefore may be made available to third party creditors of the brokers or dealers in the event of insolvency. In addition, there may be practical or time problems associated with enforcing the rights of the Funds to their respective assets in the case of an insolvency of any such party.

Outside Activities. The Chairman of the Investment Adviser also serves as Chairman of the Egyptian American Enterprise Fund ("EAEF"). While the Investment Adviser believes that the risk that this outside activity and affiliation will create a conflict of interest is low given that it does not believe that there is any material overlap between the investment strategy of EAEF and the Funds, it is possible that the Chairman of Investment Adviser could become aware of information or an opportunity that he would be prohibited from sharing with the Funds. The Investment Adviser has adopted policies and procedures to address the potential conflicts presented by this relationship.

Leverage and Financing Risk. The Investment Adviser does not currently intend to use leverage in its investment program but may do so in its discretion if the Investment Adviser believes that the use of leverage may enable the Funds to achieve a higher rate of return. Accordingly, the Investment Adviser may pledge its securities in order to borrow additional funds for investment purposes. The Investment Adviser may also leverage its investment return with options, short sales, swaps, forwards and other derivative instruments.

While leverage presents opportunities for increasing the Funds' total return, it has the effect of potentially increasing losses as well. Accordingly, any event which adversely affects the value of an investment by the Investment Adviser on behalf of the Funds would be magnified to the extent the Funds are leveraged. The cumulative effect of the use of leverage by the Investment Adviser on behalf of the Funds in a market that moves adversely to the Investment Adviser's investments could result in a substantial loss to the Funds which would be greater than if the Funds were not leveraged.

In general, the use of short-term margin borrowings results in certain additional risks to the Funds. For example, should the securities pledged to brokers to secure the Funds' margin accounts decline in value, the Funds could be subject to a "margin call", pursuant to which the Investment Adviser on behalf of the Funds must either deposit additional funds or securities with the broker, or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a sudden drop in the value of the Funds' assets, the Investment Adviser might not be able to liquidate assets quickly enough to satisfy their margin requirements.

Risks Associated With Particular Types of Securities

Equity Securities. The value of equity securities of public and private, listed and unlisted companies and equity derivatives generally varies with the performance of the issuer and

movements in the equity markets. As a result, the Funds may suffer losses if the Investment Adviser invests in equity instruments of issuers whose performance diverges from the Investment Adviser's expectations or if equity markets generally move in a single direction and the Funds have not been hedged against such a general move. The Funds also may be exposed to risks that issuers will not fulfill contractual obligations such as, in the case of convertible securities or private placements, delivering marketable common stock upon conversions of convertible securities and registering restricted securities for public resale.

Fixed Income Securities. The Investment Adviser on behalf of the Funds may invest in bonds or other fixed income securities. Fixed income securities pay fixed, variable or floating rates of interest. The value of fixed income securities in which the Investment Adviser invests will change in response to fluctuations in interest rates. In addition, the value of certain fixed-income securities can fluctuate in response to perceptions of creditworthiness, political stability or soundness of economic policies. Fixed income securities are subject to the risk of the issuer's inability to meet principal and interest payments on its obligations (i.e., credit risk) and are subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity (i.e., market risk).

Convertible Securities. Convertible securities are bonds, debentures, notes, preferred stocks or other securities that may be converted into or exchanged for a specified amount of common stock of the same or different issuer within a particular period of time at a specified price or formula. A convertible security entitles its holder to receive interest that is generally paid or accrued on debt or a dividend that is paid or accrued on preferred stock until the convertible security matures or is redeemed, converted or exchanged. Convertible securities have unique investment characteristics in that they generally (i) have higher yields than common stocks but lower yields than comparable non-convertible securities, (ii) are less subject to fluctuation in value than the underlying common stock due to their fixed-income characteristics and (iii) provide the potential for capital appreciation if the market price of the underlying common stock increases.

The value of a convertible security is a function of its "investment value" (determined by its yield in comparison with the yields of other securities of comparable maturity and quality that do not have a conversion privilege) and its "conversion value" (the security's worth, at market value, if converted into the underlying common stock). The investment value of a convertible security is influenced by changes in interest rates, with investment value declining as interest rates increase and increasing as interest rates decline. The credit standing of the issuer and other factors may also have an effect on the convertible security's investment value. The conversion value of a convertible security is determined by the market price of the underlying common stock. If the conversion value is low relative to the investment value, the price of the convertible security is governed principally by its investment value. To the extent the market price of the underlying common stock approaches or exceeds the conversion price, the price of the convertible security will be increasingly influenced by its conversion value. A convertible security generally will sell at a premium over its conversion value by the extent to which investors place value on the right to acquire the underlying common stock while holding a fixed-income security. Generally, the amount of the premium decreases as the convertible security approaches maturity.

A convertible security may be subject to redemption at the option of the issuer at a price established in the convertible security's governing instrument. If a convertible security held by the Funds is

called for redemption, the Investment Adviser on behalf of the Funds will be required to permit the issuer to redeem the security, convert it into the underlying common stock or sell it to a third-party. Any of these actions could have an adverse effect on the Investment Adviser's ability to achieve its investment objective for the Funds.

Call Options. The Funds may incur risks associated with the sale and purchase of call options. The seller (writer) of a call option which is covered (e.g., the writer holds the underlying security) assumes the risk of a decline in the market price of the underlying security below the purchase price of the underlying security less the premium received, and gives up the opportunity for gain on the underlying security above the exercise price of the option. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security above the exercise price of the option. The securities necessary to satisfy the exercise of an uncovered call option may be unavailable for purchase, except at much higher prices, thereby reducing or eliminating the value of the premium. Purchasing securities to cover the exercise of an uncovered call option can cause the price of the securities to increase, thereby exacerbating the loss. The buyer of a call option assumes the risk of losing its entire premium investment in the call option.

Put Options. The Funds may incur risks associated with the sale and purchase of put options. The seller (writer) of a put option which is covered (e.g., the writer has a short position in the underlying security) assumes the risk of an increase in the market price of the underlying security above the sales price (in establishing the short position) of the underlying security plus the premium received, and gives up the opportunity for gain on the underlying security if the market price falls below the exercise price of the option. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying security below the exercise price of the option. The buyer of a put option assumes the risk of losing its entire investment in the put option.

Forward Trading. Forward contracts, including forward currency contracts, and options thereon, unlike futures contracts, are not traded on exchanges and are not standardized; rather, banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and "cash" trading is substantially unregulated; there is no limitation on daily price movements and speculative position limits are not applicable. The principals who deal in the forward markets are not required to continue to make markets in the currencies or commodities they trade and these markets can experience periods of illiquidity, sometimes of significant duration. There have been periods during which certain participants in these markets have refused to quote prices for certain currencies or commodities or have quoted prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell. Disruptions can occur in any market traded by the Investment Adviser due to unusual trading volume, political intervention or other factors. The imposition of controls by governmental authorities might also limit such forward trading to less than that which the Investment Adviser would otherwise recommend, to the possible detriment of the Funds. Market illiquidity or disruption could result in major losses to the Funds.

Index or Index Options. The value of an index or index option fluctuates with changes in the market values of the securities included in the index. Because the value of an index or index option depends upon movements in the level of the index rather than the price of a particular security, whether the Funds will realize appreciation or depreciation from the purchase or writing of options on indices depends upon movements in the level of instrument prices in the security market

generally or, in the case of certain indices, in an industry or market segment, rather than movements in the price of particular securities.

Index Futures. The price of index futures contracts may not correlate perfectly with the movement in the underlying index because of certain market distortions. First, all participants in the futures market are subject to margin deposit and maintenance requirements. Rather than meeting additional margin deposit requirements, participants may close futures contracts through offsetting transactions that would distort the normal relationship between the index and futures markets. Second, from the point of view of speculators, the deposit requirements in the futures market are less onerous than margin requirements in the securities market. Therefore, increased participation by speculators in the futures market also may cause price distortions. Successful use of index futures contracts by the Funds are also subject to the Investment Manager's ability to correctly predict movements in the direction of the market.

Swaps. Swap agreements and options on swap agreements ("swaptions") can be individually negotiated and structured to include exposure to a variety of different types of investments, asset classes or market factors. Depending on their structure, swap agreements may increase or decrease the holder's exposure to, for example, equity securities, long-term or short-term interest rates, non-U.S. currency values, credit spreads or other factors. Swap agreements can take many different forms and are known by a variety of names. Swap transactions may be highly illiquid and may increase or decrease the volatility of the Fund's portfolio. Moreover, the Fund bears the risk of loss of the amount expected to be received under a swap agreement in the event of the default or insolvency of its counterparty. The Fund will also bear the risk of loss related to swap agreements, for example, for breaches of such agreements or the failure of the Fund to post or maintain required collateral. It is possible that developments in the swap markets, including potential government regulation, could adversely affect the Fund's ability to terminate swap transactions or to realize amounts to be received under such transactions

Credit Default Swaps. Credit default swaps can be used to implement the Investment Manager's view that a particular credit, or group of credits, will experience credit improvement or deterioration. In the case of expected credit improvement, the Funds may sell credit default protection in which it receives a premium to take on the risk. In such an instance, the obligation of the Fund to make payments upon the occurrence of a credit event creates leveraged exposure to the credit risk of the referenced entity. The may also buy credit default protection with respect to a referenced entity if, in the Investment Manager's judgment, there is a high likelihood of credit deterioration. In such instance, the Funds will pay a premium regardless of whether there is a credit event. The credit default swap market in high-yield securities is comparatively new and rapidly evolving compared to the credit default swap market for more seasoned and liquid investment-grade securities, creating the risk that the newer markets will be less liquid, and making it potentially more difficult to exit or enter into a particular transaction.

Futures Contracts. The value of futures contracts depends upon the price of the Securities, such as commodities, underlying them. The prices of futures contracts are highly volatile, and price movements of futures contracts can be influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, as well as national and international political and economic events and policies. In addition, investments in futures contracts are also subject to the risk of the failure of

any of the exchanges on which the Funds' positions trade or of its clearing houses or counterparties. Futures positions may be illiquid because certain commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits". Under such daily limits, during a single trading day no trades may be executed at prices beyond the daily limits. Once the price of a particular futures contract has increased or decreased by an amount equal to the daily limit, positions in that contract can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. This could prevent the Funds from promptly liquidating unfavorable positions and subject the Funds to substantial losses or prevent it from entering into desired trades. Also, low margin or premiums normally required in such trading may provide a large amount of leverage, and a relatively small change in the price of a security or contract can produce a disproportionately larger profit or loss. In extraordinary circumstances, a futures exchange or the CFTC could suspend trading in a particular futures contract, or order liquidation or settlement of all open positions in such contract.

Non-U.S. Futures Transactions. Foreign futures transactions involve executing and clearing trades on a foreign exchange. This is the case even if the foreign exchange is formally "linked" to a domestic exchange, whereby a trade executed on one exchange liquidates or establishes a position on the other exchange. No domestic organization regulates the activities of a foreign exchange, including the execution, delivery, and clearing of transactions on such an exchange, and no domestic regulator has the power to compel enforcement of the rules of the foreign exchange or the laws of the foreign country. Moreover, such laws or regulations will vary depending on the foreign country in which the transaction occurs. For these reasons, the Funds may not be afforded certain of the protections which apply to domestic transactions, including the right to use domestic alternative dispute resolution procedures. In particular, funds received from customers to margin foreign futures transactions may not be provided the same protections as funds received to margin futures transactions on domestic exchanges. In addition, the price of any foreign futures or option contract and, therefore, the potential profit and loss resulting therefrom, may be affected by any fluctuation in the foreign exchange rate between the time the order is placed and the time the foreign futures contract is liquidated or the time the foreign option contract is liquidated or exercised.

ITEM 9 DISCIPLINARY INFORMATION

There are no legal or disciplinary events that are material to the Clients' or prospective Clients' evaluation of the Investment Adviser's advisory business or the integrity of the Investment Adviser's management.

ITEM 10 OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Mr. James A. Harmon is the Chairman of the Investment Adviser and managing member of the General Partner. Mr. Harmon is also a director of the Flagship Offshore Fund. Mr. Harmon is the Chairman of the Egyptian American Enterprise Fund ("EAEF"), a private corporation seeded by U.S. Government funds to promote the development of the Egyptian private sector with a particular focus on small-and medium-sized private enterprises. The EAEF invests in privately-

held enterprises unlike Caravel which invests in listed securities. The Investment Adviser does not believe that there is material overlap between the investment strategy of EAEF and Caravel. Mr. Harmon is also Chairman to the World Resources Institute, an independent nonprofit organization focused on global environmental policy research and analysis. Mr. Harmon's obligation to EAEF and the World Resources Institute could be viewed as creating a conflict of interest in that Mr. Harmon's time and effort will not be devoted exclusively to the business of the Funds but will be allocated between the business of the Funds and his obligations to these outside interests.

Ms. Deborah Harmon, Mr. Douglas Harmon, Ms. Jennifer A. Harmon, Mr. Mustafa Somek, Ms. Margaret Engelhardt, Ms. Kareen Mozes Laton and Mr. Jamieson Odell, part owners of the Investment Adviser, are also Principals of the General Partner Ms. Deborah Harmon the Co-Founder and CEO of Artemis Real Estate Partners, LLC, a real estate investment advisory firm which pursues an investment strategy distinct from Caravel's.

In addition, the General Partner or Investment Adviser may in the future manage partnerships or other pooled investment entities and accounts including, without limitation, investment vehicles for the benefit of employees, with investment objectives that are the same as, similar to or different from those of the Funds. Additionally, the General Partner or the Investment Adviser (and their respective principals or affiliates) may serve as investment advisers or investment managers to other client accounts and conduct investment activities for their own accounts. Such other entities or accounts may have investment objectives or may implement investment strategies similar to those of the Funds. The General Partner or the Investment Adviser (or their respective principals or affiliates) may give advice or take action with respect to such other entities or accounts that differs from the advice given with respect to a Fund.

The Investment Adviser and its management persons are not registered as broker-dealers and do not have any application pending to register with the SEC as a broker-dealer or registered representative of a broker-dealer.

The Investment Adviser and its management persons are not registered as, and do not have any application to register as, futures commission merchants, commodity pool operators, commodity trading advisors or associated persons of the foregoing entities.

The Investment Adviser does not recommend or select other investment advisers for its Clients. The Investment Adviser may, however, arrange for investment of all or part of the Clients' assets by sub-advisors who are given full investment discretion over the portion of the Clients' assets assigned to them. The Investment Adviser may direct the Funds to establish discretionary trading accounts managed by the sub-advisors or purchase shares or interests in other investment funds managed by the sub-advisors. The fees of the sub-advisors will be paid by the Investment Manager. The Investment Manager will bear all direct and indirect costs associated with the investment advisory services of the different sub-advisors.

ITEM 11
**CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS
AND PERSONAL TRADING**

Code of Ethics

The Investment Adviser strives to adhere to the highest industry standards of conduct based on principles of professionalism, integrity, honesty and trust. In seeking to meet these standards, the Investment Adviser has adopted a Code of Ethics (the "Code"). The Code incorporates the following general principles that all employees are expected to uphold: employees must at all times place Clients' interests first; all personal securities transactions must be conducted in a manner consistent with the Code and any actual or potential conflicts of interest or any abuse of an employee's position of trust and responsibility must be avoided; employees must not take any inappropriate advantage of their positions; information concerning the identity of securities and financial circumstances of the Funds, including the Funds' investors, must be kept confidential; and independence in the investment decision-making process must be maintained at all times. The Code also places restrictions on personal trades by employees, including but not limited to disclosure of their personal securities holdings and transactions to the Investment Adviser on a periodic basis and requires its employees to pre-clear certain types of personal securities transactions.

Please contact Joseph Rivera, Chief Compliance Officer, at 212-994-9825 and/or via electronic mail at jrivera@caravelfund.com to request a copy of the Code of Ethics.

Cross Trades

Although not presently contemplated by the Investment Adviser, there may be situations where it will be advantageous to Clients' accounts to effect a securities transaction between two advisory Clients for rebalancing or other purposes, otherwise known as a cross trade. In the event that a cross trade would be in the best interests of both advisory Clients and permitted under the governing documents, the Investment Adviser may affect the cross trade subject to the following guidelines: (1) such transaction shall be effected for cash consideration at the current market price of the particular securities, and (2) no brokerage commissions or transfer fees shall be paid to the Investment Adviser in connection with any such transaction.

In such a case, the Investment Adviser will have its custodian effect the transaction within the context of the market at a time that is fair to both Clients involved in the transaction. The custodian's payment will be borne equally by both advisory Clients. All cross trades will be approved by the Chief Compliance Officer before the orders are executed. The Chief Compliance Officer shall document the reason for the trade.

Principal Transactions

To the extent that cross trades may be viewed as principal transactions due to the ownership interest in a Client by the Investment Adviser or its personnel, the Investment Adviser will comply with the requirements of Section 206(3) of the Advisers Act, including that any such transactions will be considered on behalf of investors in such a Client and approved or disapproved by (i) an advisory board comprised of representatives of such investors or (ii) a committee consisting of one or more persons selected by the Investment Adviser (or its affiliate), and any valuation approved

by such a committee will be determined by an independent third party that has appropriate experience in providing such valuations.

Investing in Securities that the Investment Adviser or a Related Person Recommends to Clients

The Investment Adviser allows employees to trade emerging markets securities under a strict Employee Trading policy which incorporates both a pre-approval requirement as well as a requirement that all employees provide copies of personal account brokerage statements at least quarterly. The Investment Adviser also requires that all employees certify that they are in compliance with the Code. The Chief Compliance Officer is charged with insuring compliance with the Code. The Investment Adviser's personnel may buy, sell, or hold securities or other instruments for their own accounts while entering into different investment decisions for one or more Funds.

In addition, the Investment Adviser's personnel may also invest in eligible Funds of their choosing and are not required to invest in all Funds. It is expected that if such investments are made the size of these investments will change over time. Neither the Investment Adviser nor its personnel are required to keep a minimum investment in any of the Funds.

From time to time, various potential and actual conflicts of interest may arise from the overall advisory, investment and other activities of the Investment Adviser, its affiliates, and personnel (each an "Advisory Affiliate" and, collectively, the "Advisory Affiliates"). The Investment Adviser has established policies and procedures to monitor and resolve conflicts and will endeavor to resolve conflicts with respect to investment opportunities in a manner it deems equitable to the extent possible under the prevailing facts and circumstances. The Advisory Affiliates may invest on behalf of themselves in securities and other instruments that would be appropriate for, held by or may fall within the investment guidelines of the Funds. The Advisory Affiliates may give advice or take action for their own accounts that may differ from, conflict with or be adverse to advice given or action taken for the Funds. These activities may adversely affect the prices and availability of other securities or instruments held by or potentially considered for one or more Funds. Potential conflicts may also arise due the Advisory Affiliates having investments in some Funds but not in others, or having different levels of investments in the various Funds and because the Funds may pay different levels of fees to the Investment Adviser.

The Advisory Affiliates may also have ongoing relationships with companies whose securities are in or are being considered for the Funds.

The Investment Adviser and its affiliates will act in a manner which it considers fair and equitable in allocating investment opportunities among the accounts of its Clients, although situations may arise in which the account activities of one Client may disadvantage another Client, such as the inability of the market to fully absorb orders for the purchase or sale of particular securities placed by the Investment Adviser and its affiliates for the Clients and other accounts at prices and in quantities which would be obtainable if the same were being placed only for one Client.

Allocation of Investment Opportunities and Related Conflicts of Interest

The investment objectives and programs of a Fund may be similar to or overlap with, the investment objectives and proposed investment programs of other Funds or of other entities which

the principals of Caravel are involved with, therefore, certain Funds regularly compete for investment opportunities with each other and potentially with such other entities. Further, information relating to investment opportunities may be shared across the investment management teams for the different Funds. As a result, the allocation of investment opportunities gives rise to potential and actual conflicts of interest.

Allocation of Limited Investment Opportunities

In making allocation decisions with respect to limited investment opportunities that could reasonably be expected to fit the investment objectives of multiple Funds, Caravel anticipates that it may consider one or more of the following factors that it deems relevant: the expected duration of the investment in light of the Funds' investment objectives and policies (including diversification and concentration requirements), the amount of available capital, the size of the investment opportunity, regulatory and tax considerations, the degree of risk arising from an investment, the expected investment return, relative liquidity, likelihood of current income or such other factors as Caravel deems to be appropriate. These factors provide substantial discretion to Caravel in allocating investment opportunities. Further, two or more Funds may hold an investment for which there is extremely limited, or no liquidity or that is subject to legal or other restrictions on transfer. In a situation where Caravel is limited in its ability to dispose of an investment, Caravel may consider the factors described above in allocating the sale of such an investment.

If an investment opportunity is available in limited quantities, Caravel may have an incentive to allocate such investment opportunity to certain Funds rather than other Funds. For example, such an incentive may arise if the economic interests of Caravel and its principals and employees in certain of these Funds or the management and incentive fees charged, are significantly larger than their direct and indirect economic interests or fees in other Funds. Such an instance may lead to fewer, and less attractive, investment opportunities being made available to Funds than would have been the case had Caravel and its employees been restricted from pursuing investment programs on behalf of Funds. Caravel has adopted policies and procedures to ensure that clients are treated fairly and are not disadvantaged.

Please see Item 12 (under the header "Order Aggregation") for further information related to allocating liquid investment opportunities that are not limited.

ITEM 12 BROKERAGE PRACTICES

Factors Considered in Selecting or Recommending Broker-Dealers for Client Transactions

As noted previously, the Investment Adviser has full discretionary authority to manage the Funds, including authority to make decisions with respect to which securities are bought and sold, the amount and price of those securities, the brokers or dealers to be used for a particular transaction, and commissions or markups and markdowns paid. The Investment Adviser's authority is limited by its own internal policies and procedures and each Fund's investment guidelines.

In selecting an appropriate broker-dealer to effect a Client trade, the Investment Adviser seeks to obtain best execution. In addition to the price of a security offered by the broker-dealer, the

Investment Adviser also considers its full range and quality of services, including, among other things, its facilities, reliability and financial responsibility, special execution capability, presence in a local market, commission rates, responsiveness to the Investment Adviser, brokerage and research services provided to the Investment Adviser (*e.g.*, research and related services furnished by brokers may include written information and analyses concerning specific securities, companies or sectors; market, financial and economic studies and forecasts; statistical and pricing services; discussions with research personnel; databases and other news, technical and telecommunications services and equipment; periodical subscriptions, third-party research, professional fees and certain travel-related expenses utilized or incurred by the Investment Adviser in the investment management or execution process); special execution and block positioning capabilities; the availability of stocks to borrow for short trades, and clearance, settlement and custodial services. The Investment Adviser maintains policies and procedures to review the quality of execution, including periodic reviews by its investment professionals.

The Adviser may cause a higher commission to be paid to a broker or dealer that furnishes research, services or equipment than might be charged by another broker or dealer for effecting the same transaction, provided that the Adviser determines in good faith that the amount of commissions charged is reasonable in relation to the value of the brokerage and research or investment management-related services and equipment provided by such broker or dealer.

Soft Dollar Arrangements

The term “soft-dollars” refers generally to the practice by investment advisers of paying for research and brokerage services using brokerage commissions generated by the execution of trades for their clients’ or sponsored funds’ accounts. Under no circumstances shall any Caravel employee enter into any oral or written agreement providing for the specific allocation of brokerage or other execution activity in exchange for soft dollar benefits without the prior approval from Caravel.

Section 28(e) of the Securities Exchange Act of 1934 (“Exchange Act”) requires that a person exercising discretion with respect to an account must make a good-faith determination that the rate paid for brokerage services is reasonable in relation to the value of the research services provided, viewed either in terms of the particular transaction or in terms of overall responsibility with respect to accounts for which the money manager exercises investment discretion. It is thus considered compliant for the money manager to “pay up” for research services.

Although Caravel does not anticipate using soft dollars, if Caravel decides to do so in the future, Caravel would utilize only those services which would be within the safe harbor afforded by Section 28(e) of the Exchange Act such that credits generated by Caravel’s Clients will only be used to obtain investment research and brokerage services that provide lawful and appropriate assistance to Caravel in the performance of investment decision-making responsibilities.

Although Caravel does communicate trades to brokers through broker provided interfaces it currently does not have soft-dollar arrangements. Caravel may, however, receive proprietary research and brokerage services, within the meaning of Section 28(e) of the Securities Exchange Act, from certain counterparties that execute trades for Caravel’s Clients. Proprietary research generally includes access to company executives, conferences, analysis, forecasts, and in-house

research. This type of research does not have an identifiable value and is provided based on Caravel's total client trading activity or by simply opening an account. Caravel does not view such services and research as soft dollar arrangements.

Brokerage for Client Referrals

Subject to the advisors obligation to seek best execution of all transactions for its clients, the Adviser may, from time to time, consider referrals of clients or investors in determining its selection of broker-dealers. The Adviser may have an incentive to select or recommend a broker dealer based on its interest in receiving investor referrals or participating in capital introduction events, rather than on its clients' interest in receiving the most favorable execution. Directed Brokerage

Director Brokerage

The Adviser does not permit clients or investors to direct brokerage.

Order Aggregation

With respect to liquid investments, which are not generally limited in quantity, Caravel may determine that the purchase or sale of the same security or instrument is in the best interest of more than one Fund. In that case, Caravel may, but may in its sole discretion choose not to, combine or aggregate orders to the extent permitted by applicable law. When an aggregated order is executed in a series of transactions, at different prices, each Fund participating in the order will receive the average price, with transaction costs shared pro-rata based on each Fund's participation in the order.

If the aggregated order is not filled in its entirety, the securities acquired are generally allocated to Fund's accounts on a pro-rata basis. Notwithstanding the foregoing, Caravel may allocate an order on a basis other than pro-rata if, for example, a partially filled order results in a Fund receiving a de minimis allocation. Funds participating in an aggregated order generally receive the same average price or pay a pro rata share of the commissions.

In some cases, where a new Fund is formed or where a Fund has not participated in an investment opportunity when it was initially allocated, Caravel may, wherever practicable and suitable, purchase for such Fund's account investments that are the same as those already held for other existing Fund accounts; and, in such instances, allocations to such Fund's account may be given priority over accounts of Funds with pre-existing positions in such investment.

ITEM 13 REVIEW OF ACCOUNTS

The Investment Adviser performs various daily, weekly, monthly, quarterly and periodic reviews of the Funds' portfolios. Such reviews are conducted by the members of the Investment Adviser's portfolio team and Chief Financial Officer. In addition, members of the Investment Adviser's investment team may participate in portfolio reviews with the Funds' Investors.

Investors in the Funds receive a monthly statement from the Investment Adviser's respective onshore and offshore administrators documenting the performance of their Fund and the amount of their investment. Additionally, the Investment Adviser provides its investors with a quarterly commentary. The Investment Adviser may provide certain investors with information on a more frequent and detailed basis if agreed to by the Investment Adviser. The Investment Adviser generally provides annual audited financial statements to investors in the Funds within 120 days of the applicable Client's fiscal year end. In addition, the Investment Adviser issues investors tax reports and audited financial statements concerning their respective Funds within 120 days of the end of the Fund's fiscal year as well as unaudited performance information to investors on a monthly basis.

ITEM 14

CLIENT REFERRALS AND OTHER COMPENSATION

Relationships with Consultants

Our clients and prospective clients may retain investment consultants to advise them on the selection and review of investment managers. Caravel may have certain Clients that were introduced to us through consultants. These consultants or their affiliates may, in the ordinary course of their investment consulting business, recommend Caravel's investment advisory services, or otherwise place Caravel into searches or other selection processes for a particular client.

Caravel has dealings with investment consultants, both in the consultants' role as adviser for their clients and through independent business relationships. Specifically, we provide consultants with information on portfolios we manage for our mutual clients, pursuant to our clients' directions. Caravel also provides information on our investment styles to consultants, who use that information in connection with searches they conduct for their clients. Caravel may also respond to "Requests for Proposals" from prospective clients in connection with those searches.

Clients obtained from these consultants may instruct Caravel to direct some or all of their brokerage transactions to these consultants, which may also be a broker/dealer, or to the particular broker/dealers with whom they have relationships. In the alternative, Caravel may simply choose to allocate brokerage to such consultants or broker/dealers.

- Caravel may invite consultants to events or other entertainment hosted by Caravel.
- Caravel may pay registration or other fees for the opportunity to participate, along with other investment managers, in consultant-sponsored industry forums or conferences. These conferences or forums provide Caravel with the opportunity to discuss a broad variety of business topics with consultants, clients, and prospective clients.

In general, Caravel relies on each consultant to make appropriate disclosure to its clients of any conflict that the consultant may believe to exist due to its relationship with our firm

Other Relationships

From time to time, the Investment Adviser may utilize third-party placement agents who are compensated to refer investors to the Investment Adviser. Such compensation may be borne by the Investment Adviser or by the investor for referring investors to a Fund or to other investment vehicles managed by the Investment Adviser.

ITEM 15 CUSTODY

The Investment Adviser is deemed to have custody of Client funds and securities because it has the authority to obtain Client funds or securities, for example, by deducting advisory fees from a Client's account or otherwise withdrawing funds from a Client's account. Account statements related to the Clients are sent by qualified custodians to the Investment Adviser.

The Investment Adviser is subject to Rule 206(4)-2 under the Advisers Act (the "Custody Rule"). However, it is not required to comply (or is deemed to have complied) with certain requirements of the Custody Rule with respect to each Fund because it complies with the provisions of the so-called "Pooled Vehicle Annual Audit Exception", which, among other things, requires that each Fund be subject to audit at least annually by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, and requires that each Fund distribute its audited financial statements to all investors within 120 days of the end of its fiscal year. Investors who have not received audited financial statements in a timely manner should contact Caravel immediately.

ITEM 16 INVESTMENT DISCRETION

As previously noted, with respect to investment decisions and its advice to the Funds, the Investment Adviser has full discretionary authority. Such decisions are made and advice is given in accordance with the investment objectives and guidelines that are set forth in their respective offering memoranda. Individual investors in the Funds do not have the ability to impose limitations on Caravel's discretionary authority. Prospective investors are provided with an offering memorandum prior to their investment and are encouraged to carefully review the offering memorandum, along with all other relevant offering documents, and to be sure that the proposed investment is consistent with their investment goals and tolerance for risk. Prospective investors must also execute a subscription agreement, which constitutes a legal, valid and binding obligation of the investor, enforceable in accordance with its terms, and, in Flagship Onshore, EMSF Onshore and Ballast Onshore, a limited partnership agreement.

The Investment Adviser or an affiliate of the Investment Adviser entered into an investment management agreement, or similar agreement, with each Fund, pursuant to which the Investment Adviser or an affiliate of the Investment Adviser was granted discretionary trading authority.

ITEM 17 VOTING CLIENT SECURITIES

The Investment Adviser has adopted proxy voting policies and procedures that address how the Investment Adviser votes proxies. The policy is based on the principle that the Investment Adviser

and its employees have a fiduciary responsibility to the Funds and to investors. Prior to voting any proxies, a Proxy Voting Committee will determine if there are any material conflicts of interest related to the proxy in question. If no material conflict is identified, the Proxy Voting Committee will determine the manner in which to vote the proxy in question in accordance with the guidelines set forth in the Investment Adviser's compliance manual. The Investment Adviser is not required to vote every proxy and a decision not to vote should not necessarily be construed as a violation of the Investment Adviser's fiduciary obligations. The Investment Adviser shall at no time ignore or neglect its proxy voting responsibilities. However, there may be times when refraining from voting is in the Funds' best interest such as with foreign securities when the Investment Adviser's analysis of a particular proxy reveals that the cost of voting the proxy may exceed the expected benefit to the Funds.

Conflicts of interest may arise between the interests of the Clients on the one hand and the Investment Adviser or its affiliates on the other hand. If the Investment Adviser determines that it may have, or is perceived to have, a conflict of interest when voting proxies, the Investment Adviser will vote in accordance with its proxy voting policies and procedures. The Investment Adviser's investors may obtain (i) a copy of the Investment Adviser's proxy voting policies and procedures and/or (ii) information on how the Investment Adviser has voted proxies with respect to the Funds' securities by contacting the Investment Adviser's Chief Compliance Officer. Please contact Joseph Rivera, Chief Compliance Officer, at 212-994-9825 and/or via electronic mail at jrivera@caravelfund.com to request a copy of the Investment Adviser's proxy voting policies or a record of how proxies were voted on your behalf.

ITEM 18

FINANCIAL INFORMATION

The Investment Adviser is not required to include a balance sheet for its most recent fiscal year, is not aware of any financial condition reasonably likely to impair its ability to meet contractual commitments to Clients, and has not been the subject of a bankruptcy petition at any time during the past ten years.