



**ITEM 1: COVER PAGE**

**FORM ADV 2A**

**BTG Pactual Asset Management US, LLC**

601 Lexington Avenue, 57<sup>th</sup> Floor  
New York NY 10022

March 31, 2015

*This brochure provides information about the qualifications and business practices of **BTG Pactual Asset Management US, LLC** and **BTG Pactual Timberland Investment Group, LLC** (collectively "BTG" or the "Adviser"). If you have any questions about the contents of this brochure, please contact us at 212-293-4600. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or any state securities authorities. BTG may refer to itself as a "registered investment adviser" or "RIA". You should be aware that registration with the SEC or a state securities authority does not imply a certain level of skill or training. Additional information about BTG is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*



## **Item 2: Material Changes**

The last annual update of this Brochure was filed by BTG Pactual Asset Management US, LLC and BTG Pactual Timberland Investment Group, LLC (collectively “BTG”, the “Adviser” or the “Firm”) with the SEC on March 31<sup>st</sup>, 2014. There have been no material changes since the last filing of this Brochure.



- **Important Note about this Brochure**

**This Brochure is not:**

- **an offer or agreement to provide advisory services to any person**
- **an offer to sell interests (or a solicitation of an offer to purchase interests) in any Fund**
- **a complete discussion of the features, risks or conflicts associated with any Fund or Advisory Service**
- **to be relied on in determining whether to invest or establish an advisory relationship**

As required by the Investment Advisers Act of 1940, as amended (“Advisers Act”), BTG provides this Brochure to current and prospective clients and may also, in its discretion, provide this Brochure to current or prospective investors in a BTG Fund, together with other relevant offering materials (such as subscription agreements, offering memoranda, operating agreements or advisory contracts), prior to, or in connection with, such persons’ establishment or consideration of an investment advisory relationship with BTG or an investment in a BTG Fund. Additionally, this Brochure is available through the Securities and Exchange Commission’s (“SEC’s”) Investment Adviser Public Disclosure website.

Although this publicly available Brochure describes investment advisory services and products of BTG, persons who receive this Brochure (whether or not from BTG ) should be aware that it is designed solely to provide information about BTG as necessary to respond to certain disclosure obligations under the Advisers Act. As such, more complete information about each BTG Fund, as well as BTG’s investment advisory services, is included in relevant offering materials or investment management agreements, which are provided to current and eligible prospective clients or investors only by BTG or an Administrator or Placement Agent. To the extent that there is any conflict between discussions herein and similar or related discussions in any offering materials, the relevant offering materials shall govern and control.



### Item 3: Table of Contents

<b>ITEM 1: COVER PAGE.....</b>	<b>1</b>
<b>ITEM 2: MATERIAL CHANGES.....</b>	<b>2</b>
<b>ITEM 3: TABLE OF CONTENTS .....</b>	<b>4</b>
<b>ITEM 4: ADVISORY BUSINESS.....</b>	<b>6</b>
a) <i>Background.....</i>	<i>6</i>
b) <i>Advisory Services.....</i>	<i>6</i>
c) <i>Principal Investment Strategies.....</i>	<i>6</i>
d) <i>Tailored Advice and Client-Imposed Restrictions.....</i>	<i>7</i>
e) <i>Wrap Fee Disclosure .....</i>	<i>8</i>
f) <i>Assets Under Management .....</i>	<i>8</i>
<b>ITEM 5: FEES AND COMPENSATION.....</b>	<b>8</b>
a) <i>Compensation .....</i>	<i>8</i>
b) <i>Billing.....</i>	<i>9</i>
c) <i>Other Expenses .....</i>	<i>9</i>
d) <i>Sales-based Compensation .....</i>	<i>10</i>
<b>ITEM 6: PERFORMANCE BASED FEES AND SIDE-BY-SIDE MANAGEMENT .....</b>	<b>11</b>
<b>ITEM 7: TYPES OF CLIENTS.....</b>	<b>12</b>
<b>ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS .....</b>	<b>13</b>
a) <i>Methods of Analysis &amp; and Investment Strategies.....</i>	<i>13</i>
b) <i>Material Risks Associated with the Investment Strategies.....</i>	<i>14</i>
<b>ITEM 9: DISCIPLINARY INFORMATION .....</b>	<b>29</b>
a) <i>Criminal or civil action.....</i>	<i>29</i>
b) <i>Administrative proceeding.....</i>	<i>29</i>
c) <i>Self-regulatory organization (SRO) proceeding.....</i>	<i>29</i>
<b>ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS .....</b>	<b>30</b>
a) <i>Registered Broker-Dealer or Registered Representative .....</i>	<i>30</i>
b) <i>FCM, CPO, CTA or Associated Person .....</i>	<i>30</i>
c) <i>Material Business Relationships with Certain Related Persons .....</i>	<i>30</i>
d) <i>Recommendation and Selection of Other Investment Advisers .....</i>	<i>31</i>
<b>ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING.....</b>	<b>32</b>
a) <i>Code of Ethics.....</i>	<i>32</i>
b) <i>Participation or Interests in Client Transactions.....</i>	<i>32</i>
c) <i>Investment in Securities Recommended to Clients .....</i>	<i>32</i>
d) <i>Investment in Securities at or about the Same Time Recommended to Clients .....</i>	<i>32</i>
<b>ITEM 12: BROKERAGE PRACTICES .....</b>	<b>36</b>



a) Selection of Broker-Dealers.....	36
b) Soft-Dollars Arrangement.....	36
c) Brokerage for Client Referrals .....	36
d) Directed Brokerage.....	36
e) Aggregation (Bunching) of Trades .....	37
<b>ITEM 13: REVIEW OF ACCOUNTS .....</b>	<b>38</b>
a) Periodic Account Review .....	38
b) Client Reports .....	38
<b>ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION.....</b>	<b>39</b>
<b>ITEM 15: CUSTODY .....</b>	<b>40</b>
<b>ITEM 16: INVESTMENT DISCRETION .....</b>	<b>41</b>
<b>ITEM 17: VOTING CLIENT SECURITIES.....</b>	<b>42</b>
a) Proxy Voting Authority .....	42
b) Client Proxy Voting Authority .....	42
<b>ITEM 18: FINANCIAL INFORMATION OF THE ADVISER.....</b>	<b>43</b>
a) Financial Disclosures .....	43
b) Material Financial Impairment .....	43
c) Bankruptcy Petitions.....	43



## **ITEM 4: Advisory Business**

### *a) Background*

BTG Pactual Asset Management US, LLC is a New York Limited Liability Company formed in 2011 which succeeded BTG Pactual US Asset Management Corp. founded in 2008. BTG Pactual Timberland Investment Group, LLC (collectively with BTG Pactual Asset Management US, LLC, the “Firm” or “BTG”) was formed in 2013 to provide investment advisory services to funds, vehicles and managed accounts focusing on investing in timberlands. BTG is a wholly owned subsidiary of Banco BTG Pactual S.A., a Brazilian investment bank. BTG’s investment advisory business consists of the following activities: (i) acting as an advisor and sub advisor to private funds and (ii) acting as an advisor to managed accounts on both a discretionary and non-discretionary basis.

### *b) Advisory Services*

BTG is a sub adviser to the private funds managed by BTG Pactual Global Asset Management Ltd. BTG also provides both discretionary and non-discretionary investment advisory services to institutional clients on an individually segregated account basis and within its Wealth Management Group. Additionally, both BTG Pactual Timberland Investment Group, LLC (“BTG Timber”), a “relying adviser” of the Firm, and BTG Pactual Asset Management US, LLC provide investment advice to private funds, vehicles and separately managed accounts focusing on investments in timberlands. All investment advisory services are based on each Client's individual needs, stated objectives and guidelines. A robust internal compliance, operational and risk management infrastructure, the independent external audit of funds together with regular and transparent investor communication provide investors with a high level of comfort in the management of their assets.

### *c) Principal Investment Strategies*

BTG provides a wide range of both traditional and alternative investment products to both US and Non-US investors. The private funds BTG advise seek to achieve their investment objectives through the use of a diverse range of strategies. These strategies may include, but are not limited to, those focused on (i) themes related to global macroeconomic conditions and strategies targeting specific emerging markets, countries or issuers, and (ii) obtaining equity-like returns in liquid and illiquid sections through global partnership investing. The strategies that are currently part of the investment approach include, but are not limited to, fundamental equity long/short, currencies, merger arbitrage, event driven and special situations, corporate and sovereign debt, credit long/short, distressed debt trading, fixed income relative value, and mortgage and asset backed securities.



The Firm generally focuses on an “absolute return” approach to investing rather than an index approach and uses active portfolio management to achieve results. The Firm employs a dual top down and bottom up approach to identify investment opportunities. Investment decisions are based on both fundamental micro as well as macro analysis that include a review of the regional and global economic situation, asset flows and other macro indicators. In addition to its focus on emerging markets, the strategies also consider global macroeconomic themes.

BTG also provides both discretionary and non-discretionary wealth management advisory services to both high-net worth and institutional investors located in both the US and abroad. These advisory services are specifically tailored to each client’s needs and suitability.

BTG Timber is a natural resource asset management company managing high-quality carbon credits and other environmental assets derived from sustainable forest and land-use activities. BTG Timber also provides timberland asset management services. As an investment adviser and asset manager, BTG Timber is responsible for sourcing potential investments, conducting research and due diligence on potential investments, analyzing investment opportunities, structuring investments, and monitoring and managing investments on behalf of its clients. BTG Timber also provides certain administrative services to Clients or arranges for services to be provided by a third party. In general, the objective of our investment advisory services is to optimize the value of managed assets through intensive market analysis and active management.

#### *d) Tailored Advice and Client-Imposed Restrictions*

Each fund managed by BTG has its own investment objectives, strategies and restrictions. Certain BTG Funds may focus on a narrow investment strategy while others may pursue a broader investment strategy. BTG prepares offering materials with respect to each BTG Fund that contain more detailed information, including a description of the investment objectives and strategy or strategies employed and related restrictions.

While Separate Accounts may be reasonably tailored based on the individual needs of a Client, as agreed to with BTG, the BTG Funds may not be tailored to meet the individualized investment needs of any particular investor (“Investor”). An investment in a BTG Fund does not create a client-adviser relationship between BTG and an Investor. Further discussion of the strategies, investments and risks associated with a BTG Fund or Separate Account management is included in the relevant materials for each type of Client.

Clients and Investors must consider whether a particular Fund or advisory relationship is appropriate to their own circumstances based on all relevant factors including, but not limited to, the Client’s or Investor’s own investment objectives, liquidity requirements, tax situation and risk tolerance. Prospective Clients and Investors are strongly encouraged to undertake appropriate due diligence, including but not limited to a review of relevant offering materials for the Funds and the additional details about BTG’s investment strategies, methods of analysis and related risks in Item 8 of this Brochure, before making an investment decision.



*e) Wrap Fee Disclosure*

Not applicable.

*f) Assets Under Management*

As of December 31, 2014 the Adviser had \$56,889,217,740 in Regulatory Assets Under Management, all managed on a discretionary basis. The Adviser also manages \$785,280,511 on a non-discretionary basis as of December 31, 2014.

## **ITEM 5: FEES AND COMPENSATION**

*a) Compensation*

### **Funds**

Fund Management fees are generally 1.5–2% of assets under management and are, in general, payable at the beginning or after the end of each quarter. Fees are generally based on the market value of the securities and cash in the portfolio on the appraisal date of the account and with respect to the Timber Funds, include capital commitments and invested capital. The fees paid may differ based on account size, strategy and complexity. Performance fees are generally 20% of any increase of the asset value over and above a target percentage rate. All performance and management fees may vary depending upon investor, strategy and fund structure. Investment management and performance fees may be negotiable depending on product type.

Fees differ from one BTG Fund to another, as well as among Investors in the same BTG Fund. In certain cases, the rate of management fees and performance fees payable by an Investor in a BTG Fund will be lower the larger the size of the investment in such BTG Fund made by such Investor. Certain Investors share in fee income earned by BTG through a management fee offset, and to the extent such Investor is represented on an investor advisory committee which approves such fees, such interest may influence their decision as a member of such committee and create conflicts of interests with respect thereto. In the event that BTG does not provide services for the full quarterly period, the management fee is typically required to be returned on a pro rata basis to the Investors in a BTG Fund. In general, the amount of fees returned is calculated based on the number of days remaining in the applicable period.

In addition to the management fee and performance fee, BTG or its affiliate is expected to receive property management fees from the Timber Funds and accounts or their portfolio companies and fees from the Timber Funds and accounts for providing administration services in connection with money market funds managed by BTG, which are charged based on a fee template approved by the Brazil Timber Fund's investor advisory committee. A schedule of fees payable





to BTG pursuant to the fee template will be disclosed to the investor advisory committee on a quarterly basis pursuant to the governing agreement of the Brazil Timber Fund.

### **Separately Managed Account Fees**

*Wealth Management Group Segregated Accounts:* Non-discretionary Wealth Management accounts' fees are based on the revenue generated by the clients with the custodian banks. A percentage of the revenues generated will be paid by the custodian banks to BTG at the end of each quarter. For discretionary Wealth Management accounts, clients will pay a management fee to be agreed upon.

*Other Segregated Accounts:* Management fees and Performance fees for segregated accounts are negotiated on an account by account basis and will vary depending upon account size, strategy and complexity.

*Compensation, Redemption & Terminations:* Client redemptions are subject to the vehicle or form of investment in which the assets are held. Segregated account clients may redeem with written notice to BTG. Clients invested in funds traded on a foreign exchange may redeem by written notice to the Fund Administrator. Hedge Fund and other Private Fund clients are subject to redemption requirements as set forth in the Fund Prospectus which typically limit redemptions to once a Quarter with advance notice of 30 to 45 days. Advisory agreements may be terminated by either party at any time upon written notice to the other party.

#### *b) Billing*

Fees are automatically deducted from the Funds. Separate Account Clients are either billed for fees incurred or will have the fees deducted directly, depending upon the terms of the investment advisory agreement.

With respect to the BTG Funds, the management fee is generally payable at the beginning or after the end of each quarter. Investors in certain Funds who withdraw may not be refunded any portion of the management fee payable for that calendar quarter. With respect to managed accounts, management fees may be paid quarterly or monthly, in advance or in arrears, as agreed on with the Client. For Separate Accounts that are terminated prior to the end of the period, fees paid in advance will be refunded only if agreed to by the parties.

#### *c) Other Expenses*

Clients may incur other expenses separate and apart from the Firm's investment management and performance fees. These expenses typically include custody fees, trading and brokerage service fees, other transaction fees, and/or other expenses associated with the Fund or investment



vehicle in which assets are invested. The exact expenses paid by a client may be further discussed in the Funds' offering documents or other client management agreements.

*d) Sales-based Compensation*

The Adviser and its employees do not accept additional compensation for the sale of securities or other services or other investment services or products, except as described above.



## **ITEM 6: Performance Based Fees and Side-by-Side Management**

The Firm charges some clients Performance Fees, i.e. a fee based on a share of capital gains on or capital appreciation of the client's assets under management. Performance-based compensation may create an incentive for the Firm to make investments that are riskier or more speculative than would be the case in the absence of the performance-based compensation. In addition, the performance on which performance-based compensation, with respect to certain Clients, is calculated will include unrealized appreciation and depreciation of investments that may not ultimately be realized.

As discussed in more detail in Item 11, co-investment opportunities are allocated in accordance with BTG's written policies and procedures, taking into account applicable provisions of the Client's governing agreement (or investment management agreement in the case of a separate account).

In allocating investment opportunities, there could be incentives to favor Clients with higher potential performance fees or carried interest allocations over Clients with lower potential performance fees or carried interest allocations.



## **ITEM 7: TYPES OF CLIENTS**

BTG provides investment advisory services to private investment funds, organized as limited partnerships, limited liability companies, or other legal entities, in which investors are accredited investors or qualified clients. These private funds are not registered under federal securities laws and typically utilize sophisticated investment strategies and proprietary investment models.

In addition, BTG provides discretionary and non-discretionary investment advisory services to institutional clients on an individually segregated account basis and within its Wealth Management Group. The Firm's separately managed accounts may include pension funds, insurance companies, banks, foundations, endowments, trusts, estates, family offices, high-net worth individuals and other institutions. Investors in the collective investment vehicles primarily include US and non-US individuals, estates, charitable organizations, banks and corporations.

The minimum dollar amount of assets ordinarily required for the establishment of an investment advisor account is \$1,000,000. Smaller accounts may be accepted on an accommodation basis or when it is deemed likely that the minimum dollar size will be achieved within a reasonable period of time.



## ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

### *Methods of Analysis & and Investment Strategies*

A dual top-down and bottom-up approach is utilized to identify investment opportunities. Investment decisions are based on both micro and macro analysis of the local, regional and global economic environment, asset flows and other indicators. More information is provided in each Fund's offering document and client's specific investment management agreement. Investors should read the offering documents carefully before investing.

The Firm seeks to generate absolute returns for its clients by investing in a wide range of investment vehicles, including both traditional and alternative investment products. Some of these include U.S. Treasuries, ABS, Swaps, bonds, equities and U.S. RMBS (Residential Mortgage Backed Security) which may be issued and guaranteed by a U.S. government sponsored entity (GSE) or be issued by an entity other than a GSE. The Firm may also employ strategies primarily focusing on purchasing equity or equity-like securities (i.e. privately-negotiated investments in privately-held companies; privately-negotiated investments in publicly-listed companies, purchases of liquid, publicly traded equity securities; and highly negotiate, complex capital structure investments), comprising non-controlling, minority stakes in order to generate long-term capital appreciation. Clients and investors are encouraged to read the prospectus or other offering documents of each fund or investment vehicle, which contains important information about the investment strategies, methods of analysis and risks of each fund or account, before investing.

In general, BTG Timber's investment strategy involves investing on behalf of its Clients in natural resource assets, including timberland, high-quality carbon credits, and other environmental assets derived from sustainable forest and land-use activities. With respect to the timber funds and managed accounts, BTG Timber's principal investment strategy involves investments in timberland primarily located in Latin America, the United States, Europe and South Africa. Through its management and expertise, such assets are developed and cultivated to maximize the value of the investment.

BTG Timber's objective is to optimize the value of its Clients' assets through active management and market analysis. Accordingly, BTG Timber sources potential investments, conducts research and due diligence on potential investments, analyzes investment opportunities, structures investments, and monitors and manages investments on behalf of its Clients. In addition, it obtains information on our investments, including but not limited to, site quality, intrinsic and market values of environmental externalities, species growth and yield, costs of forest establishment, tending and harvesting, markets for environmental assets and wood products through its own independent research and through its contacts with industry experts.

BTG Timber prepares acquisition models which project the value of a potential investment over the anticipated length of the investment as well as targeted return for such investment. As part of its methods of analysis, it conducts due diligence to verify land title, forest area, compliance with



environmental, health and safety, employment, security and taxation laws and regulations and market assumptions.

### Material Risks Associated with the Investment Strategies

Investing in securities in general involves risk of loss that clients should be prepared to bear. Each BTG fund and separately managed account has risks which are specific to its particular investment strategies. For more information about the risks of each fund or managed account, please see the offering memorandum for that particular fund or managed account. Generally, however, investors in BTG managed funds or separately managed accounts may be exposed to the following risks:

### Risks of Investments in Securities Generally

All securities investments risk the loss of capital. No guarantee or representation is made that the investment program will be successful. The investment program may involve, without limitation, risks associated with limited diversification, leverage, interest rates, currencies, volatility, tracking risks in hedged positions, security borrowing risks in short sales, credit deterioration or default risks, systems risks and other risks inherent in the Account's or Fund's activities. Certain investment techniques of the Funds and Accounts can, in certain circumstances, magnify the impact of adverse market moves to which the Fund or Account may be subject. In addition, the Account's or Fund's investment in securities may be materially affected by conditions in the financial markets and overall economic conditions occurring globally and in particular countries or markets where the Fund or Account may invest its assets.

The Fund's and Account's methods of minimizing such risks may not accurately predict future risk exposures. Risk management techniques are based in part on the observation of historical market behavior, which may not predict market divergences that are larger than historical indicators. Also, information used to manage risks may not be accurate, complete or current, and such information may be misinterpreted.

### Emerging Markets Risks

The Funds and Accounts may invest in issuers or properties located or doing substantial business in emerging market countries. Because of less developed markets and economies and, in some countries, less mature governments and governmental institutions, the risks of investing in securities of issuers domiciled or doing substantial business in emerging market countries can be intensified. These risks include: high concentration of market capitalization and trading volume in a small number of issuers representing a limited number of industries, as well as a high concentration of investors and financial intermediaries; political and social uncertainties; overdependence on exports, especially with respect to primary commodities, making these economies vulnerable to changes in commodity prices; overburdened infrastructure and obsolete or unseasoned financial systems; environmental problems; less developed legal systems; and less reliable



custodial services and settlement practices. Investments in these markets or denominated in non-U.S. currencies also pose currency exchange risks (including blockage, devaluation and non-exchangeability) as well as a range of other potential risks which could include, depending on the country involved, expropriation, confiscatory taxation, illiquidity, price volatility and market manipulation. In addition, less information may be available regarding non-U.S. issuers and non-U.S. companies may not be subject to accounting, auditing and financial reporting standards and requirements comparable to or as uniform as those of U.S. companies. Further, non-U.S. securities markets may not be as liquid as U.S. markets. Transaction costs of investing outside the U.S. are generally higher than in the U.S. Higher costs result because of the cost of converting a foreign currency to dollars, the payment of fixed brokerage commissions on some foreign exchanges and the imposition of transfer taxes or transaction charges by non-U.S. exchanges. There is generally less government supervision and regulation of exchanges, brokers and issuers than there is in the U.S. and there is greater difficulty in taking appropriate legal action in non-U.S. courts. Non-U.S. markets also have different clearance and settlement procedures which in some markets have at times failed to keep pace with the volume of transactions, thereby creating substantial delays and settlement failures that could adversely affect the Fund's performance.

#### Market Volatility

The profitability of the Funds and Accounts depends on the Firm correctly assessing the future price movements of bonds, other financial instruments and the movements of interest rates and other market indicators. There is no guarantee that the Firm will be successful in accurately predicting those prices and interest rate movements. In particular the Funds and Accounts may be materially and adversely affected even if the Firm correctly evaluates the intrinsic or fundamental value of its portfolio investments if the overall fixed income market experiences dramatic reversals or swings in volatility. Any such market behavior will be especially difficult for a Fund or Account if it is significantly leveraged at such time or is in the process of honoring substantial withdrawals.

#### Limited Diversification

In the normal course of making investments on behalf of the Fund, the Advisor may, but is not obligated to, diversify their investments. However, the Fund's and Account's portfolios could become significantly concentrated, for example, in any one issuer, industry, sector, strategy, country or geographic region, and such concentration of risk may increase any losses suffered by the Fund or Account. In addition, it is possible that the Advisor may select investments that are concentrated in a limited number or type of financial instruments. This limited diversity could expose the Fund or Account to losses disproportionate to market movements in general if there are disproportionately greater adverse price movements in those financial instruments.

#### Leverage and Financing Risk

The Funds and Accounts may leverage its capital because the Advisor believes that the use of leverage may enable the Funds and Accounts to achieve a higher rate of return. Accordingly, the



Funds and Accounts may pledge its securities in order to borrow additional funds for investment purposes. The Funds and Accounts may also leverage its investment return with options, short sales, swaps, forwards and other derivative instruments. The amount of borrowings which the Funds and Accounts may have outstanding at any time may be substantial in relation to their capital. While leverage presents opportunities for increasing total returns, it has the effect of potentially increasing losses as well. Accordingly, any event which adversely affects the value of an investment would be magnified to the extent the investment is leveraged. The cumulative effect of the use of leverage by the Funds and Accounts in a market that moves adversely to its investments could result in a substantial loss to the Funds and Accounts, which would be greater than if the Funds and Accounts were not leveraged. In general, the anticipated use of short-term margin borrowings results in certain additional risks to the Funds and Accounts. For example, should the securities pledged to brokers to secure the Funds' and Accounts' margin accounts decline in value, the Funds and Accounts could be subject to a "margin call," pursuant to which the Funds and Accounts 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' and Accounts' assets, the Funds and Accounts might not be able to liquidate assets quickly enough to satisfy its margin requirements. The Funds and Accounts may enter into repurchase and reverse repurchase agreements. When the Funds and Accounts enters into a repurchase agreement, it "sells" securities issued by the U.S. or a non-U.S. government, or agencies thereof, to a broker-dealer or financial institution, and agrees to repurchase such securities for the price paid by the broker-dealer or financial institution, plus interest at a negotiated rate. In a reverse repurchase transaction, the Funds and Accounts "buys" securities issued by the U.S. or a non-U.S. government, or agencies thereof, from a broker-dealer or financial institution, subject to the obligation of the broker-dealer or financial institution to repurchase such securities at the price paid by the Funds and Accounts, plus interest at a negotiated rate. The use of repurchase and reverse repurchase agreements by the Funds and Accounts involves certain risks including that the seller under a reverse repurchase agreement defaults on its obligation to repurchase the underlying securities. Disposing of the security in such case may involve costs to the Funds and Accounts.

### Counterparty Risk

Some of the markets in which the Funds and Accounts 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 and Accounts 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 and Accounts 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 and Accounts has concentrated its transactions with a single or small group of counterparties. Following the bankruptcy of Lehman Brothers Holdings Inc. on September 15, 2008, there has been significant unwinding of open credit default swap positions and continued market turmoil, which has placed increased strain on the broker-dealer business model, which may create additional counterparty





risks for the Funds and Accounts. The Funds and Accounts are not restricted from dealing with any particular counterparty or from concentrating any or all of its transactions with one counterparty. Moreover, the Funds' and Accounts' internal credit functions, which evaluate the creditworthiness of its counterparties, may prove insufficient. The lack of a complete and "foolproof" evaluation of the financial capabilities of the Funds' and Accounts' counterparties and the absence of a regulated market to facilitate settlement may increase the potential for losses by the Funds and Accounts.

### Equity Securities

The Funds' and Accounts' investment portfolios may include long and short positions in equity securities of U.S. and non-U.S. listed companies. Equity securities fluctuate in value in response to many factors, including, among others, the activities and financial condition of individual companies, the business market in which individual companies compete, industry market conditions, interest rates and general economic environments. In addition, events such as the domestic and international political environments, terrorism and natural disasters, may be unforeseeable and contribute to market volatility in ways that may adversely affect investments made by the Funds and Accounts.

### Distressed Securities

The Funds and Accounts may invest in "below investment grade" securities and obligations of issuers in weak financial condition, experiencing poor operating results, having substantial capital needs or negative net worth, facing special competitive or product obsolescence problems, including companies involved in bankruptcy or other reorganization and liquidation proceedings. These securities are likely to be particularly risky investments although they also may offer the potential for correspondingly high returns. Among the risks inherent in investments in troubled entities is the fact that it frequently may be difficult to obtain information as to the true condition of such issuers. Such investments may also be adversely affected by laws relating to, among other things, fraudulent transfers and other voidable transfers or payments, lender liability and the bankruptcy court's power to disallow, reduce, subordinate or disenfranchise particular claims. Such companies' securities may be considered speculative, and the ability of such companies to pay their debts on schedule could be affected by adverse interest rate movements, changes in the general economic climate, economic factors affecting a particular industry or specific developments within such companies. In addition, there is no minimum credit standard that is a prerequisite to the Funds' and Accounts' investments in any instrument, and a significant portion of the obligations and securities in which the Funds and Accounts invests may be less than investment grade. The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial difficulties is unusually high. There is no assurance that the Advisor will correctly evaluate the value of the assets collateralizing the Funds' and Accounts' investments or the prospects for a successful reorganization or similar action. In any reorganization or liquidation proceeding relating to a company in which the Funds and Accounts invests, the Funds and Accounts may lose its entire investment, may be required to accept cash or securities with a value less than their original investment and/or may



be required to accept payment over an extended period of time. Under such circumstances, the returns generated from the Funds' and Accounts' investments may not compensate the shareholders adequately for the risks assumed. In liquidation (both in and out of bankruptcy) and other forms of corporate reorganization, there exists the risk that the reorganization either will be unsuccessful (due to, for example, failure to obtain requisite approvals), will be delayed (for example, until various liabilities, actual or contingent, have been satisfied) or will result in a distribution of cash or a new security the value of which will be less than the purchase price to the Funds and Accounts of the security in respect to which such distribution was made. In certain transactions, the Funds and Accounts may not be "hedged" against market fluctuations, or, in liquidation situations, may not accurately value the assets of the company being liquidated. This can result in losses, even if the proposed transaction is consummated.

#### *Risks Related to Investments in RMBS Positions*

RMBS are generally securities backed by mortgages on real property or interests therein having a residential use. RMBS are subject to particular risks, including a lack of standardized terms, uncertainty of payments of principal and interest, and illiquidity of secondary markets. Additional risks may be presented by the type and use of a particular residential property. Principal and interest payments on residential mortgages are uncertain and are subject to various risks, including: changes in general or local economic conditions and/or specific industry segments; declines in real estate values; availability of financing; declines in rental or occupancy rates; increases in interest rates, real estate tax rates and other operating expenses; changes in governmental rules, regulations and fiscal policies; acts of God; terrorist threats and attacks and social unrest and civil disturbances. The exercise of remedies and successful realization of liquidation proceeds relating to RMBS securities may be highly dependent on the performance of the servicer or special servicer. There may be a limited number of special servicers available, particularly those that do not have conflicts of interest.

#### *Limited Liquidity*

An investment in the Shares provides limited liquidity. Shares are not freely transferable and a Shareholder generally may only redeem its Shares upon giving at least 30 calendar day's prior written notice on the last calendar day of each calendar quarter. Further, the Board of Directors of the Feeder Fund, acting upon the recommendation of the Advisor, may suspend any one or more of (a) determination of Net Asset Value, (b) subscriptions for Shares, (c) redemptions and/or (d) payments (in whole or in part) of any amounts due to redeeming Shareholders when, among other things the disposal of part or all of the Funds' and Accounts' assets and liabilities, or the determination of Net Asset Value, in the opinion of the Board of Directors of the Feeder Fund would not be reasonably practicable or would be seriously prejudicial to the Shareholders who are not redeeming. The Board of Directors of the Funds, acting upon the recommendation of the Advisor, may postpone a Redemption Date if, among other things, the Advisor or the Board of Directors of the Fund believes that it is not reasonably practicable to value a material portion of the Fund's assets. In each case, the General Partner may make similar determinations with re-



spect to the Master Fund. The payment of redemption proceeds by the Feeder Fund is subject to the Feeder Fund's receipt of sufficient proceeds from the Master Fund. An investment in the Shares is suitable only for sophisticated investors that do not need liquidity with respect to their investment.

#### *Illiquid Portfolio Instruments*

Although not central to its investment strategy, the Funds and Accounts may invest part of its assets in investments in illiquid funds or securities, or funds or securities that do not have a readily ascertainable market value or should be held until the resolution of a special event or circumstances. The Funds and Accounts 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.

#### *Debt Securities Generally*

The Funds and Accounts expect to invest in private and government debt securities and instruments. It is likely that many of the debt instruments in which the Funds and Accounts invests may be unrated, and whether or not rated, the debt instruments may have speculative characteristics. The issuers of such instruments (including sovereign issuers) may face significant ongoing uncertainties and exposure to adverse conditions that may undermine the issuer's ability to make timely payment of interest and principal. Such instruments are regarded as predominantly speculative with respect to the issuer's capacity to pay interest and repay principal in accordance with the terms of the obligations and involve major risk exposure to adverse conditions. In addition, an economic recession could severely disrupt the market for most of these securities and may have an adverse impact on the value of such instruments. It is also likely that any such economic downturn could adversely affect the ability of the issuers of such securities to repay principal and pay interest thereon and increase the incidence of default for such securities.

#### *ABS and MBS — General*

The investment characteristics of asset-backed securities ("ABS") and mortgage-backed securities ("MBS") differ from traditional debt securities. Among the major differences are that interest and principal payments are made more frequently, usually monthly, and that the principal may be prepaid at any time because the underlying loans or other assets generally may be prepaid at any time.

### **Risks Specific to BTG Timber**

#### *Political and Economic Risks*

BTG Timber Clients' international environmental investments, including timberland, are subject to various risks incidental to investing in and/or managing businesses abroad, including a nation-



alization, expropriation or confiscatory taxation, political and economic instability, adverse regulatory changes, and diplomatic developments which could affect investments in those countries.

#### Land Ownership Restrictions in Brazil

To the extent BTG Timber's Clients seek to acquire or own forestry assets in Brazil, such assets may be subject to Brazil's foreign land ownership limitations. Brazil has maintained such limitations for many years, and Brazil's current rules date back to 1971. The current rules limit the amount of land that foreign entities may own directly and may be difficult to evaluate. BTG Timber's compliance with Brazilian law may affect its Clients' ability to own and acquire forestry assets in Brazil.

#### Currency Risk

BTG Timber's Clients' international investments are subject to exposure to currency fluctuations that could affect the return on investment. It cannot provide assurance that certain foreign countries will not impose restrictions in the future on the movement of their currencies or U.S. dollars across local borders or the convertibility of such foreign currencies to U.S. dollars. Such restrictions could limit BTG Timber's ability to make distributions and could adversely affect its Clients' rate of return.

#### Environmental and Regulatory Considerations

The environmental and forest products industry is subject to extensive environmental regulation and complex regulatory regimes that are continuing to develop and evolve. Changes to existing and developing regulations and policies could negatively impact the scarcity, liquidity, and price of and demand for BTG Timber's Client's investments, which could have a negative impact on anticipated returns to its Clients. Additional regulations may result in increased costs, reduced operating flexibility and additional capital expenditures. Further, its environmental reviews may not discover all possible environmental or regulatory issues.

#### Fire, Wind and Other Weather and Pest Damage to Assets

BTG Timber's Clients' investments in timber, and other environmental assets, are subject to a number of natural hazards, including damage by fire, wind, insects and diseases or soil infertility. Severe weather conditions and other natural disasters may also destroy or reduce productivity of environmental investments and timberland assets and may interfere with the processing and delivery of timber and environmental products.

#### Focus on Early Stage Markets

Certain of BTG Timber's Clients' investments may be in environmental or wood markets which are in their early stages and therefore have inherently greater risk than more established markets and businesses. Such investments can experience failure or substantial declines in value at any stage. There is no assurance that such investments by BTG Timber's Clients will be successful.



The regulatory and voluntary regimes under which certain environmental assets are created are in their early stages and may change significantly. These changes may adversely affect its Clients' ability to obtain profitable returns.

#### *Lack of Diversification of Investments*

Although BTG Timber intends to achieve investment diversification for its Clients, it is possible that it may identify one or more investments that would be substantial in size relative to the total amount of invested. As a consequence, the aggregate returns realized by a particular investment could be materially adversely affected by the unfavorable performance of one of these substantial investments.

#### *Restricted Nature of Investment Positions; Lack of Liquidity*

Generally, there will be no readily available market for a substantial number of BTG Timber's Clients' investments, and hence, most of its Clients' investments will be difficult to value. The markets into which certain of its Clients' investments may be sold may be extremely limited and thinly traded. Its Clients' investments in timberland and other environmental assets will be subject to numerous restrictions on transferability and resale. Because there are few participants in these markets and little trading activity among those participants, it may be difficult for our Clients' to develop derivative structures related to environmental products, limiting its Clients' ability to generate income from trading activity. Thus, BTG Timber's Clients' investments are likely to be illiquid and long-term.

#### *Competition for Environmental Assets and Timberland Investments*

Investing in environmental assets and timberland is a highly competitive enterprise. Identifying attractive timberland investments is difficult and involves a high degree of uncertainty. There can be no assurance that BTG Timber's Clients will be able to fully invest their committed capital within the commitment period for such investment or any extension thereof.

#### *Forestry Business Competition*

The forestry business is highly competitive. Competitive factors generally include price, species and grade, proximity to wood consuming facilities, ability to meet delivery requirements, availability of substitute products, and supply and demand in the relevant domestic or international market. In addition, during the term of the investment, BTG Timber's Clients may experience increasing competition from currently underutilized sources of supply and underutilized species of trees.

#### *The Cyclical Nature of Timberland Values*

Prices for standing timber have been, and in the future can be expected to be, subject to cyclical fluctuations. Accordingly, there can be no assurance that the future market value of timber will



be equal to or higher than the value currently prevailing, nor can there be any assurance that the historical long-term investment returns of timberland can be maintained.

#### Long-Term Source of Supply Contracts

As part of our marketing strategy for the sale of timber, BTG Timber may negotiate long-term supply contracts which guarantee a stable flow of timber at market prices. Such contracts may require that logs be delivered at a lower price than the prevailing spot market prices and, therefore, cause Clients to miss certain market opportunities possibly resulting in an adverse impact on such Clients short-term returns.

For a more complete discussion of the particular risks and strategy associated with investing with us, Clients and investors should refer to the applicable Offering Documents.

#### **Potential Conflicts of Interests**

Instances may arise where the interests of BTG and its affiliates conflict with the interests of a Client and its Investors. There can be no assurance that BTG will resolve any conflict of interest in a manner that is favorable to a particular Client. In addition to the conflicts of interest discussed elsewhere in this Brochure, the following discussion enumerates certain (but not all) potential conflicts of interest:

#### Relationship with BTG and Funds, Accounts and Vehicles Managed by BTG

BTG sponsors or manages other investment funds, accounts and vehicles, which it is currently investing on behalf of Investors and/or BTG, and will sponsor or manage other funds, accounts and vehicles in the future. Such funds, accounts or vehicles will from time to time make investments that would be suitable for a Client. In addition, as a financial institution with a sizeable balance sheet and sizeable principal trading operations, investment banking, asset management and advisory businesses, BTG makes investments for its own account.

BTG and/or other funds, accounts, vehicles and clients managed or advised by BTG may also enter into transactions that BTG determines may present a potential conflict of interest with transactions executed on behalf of a BTG Fund. For example, a BTG Fund may sell an investment that is simultaneously being purchased for BTG and/or other funds, accounts, vehicles and clients managed or advised by BTG. Such conflicting activities take place for a variety of reasons, including, without limitation, differing liquidity needs, risk parameters and overall investment objectives of the various accounts.

BTG and other funds, accounts, vehicles and clients managed or advised by BTG may invest in different parts of the capital structure of a company or other issuer in which a BTG Fund invests. For example, with respect to a BTG Fund's investments in certain companies, BTG and other



funds, accounts, vehicles or clients managed or advised by BTG may invest in different classes of debt issued by the same companies and/or own some or all of the equity securities of such companies. The interests of BTG and other funds, accounts, vehicles and clients managed or advised by BTG will not in all cases be aligned with a BTG Fund, which at times create actual or potential conflicts of interest or the appearance of such conflicts. In that regard, actions may be taken by BTG and other funds, accounts, vehicles or clients managed or advised by BTG that are adverse to a BTG Fund. In addition, where a BTG Fund, BTG and other funds, accounts, vehicles or clients managed or advised by BTG invest in different parts of the capital structure of a portfolio company, their respective interests could diverge significantly in the case of financial distress of the company. In addition, it is possible that in a bankruptcy proceeding a BTG Fund's interest may be subordinated or otherwise adversely affected by virtue of the involvement and actions of BTG and other funds, accounts, vehicles and clients managed or advised by BTG relating to their investments. In this circumstance, for example, if such portfolio company goes into bankruptcy, becomes insolvent or is otherwise unable to meet its payment obligations or comply with its debt covenants, conflicts of interest arise between the holders of different types of securities as to what actions the portfolio company should take. Moreover, as a consequence of BTG Pactual's status as a public company, the officers, directors, members, managers, operating executives and employees of BTG may take into account certain considerations and other factors in connection with the management of the business and affairs of a BTG Fund and its affiliates that would not necessarily be taken into account if BTG Pactual was not a public company.

Certain members of the investor advisory committee of a BTG Fund own securities of, or have various business and other relationships with, BTG and its partners, employees and affiliates, including indirectly receiving the benefit of a share of certain fees earned by BTG (which may require approval of the investor advisory committee of a BTG Fund). The presence of these other interests and relationships may influence their decisions as members of such committee and create conflicts of interests with respect thereto.

#### *No Assurance of Ability to Participate in Investment Opportunities*

Subject to the limitations set forth in the governing agreement of a BTG Fund, BTG and its affiliates advise other investment funds, accounts, vehicles, and clients having objectives similar, in whole or in part, to those of a BTG Fund, including other funds, accounts and vehicles in which BTG has an interest. BTG and its affiliates hold interests in, and/or furnishes advisory, consulting and/or management services to, other persons or entities with respect to investments similar to or different from investments of a BTG Fund. In addition, subject to certain limitations, BTG will likely form or advise one or more new investment funds, accounts, vehicles or clients which may have similar or different investment strategies than a BTG Fund. A BTG Fund will generally not have any rights to investment opportunities in relation to the rights of such other funds, accounts, vehicles or clients and to the extent of overlapping





investment objectives, opportunities could be allocated to or shared with one or more of such other funds, accounts, vehicles or clients.

*Investment Banking, Advisory and Other Client Relationships*

In the course of its investment banking or advisory business, BTG represents potential issuers, purchasers, sellers and other involved parties with respect to investments which may be suitable for a BTG Fund. In such a case, the client may require BTG to act exclusively on its behalf, thereby precluding a BTG Fund from making such investment. BTG will be under no obligation to decline such engagements in order to make the investment opportunity available to a BTG Fund. In connection with its advisory business, BTG comes into possession of information that limits its ability to engage in potential transactions, and as a result a BTG Fund's activities may be constrained. In certain sale assignments, the seller may permit a BTG Fund to act as a buyer or investor, which would raise certain conflicts of interest inherent in such a situation. BTG has long-term relationships with a significant number of corporations and their senior management. In addition, BTG advises other funds with investment objectives similar to or the same as those of a BTG Fund and strategic buyers, both of which may be in a position to compete with a BTG Fund for an investment opportunity.

BTG and its affiliates have long-term relationships with, and provide investment banking and other services to a large number of institutional clients, including private equity and hedge fund firms with whom a BTG Fund may compete. In determining whether to pursue a particular transaction on behalf of a BTG Fund, the relationships described herein will be considered by BTG, and there may be certain potential transactions which will not be pursued on behalf of a BTG Fund in view of such relationships. For example, when BTG represents a buyer seeking to make a particular investment, a BTG Fund may be precluded from making such investment. There can be no assurance that all potentially suitable investment, restructuring or disposition opportunities that come to the attention of BTG will be made available to a BTG Fund.

In addition, a BTG Fund co-invests with clients or potential clients of BTG in particular investment opportunities and the relationship with such clients could influence the decisions made by BTG with respect to such investments. Certain co-investors co-investing with a BTG Fund invests on different (and more favorable) terms to those applicable to such Fund and may have interests or requirements that conflict with and adversely impact such Fund (for example, with respect to the timing of acquisitions and dispositions or control rights). A BTG Fund may participate in investments on different and potentially less favorable terms than its co-investors if BTG deems such participation as being otherwise in such Fund's best interests. This would have an adverse impact on a BTG Fund.





### Fees Payable to BTG

BTG earns fees and other compensation from purchasers, sellers or other parties prior to or upon the closing of certain investments by a BTG Fund as compensation for services, including advice on valuing, structuring, negotiating and arranging financing for such transactions and may earn fees in connection with unconsummated transactions. Other compensation includes warrants to purchase an equity interest or other securities in the company for which the transaction is being undertaken. Generally, the management fee payable by the Brazil Timber Fund will be reduced by the net amount of cash or non-cash fees paid by a portfolio company in respect of (i) set-up or other origination fees in connection with the origination by the Brazil Timber Fund of any portfolio investment other than a follow-on investment, (ii) topping or break-up fees in connection with proposed but unconsummated portfolio investments, (iii) directors' or monitoring fees paid by a portfolio company, and (iv) commitment fees in connection with the Brazil Timber Fund's commitment to make a portfolio investment, in each case received by BTG. The portfolio companies or the Brazil Timber Fund also pay property management fees and other fees payable for services rendered to the portfolio companies by BTG or its affiliates. BTG also provides a broad range of financial services to companies in which a BTG Fund invests, including strategic and financial advisory services, interim acquisition financing and other lending, and underwriting or placement of securities, and BTG generally will be paid fees (which may include warrants or other securities) for such services. In addition, BTG acts as underwriter or placement agent in connection with an offering of securities by portfolio companies in which a BTG Fund has invested or as underwriter, placement agent or financial advisor in connection with the public or private sale of a BTG Fund's investments and BTG generally will be paid customary fees for such services. The management fee payable by Investors in the Brazil Timber Fund generally will not be reduced by any of the following types of fees received by BTG, from or with respect to portfolio companies, or otherwise: (i) commitment fees (other than in connection with the Brazil Timber Fund's commitment to make portfolio investments), financing fees, underwriting, bookrunning or placement agent fees, mergers and acquisitions advisory fees, other investment banking fees, follow-on acquisition or disposition advisory fees, restructuring fees, sales and trading commissions, interest or similar amounts earned on loans or other extensions of credit by BTG (although certain Investors share in such fee income earned by BTG through a management fee offset), (ii) fees paid pursuant to any fee template as described in the governing agreement of the Brazil Timber Fund, and (iii) any property management fees payable to BTG. Except as described herein, none of BTG's fees for any of the foregoing will be shared with a BTG Fund. The fee potential inherent in a particular investment or transaction could be viewed as an incentive for BTG to seek to refer or recommend an investment or transaction to a BTG Fund.

### Other Affiliate Transactions

A BTG Fund engages in transactions with its affiliates by purchasing portfolio investments from or through BTG as principal, or co-investing with BTG and its affiliates (including other



managed accounts, funds or vehicles of BTG) in portfolio companies, and invests in entities in which BTG or its affiliates hold material investments. BTG has established policies and procedures to comply with the Advisers Act when engaging in principal transactions with a BTG Fund. In particular, following any closing of subscriptions for interests in a BTG Fund, such Fund could purchase from BTG investments in companies that have been previously made by BTG and that are within such Fund's investment objectives. BTG may, in its discretion, transfer some or all of such investments to a BTG Fund at cost plus the carrying cost, notwithstanding that the fair market value of such investments may have declined below or increased above cost as of the time of such transfer. Details of any such transaction typically are disclosed in the offering documents of a BTG Fund. A BTG Fund also may make portfolio investments where BTG or a BTG Fund has entered into an agreement or an agreement in principle with a potential portfolio company, in each case prior to the final closing of such BTG Fund. Any such transaction will be made only on terms, including the consideration to be paid, that are determined by BTG to be appropriate for the BTG Fund. Principal transactions may occur after a BTG Fund has held an initial closing. In those cases, a BTG Fund, acting through an investor advisory committee or a majority in interest of its Investors, must receive notice of the transaction and consent to the transaction prior to BTG or an affiliate settling the principal transaction. An investor advisory committee is typically established for a BTG Fund to, among other things, receive notice of, advise on and provide consent to certain conflicts of interest matters, such as principal transactions.

Conflicts of interest may arise in connection with any co-investment or other affiliate transactions (including with respect to the timing, structuring and terms of such investment and its disposition). In addition, conflicts may arise in determining the amount of an investment, if any, to be allocated among potential investors and the respective terms thereof. There can be no assurance that the return on a BTG Fund's investment will be equivalent to or better than the returns obtained by such other affiliates participating in the transaction. Further conflicts could arise once a BTG Fund and other affiliates have made their respective investments. If additional financing is necessary as a result of financial or other difficulties, it may not be in the best interests of a BTG Fund to provide such additional financing.

From time to time BTG provides interim acquisition financing or other forms of credit in connection with an investment by, or otherwise act as a lender to, a company in which a BTG Fund invests. A BTG Fund, or its portfolio companies, also directly or indirectly borrow money from BTG from time to time. In addition, a BTG Fund and portfolio companies also participate as a counterparty with or as a counterparty to BTG or an investment vehicle formed by it in connection with currency and interest rate hedging, derivatives (including but not limited to swaps and forwards of all types) and other transactions. By executing a subscription agreement for interests in a BTG Fund, an Investor will consent to all such counterparty transactions with BTG. It is possible that BTG's interests as a lender or counterparty conflict with those of a BTG Fund and the interests of its Investors. There is no assurance that such conflicts of interest will be



resolved in favor of a BTG Fund. BTG may encounter conflicts where, for example, a decision regarding the acquisition, holding or disposition of an investment is considered attractive or advantageous for a BTG Fund yet poses a risk of economic loss of principal to BTG as lender or counterparty. If such conflicts arise, potential investors should be aware that certain business units of BTG may act to protect BTG's own interests as a lender or counterparty ahead of a BTG Fund's investment interests.

In connection with selling investments by way of a public offering, BTG at times act as the managing underwriter or a member of the underwriting syndicate on a firm commitment basis and purchase securities from a BTG Fund. BTG also, on behalf of a BTG Fund, effects transactions where BTG is also acting as a broker on the other side of the same transaction. BTG receives commissions from such agency cross-transactions, and has a potential conflict of interest regarding a BTG Fund and the other parties to those transactions. Moreover, a BTG Fund may execute the purchase and sale of securities through BTG as agent and may pay commissions to BTG. BTG retains any commissions, remuneration, or other profits which may be made in such transactions. Sales of securities for the account of a BTG Fund may be bunched or aggregated with orders for other accounts of BTG, including other investment partnerships. It is frequently not possible to receive the same price or execution on the entire volume of securities sold, and the various prices may be averaged which may be disadvantageous to a BTG Fund. BTG will approve any such transactions in which BTG acts as an underwriter, as broker for a BTG Fund, or as broker or advisor on the other side of a transaction with a BTG Fund or bunches or aggregates transactions with others only where it believes such transactions are appropriate for such BTG Fund and, by executing a subscription agreement for interests in a BTG Fund, Investors will consent to all such transactions, along with the other transactions involving conflicts of interest described in the offering documents with respect to such BTG Fund, to the fullest extent permitted by law. In addition, from time to time, BTG may seek to effect a purchase or sale of an investment between a BTG Fund and one or more other funds, accounts and vehicles managed by BTG. BTG may cause such transactions to be effected without such prior consent (including without the consent of any investor advisory committee) to the extent permitted by applicable law.

### Side Letters

BTG enters into side letters or other similar agreements with particular Investors with respect to a BTG Fund without the approval of any other Investor, which has the effect of establishing rights under, altering or supplementing, the terms of the governing agreement and subscription agreement of a BTG Fund with respect to such Investor in a manner more favorable to such Investor than those applicable to other Investors. Such rights or terms in any such side letter or other similar agreement include, without limitation, (i) excuse or exclusion rights applicable to portfolio investments or transfer or withdrawal rights with respect to a BTG Fund, including without limitation, as a result of an Investor's specific policies or certain violations of federal,



state or non-U.S. laws, rules or regulations, such as so-called “pay-to-play” rules with respect to public pension plan investors, (which may materially increase the percentage interest of other Investors in, and their contribution obligations, for future investments and expenses, and reduce the overall size of a BTG Fund), (ii) additional or modified reporting obligations of BTG and its managed Fund, (iii) waiver of certain confidentiality obligations, (iv) prior consent of BTG to, or facilitation of, certain transfers by such Investor, (v) rights or terms necessary in light of particular legal, regulatory or policy characteristics of an Investor, (vi) certain adjustments with respect to economic terms and privileges (including potential mandatory waiver of compensation as a result of certain violations of law with regard to public pension plan investors and inclusion of different types of fee income in the calculation of the management fee offset with respect to certain Investors), (vii) additional obligations and restrictions of BTG and its managed Fund with respect to the structuring of any portfolio investment in light of the legal, tax and regulatory considerations of particular Investors, (viii) priority co-investment rights and preferred co-investment terms, (ix) agreements to assist with the taking or defending of tax positions, (x) certain extensions or other adjustments with respect to time periods for making capital contributions or other deadlines set forth in the governing agreement of a BTG Fund, and (xi) certain restrictions on BTG with respect to the exercise of its discretion on certain matters, including amendments, exercising default remedies, waiving confidentiality or terms and allocation of co-investment opportunities.

### Service Providers

Certain advisors and other service providers, or their affiliates, (including accountants, developers, property managers, administrators, lenders, bankers, brokers, attorneys, consultants, investment or commercial banking firms and certain other advisors and agents) to a BTG Fund and its portfolio companies may also provide goods or services to or have business, personal, political, financial or other relationships with BTG. Such advisors and service providers may be investors in a BTG Fund, affiliates of BTG, sources of investment opportunities or co-investors or counterparties therewith. These relationships may influence BTG in deciding whether to select or recommend such a service provider to perform services for a BTG Fund and its portfolio companies (the cost of which will generally be borne directly or indirectly by such BTG Fund or such portfolio company, as applicable). Notwithstanding the foregoing, investment transactions for a BTG Fund that require the use of a service provider will generally be allocated to service providers on the basis of BTG’s judgment as to best execution, the evaluation of which includes, among other considerations, such service provider’s provision of certain investment-related services and research that BTG believes to be of benefit to the BTG Fund. In certain circumstances, advisors and service providers, or their affiliates, may charge different rates or have different arrangements for services provided to BTG or its affiliates as compared to services provided to a BTG Fund and its portfolio companies, which may result in more favorable rates or arrangements than those payable by a BTG Fund or such portfolio companies.



## ITEM 9: DISCIPLINARY INFORMATION

The Firm and its supervised persons have not been involved in any legal or disciplinary events that are material to a client's or potential client's evaluation of our advisory business or the integrity of the Firm's management. However, the Firm has disclosed administrative proceedings against certain of its Advisory Affiliates in Item 11 of Part 1 of its ADV filing.

*a) Criminal or civil action*

- None

*b) Administrative proceeding*

- None

*c) Self-regulatory organization (SRO) proceeding*

- None



## ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

The Firm is associated with the following related persons. However, we have determined that none of the below associations create conflict of interest for the Firm's clients.

*a) Registered Broker-Dealer or Registered Representative*

Not Applicable

*b) FCM, CPO, CTA or Associated Person*

Not Applicable

*c) Material Business Relationships with Certain Related Persons*

1. BTG is affiliated through common control with the following entities that act as General Partners of funds advised by BTG:

- BTG Pactual GEMM GP Ltd.
- BTG Pactual Distressed Mortgage G.P. Ltd.
- BTG Pactual Carry LP
- BTG Pactual GEO GP Ltd

2. BTG is affiliated with BTG Pactual Global Asset Management Ltd, an investment adviser that acts as the primary adviser of fund portfolios sub-advised by BTG. BTG Pactual Global Asset Management Ltd is a registered Commodity Pool Operator with the US National Futures Association.

3. BTG is affiliated through common ownership with the following entities' broker-dealers services.

- BTG Pactual US Capital LLC
- BTG Pactual CTVM SA
- BTG Pactual Corretora de Mercadoria Ltda
- BTG Pactual Europe LLP
- BTG Pactual Asia Limited
- BTG Pactual SA Comisionista de Bolsa
- Celfin Capital SA Corredores de Bolsa
- Celfin Capital SA SAB
- Celfin Capital SA Sociedad Comisionista de Bolsa



4. BTG is affiliated through common ownership with the following entities that provide investment advisory services:

- BTG Pactual Asia Ltd
- BTG Pactual Asset Management S.A. DTVM
- BTG Pactual Europe LLP
- BTG Pactual Gestora De Recursos LTDA
- BTG Pactual Timberland Investment Group, LLC

*d) Recommendation and Selection of Other Investment Advisers*

Not applicable.



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

### *a) Code of Ethics*

BTG has adopted a Code of Ethics in compliance with 204A-1 in reference to the firm's controls over personal trading that sets forth the governing ethical standards and principles of the Adviser. It also describes BTG's policies regarding the protection of confidential information, including the review of the personal securities accounts of certain personnel of BTG for evidence of manipulative trading, trading ahead of clients, insider trading, trading restrictions, training of personnel and record-keeping. Clients or prospective clients may obtain a copy of the Code of Ethics by contacting us by e-mail at [funds@btgpactual.com](mailto:funds@btgpactual.com).

### *b) Participation or Interests in Client Transactions*

BTG, its officers, members and employees may invest in certain funds for which the Firm serves as investment manager or adviser. Besides owning interests in the same funds, however, no person related with the Firm is permitted to buy from, sell to, borrow from or lend to a client.

### *c) Investment in Securities Recommended to Clients*

Supervised Persons are specifically prohibited from using their knowledge about pending transactions or investments currently being considered for personal profit, including by purchasing or selling such securities directly or indirectly. Further, as noted above, all Access Persons (as defined in the Code of Ethics, and which includes Supervised Persons meeting certain further criteria), provide quarterly transactions reports detailing personal securities transactions. Such reports will be reviewed by the CCO or the CCO's designee to ensure compliance with the Code.

The Firm's Code of Ethics requires each officer and employee of the Firm with access to clients investments or portfolio information (each an "Access Person") to report at least quarterly theirs and their immediate family member's securities transactions and their securities holdings annually. The Firm's Chief Compliance Officer monitors the trading activity of the Firm's personnel in order to prevent violations of the Code of Ethics.

### *d) Investment in Securities at or about the Same Time Recommended to Clients*

See Part 11(c) above.

### *e) Allocation of Investments*

BTG will, from time to time, be presented with investment opportunities that fall within the investment objective of a Client, the investment objectives of BTG as a principal investor, and/or the investment objectives of other investment funds, accounts, vehicles and clients sponsored,





managed or advised by BTG. Not all investments which are within the primary investment focus of a BTG Fund will be allocated to a BTG Fund, and the governing agreement of a BTG Fund allows BTG to make such investments away from such BTG Fund, or allocate them to others, in certain circumstances. Investments determined to be outside a BTG Fund's primary investment focus as well as investments that are determined in good faith by BTG are not suitable for such Fund may be made away from such Fund.

BTG has established trade allocation policies and procedures addressing BTG's duties to allocate investment opportunities among Clients on a basis that BTG determines in good faith is appropriate or desirable in its sole discretion. Most investment opportunities that satisfy the investment parameters of a particular Client will be allocated exclusively to that particular Client. In certain cases, however, an investment opportunity may be appropriate for more than one Client. If an investment opportunity will be allocated, BTG will, to the extent practicable, determine that the allocation is made on a basis that BTG determines in good faith is appropriate or desirable in its sole discretion taking into account the relevant facts and circumstances and parameters of the governing documents of the investment fund advised by BTG (or investment management agreement in the case of a separately managed account), the nature and extent of involvement in the transaction on the part of the respective teams of investment professionals for each such Client, legal, tax and regulatory matters, portfolio diversification concerns, the specific nature of the investment, the risk-return profile of the investment, client relationships, the source of the investment opportunity, its contractual and legal obligations to BTG's security-holders and its other managed vehicles, accounts, clients and investors and the nature of their investment focus, its investment allocation policies and procedures, the relative amounts of capital available for investment, the participation by strategic co-investors and other considerations deemed relevant by BTG. The outcome of this determination may result in the allocation of all of an investment opportunity to a BTG Fund, or may result in such Fund co-investing alongside BTG and/or other funds, accounts, vehicles, strategic investors or clients managed or advised by BTG and other co-investors, in either the same or different parts of the portfolio company's capital structure. Allocation of identified investment opportunities among a BTG Fund, BTG and other funds, accounts, vehicles, strategic investors and clients managed or advised by BTG and other co-investors presents inherent conflicts of interest where demand exceeds available supply. Investors should note that the conflicts inherent in making such allocation decisions may not always be resolved to the advantage of the Client. As a result of the foregoing, not all amounts available to a BTG Fund or to BTG relating to an investment opportunity will be presented to such BTG Fund. In certain situations, participation of multiple Clients in a single transaction may require consent of the investor advisory committee or the investors of the participating Clients (or duly appointed representative in the case of a Separate Account). Allocation decisions are periodically reviewed to determine such decisions are made on a basis that BTG determines in good faith is appropriate or desirable in its sole discretion. BTG's policies prohibit the allocation of investment opportunities based on anticipated compensation or profits to the Firm, any affiliates or their professionals.

BTG permits one or more strategic investors to invest in transactions in which a Client invests if BTG determines in good faith that their investment would be beneficial in consummating such Client's investment (including where an investor can invest or commit to invest a signifi-



cant amount of capital in a short period of time), successfully operating the portfolio company or its assets, disposing of the investment or otherwise adding value to the investment because of certain skills or attributes of the strategic investor.

BTG may in its sole and absolute discretion give investors in a Client or third parties the opportunity to co-invest in a particular investment, including where BTG determines a portion of the equity required would unreasonably limit diversification of a Client. Subject to BTG's allocation policies and the governing agreement of a BTG Fund, in general, (i) certain Investors in a BTG Fund have a right to participate in any co-investment opportunity pursuant to their side letter, (ii) decisions regarding whether and to whom else to offer co-investment opportunities are made in the sole discretion of BTG or other participants in the applicable transactions, (iii) co-investment opportunities may, and typically will, be offered to some and not other Investors in a BTG Fund, (iv) certain persons other than investors in a BTG Fund may be offered co-investment opportunities, in the sole discretion of BTG, and (v) co-investors may purchase their interests in a portfolio company at the same time as a BTG Fund or may purchase their interests from a BTG Fund after such BTG Fund has consummated its investment in the portfolio company (also known as a post-closing sell down or transfer). As a general matter, BTG, in determining the allocation of co-investment opportunities, generally expects to take into account various facts and circumstances BTG deems relevant, including among others, whether a potential co-investor has expressed interest in evaluating co-investment opportunities, whether a potential co-investor has a history of participating in co-investment opportunities with BTG, the size of the potential co-investor's interest to be held in the underlying portfolio company as a result of a BTG Fund's investment (which is likely to be based on the size of the potential investor's capital commitment and/or investment in a BTG Fund), whether the potential co-investor has demonstrated a long-term or continuing commitment to the potential success of BTG, a BTG Fund, or other co-investment and/or other Clients, and such other factors that BTG deems relevant under the circumstances. The allocation of co-investment opportunities may involve a benefit to BTG including, without limitation, fees or carried interest from the co-investment opportunity and capital commitments to BTG Funds. Investors in Clients are not entitled to be offered any co-investment opportunity by virtue of their investment in a particular Client. The Client may bridge such investments until capital is called from co-investors. Any capital returned from such a bridge will generally be treated as not having been contributed for purposes of a Client's governing documents. The performance of co-investments is not aggregated with that of any Client, including for purposes of determining the calculation of performance fees or management fees. BTG may or may not charge management fees, one-time funding fees and/or performance fees in respect of co-investments, as it determines in its sole discretion. As discussed in Item 8, Methods of Analysis, Investment Strategies and Risk of Loss – Potential Conflicts of Interest – Side Letters, BTG enters into side letters or other similar agreements with certain Investors in connection with their admission to a BTG Fund which includes special rights with respect to co-investment.

Pursuant to the foregoing, all or a portion of any investment opportunity within the investment objective of a Client may be allocated to other funds, accounts or vehicles advised or sponsored by BTG. BTG's exercise of its discretion in allocating investment opportunities with respect to a particular investment among various Clients may not, and often will not, result in proportional



allocations among such Clients, and such allocations may be more or less advantageous to some Clients relative to other Clients. There can be no assurance that a Client's actual allocation of an investment opportunity, if any, or the terms on which that allocation is made will be as favorable as they would be if the conflicts of interest to which BTG may be subject, discussed herein, did not exist.



## ITEM 12: BROKERAGE PRACTICES

### *a) Selection of Broker-Dealers*

The Firm has no obligation to deal with any particular broker-dealer in the execution of transactions for its clients. In selecting broker-dealers with whom to place orders for purchases and sales of securities on behalf of our clients, the Firm's primary objective is to obtain best price and execution – that is, prompt, errorless, execution of orders at the most favorable prices reasonably obtainable. In doing so, the Firm considers a number of factors, including, without limitation:

- the overall direct net economic result to the client (including commissions, which may not be the lowest available but which ordinarily will not be higher than the generally prevailing competitive range),
- the financial strength of the broker-dealer,
- the reputation and stability of the broker,
- the efficiency with which transactions are generally executed,
- the ability to effect the particular transaction,
- the availability of the broker-dealer to stand ready to execute difficult transactions in the future, and
- other matters involved in the receipt of brokerage and research services.

BTG will also consider the quality of firms with which it seeks to execute client orders, the adequacy of lines of communication, timeliness of reports of order execution, the capacity to accommodate unusual trading volume and the preservation of client anonymity, among other factors.

### *b) Soft-Dollars Arrangement*

The Firm may pay higher commissions or direct trading business to a particular broker-dealer in order to receive research or other services (a practice known as "soft dollar arrangement"). All of the Firm's soft-dollar arrangements meet the requirements of the Section 28(e) safe harbor.

### *c) Brokerage for Client Referrals*

The Firm does not consider, in selecting or recommending a broker dealer, whether the Firm or a related person receives client referrals from that broker-dealer.

### *d) Directed Brokerage*

Clients may recommend that we use their preferred broker-dealer(s). The Firm may agree to use such broker-dealer(s) subject to our determination that said broker-dealer provides best execution



of client transactions.

With regards to the Firm's Wealth Management discretionary accounts, the Firm may accept clients who direct us to execute transactions through a specified broker-dealer. In such cases, we may be unable to achieve the most favorable execution of client transactions. Directing brokerage may cost clients more money, such as in the form of higher commission and other fees. For example, in a directed brokerage account, a client may receive less favorable prices on securities, or a client may pay higher brokerage commissions because the Firm may not be able to aggregate (bunch) orders to reduce transaction costs.

The Firm does not require that any client direct all of its brokerage to or through a specified broker-dealer. However, for certain Wealth Management discretionary accounts, the Firm may recommend that a client direct its brokerage through a broker, which in some cases may be an affiliate of the Firm. The Firm will make such a recommendation only when it believes that the broker's execution quality and overall services is adequate, its overall commission and fee rates are reasonable, and the costs represent the usual and customary rates in the industry for comparable services. Such rates will usually reflect that trades are broker-assisted trades, and rates may not be comparable if they relate to services that are not comparable. For example, such rates will not be as inexpensive as using a discount broker. In some cases, the Firm may recommend, or a client may select, directing brokerage through a broker that is affiliated with the Firm. Such directed brokerage creates a material conflict of interest for the Firm. That is, the Firm may be reluctant to recommend unaffiliated brokers and has an incentive to recommend that a client direct its brokerage to the Firm's affiliated brokers, because the Firm or its affiliate would likely receive greater economic benefits from such arrangement compared with other brokerage arrangements. The Firm has adopted policies and procedures to address or mitigate this conflict of interest, including evaluating each direct brokerage arrangement that it may recommend, considering the commission and fee rates, assessing the suitability of such an arrangement for the specific client, making disclosures to clients, and periodically reviewing the quality of execution. Such rates and fees will not necessarily be as low as those available to the other categories of the affiliated broker's other brokerage clients, such as large-volume traders. Clients should be aware that other brokerage options are available.

#### *d) Aggregation (Bunching) of Trades*

Securities transactions in investment advisory accounts are normally implemented on a consistent basis across accounts. In order to accomplish this, orders are aggregated (bunched) and allocated in accordance with the Firm's Trade Allocation Policy, designed to ensure fair treatment between clients in respect to executed trades. In addition to considerations of equity, bunching avoids placing competing orders, improves order management, and may, because of larger order size, permit some degree of price improvement relative to a series of individually placed orders. The Firm may aggregate client orders for execution where it believes it is in the best interests of clients to do so.



## ITEM 13: REVIEW OF ACCOUNTS

### *a) Periodic Account Review*

The Adviser has detailed knowledge of the investments in each Fund or Account. The Investment professionals managing the funds formally and informally meet frequently to review the performance of each portfolio Fund and Account and to ensure that transactions are within the parameters of the various investment mandate. The Compliance and Operations departments also frequently review the portfolios of each Fund or Account.

Wealth management client portfolios, both discretionary and non-discretionary, also receive regular reviews by the heads of the Wealth Management, respective account managers and the Compliance and Operations departments.

### *b) Client Reports*

All Clients receive or have the option to receive monthly or quarterly reports. Wealth management clients have access to their portfolio provided by their custodian banks and also have the option of receiving monthly reports from the Firm or more frequent access through an internet client portal.

Fund Investors will receive reports as disclosed in the offering memoranda of each Fund. Audited Financial Statements are sent to Fund investors within either 90 or 120 days of the financial year end, depending upon the Fund's requirements.



#### **ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION**

The Firm does not engage third-party marketers or solicitors to refer investors or potential clients, except for clients to its Timber Funds. For certain Timber Funds, the Firm has historically engaged a 3<sup>rd</sup>-party solicitor to refer clients to BTG's Timber Funds. As compensation for its services, the solicitor will receive a portion of the investor's fees paid to the Adviser. The solicitation agreement complies with the conditions and requirements of Rule 206(4)-3 under the Investment Advisers Act of 1940.



## **ITEM 15: CUSTODY**

Due to certain arrangements, BTG may be deemed to have “custody” of the BTG Fund assets within the meaning of Rule 206(4)-2 under the Advisers Act.

BTG does not have custody of non-discretionary wealth management separate accounts within the meaning of Rule 206(4)-2 under the Advisers Act. Custodians send clients account statements and all clients should review these statements carefully and should immediately contact BTG if account statements are not received from the custodian on at least a quarterly basis. To the extent BTG, pursuant to the relevant advisory contract or otherwise, separately provides reports or account statements, Clients should compare BTG’s statements carefully to the account statements received from the custodian. If there are any discrepancies between the account statements, please contact the Firm immediately.

Clients and fund investors receive account statements directly from a qualified custodian and are encouraged to review those accounts statements received from the custodian. In addition the Firm’s funds are generally (1) audited at least annually and (2) the audited financial statements are prepared and distributed to all investors in accordance with the 206(4)-2.





## **ITEM 16: INVESTMENT DISCRETION**

The Firm manages both fund and managed account assets on a discretionary basis with the authority to determine what investments are made, as well as when and how they are made. The Firm provides investment advice to Wealth Management clients on both a discretionary and non-discretionary basis.



## **ITEM 17: VOTING CLIENT SECURITIES**

### *a) Proxy Voting Authority*

The Securities Exchange Commission adopted Rule 206(4)-6 under the Investment Advisers Act of 1940, which requires registered investment advisers that exercise voting authority over client securities to implement proxy voting policies. In accordance with such rules, BTG has adopted proxy voting policies and procedures. The proxy voting procedures are designed to ensure that proxies are voted in the best interest of BTG's Investors and no conflicts of interest exist. Votes on all matters are determined on a case-by-case basis and consideration is given to both the short and long term implication of the proposal to be voted on. Upon request, BTG will provide a copy of its proxy voting policies and procedures and information on how the proxies were voted upon request

### *b) Client Proxy Voting Authority*

BTG operates a policy of exercising proxy votes for clients as permitted within client agreements. Voting policy is undertaken at all times in the best interests of clients and for their benefit. A copy of the full proxy voting policy is available upon request.



## **ITEM 18: FINANCIAL INFORMATION OF THE ADVISER**

No financial events have occurred to BTG that would negatively affect the financial viability of the Firm. There is no financial condition of BTG that is reasonably likely to impair BTG's ability to meet contractual commitments to clients.

*a) Financial Disclosures*

Not Applicable.

*b) Material Financial Impairment*

Not Applicable.

*c) Bankruptcy Petitions*

Not Applicable.