

ITEM 1  
COVER PAGE

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PART 2A OF FORM ADV: FIRM BROCHURE

DABROES MANAGEMENT LP

**March 2015**

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*This brochure (this "Brochure") provides information about the qualifications and business practices of Dabroes Management LP (the "Investment Adviser"). If you have any questions about the contents of this Brochure, please contact us at (212) 407-7500 or mabel@dabroes.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority.*

*The Investment Adviser is registered as an investment adviser with the SEC. Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.*

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

## ITEM 2

### MATERIAL CHANGES

The Investment Adviser is required to identify and discuss any material changes made to its Brochure since its last filing, which was filed on August 22, 2014. Since its last filing, the Investment Adviser has not made any material updates to its Brochure; however it has updated some sections of its Brochure. Please review this Brochure carefully and in its entirety.

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## ITEM 4 ADVISORY BUSINESS

### A. General Description of Advisory Firm.

The Investment Adviser, a Delaware limited partnership, commenced operations in 2008 with offices in New York, Israel, and London. Jack Eisenstat and Abe Eisenstat (each, a "Principal Owner") are the principal owners of the Investment Adviser and control the Investment Adviser.

### B. Description of Advisory Services.

#### 1. **Advisory Services**

The Investment Adviser serves as the management company with discretionary trading authority to private pooled investment vehicles, the securities of which are offered to investors on a private placement basis, including (1) Dabroes Investment Fund LP, a Delaware limited partnership (the "Domestic Fund"), and (2) Dabroes Offshore Investment Fund Ltd., a Cayman Islands exempted company (the "Offshore Fund", and together with the Domestic Fund, the "Feeder Funds"). The Domestic Fund and the Offshore Fund invest all of their investible assets through a "master-feeder" structure in Dabroes Investment Master Fund L.P., a Cayman Islands exempted limited partnership (the "Master Fund"). The Offshore Fund invests in the Master Fund indirectly through Dabroes Investment Intermediate Fund L.P., a Cayman Islands exempted limited partnership (the "Intermediate Fund"). The Investment Adviser serves as the management company with discretionary trading authority to the Master Fund. In addition, the Investment Adviser serves as an investment adviser with discretionary trading authority over, and also provides discretionary advisory services to, P Dabroes Ltd., a business company with limited liability formed under the laws of the British Virgin Islands ("P Dabroes", collectively with the Feeder Funds, the Master Fund and the Intermediate Fund, the "Funds").

As used herein, the term "client" generally refers to each Fund and each beneficial owner of a Managed Account.

#### 2. **Investment Strategies and Types of Investments**

The Investment Adviser's principal investment objective is to achieve risk-adjusted capital growth primarily through investments in European equity securities and other equity related instruments. The Investment Adviser also may make investments in bonds or other fixed-income securities issued by private issuers or governmental entities. To increase the performance potential of clients while mitigating general market risk, the Investment Adviser may employ a hedged approach by taking short positions, as well as long positions, in equity securities and other equity related instruments.

*The descriptions set forth in this Brochure of specific advisory services that the Investment Adviser offers to clients, and investment strategies pursued and investments made by the Investment Adviser on behalf of its clients, should not be understood to limit in any way the Investment Adviser's investment activities. The Investment Adviser may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this Brochure, that the Investment Adviser considers appropriate, subject to*

*each client's investment objectives and guidelines. The investment strategies the Investment Adviser pursues are speculative and entail substantial risks. Clients should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any client will be achieved.*

C. Availability of Customized Services for Individual Clients.

The Investment Adviser's investment decisions and advice with respect to each Fund are subject to each Fund's investment objectives and guidelines, as set forth in its offering documents.

D. Assets Under Management.

The Investment Adviser manages approximately \$675 million as of December 31, 2014 on a discretionary basis. As of December 31, 2014, the Investment Adviser does not manage any assets on a non-discretionary basis.

## ITEM 5 FEES AND COMPENSATION

### A. Advisory Fees and Compensation.

The fees applicable to each Fund are set forth in detail in each Fund's offering documents. A brief summary of such fees is provided below.

#### Management Fee

Generally, the Funds pay the Investment Adviser (either directly or through a master-feeder arrangement) a fee for investment management services (the "Management Fee") for each fiscal quarter equal to between 0.375% (1.5% per annum) and 0.5% (2% per annum) of the beginning net asset value of the applicable Fund's capital account at the beginning of the fiscal quarter. The Management Fees for the Domestic Fund and the Offshore fund are calculated and paid in advance, and the Management Fee for P Dabroes is calculated and paid in arrears.

Management Fees for the Funds are prorated for any capital contribution or withdrawal/redemption by an investor that is effective other than as of the first day of a quarter. For the Domestic and Offshore Funds, in the event of a withdrawal and/or redemption by an investor other than as of the last day of a quarter, the Investment Adviser or Fund General Partner (as applicable) will pay to the applicable Fund an amount equal to the pro rata portion of the Management Fee, based on the actual number of days remaining in such quarter, and the applicable Fund will distribute such amount to the withdrawing or redeeming investor. With respect to P Dabroes, in the event of a redemption of the shares in the Fund other than as of the last day of a month, the Management Fee accrued with respect to the amount withdrawn will be prorated based on the number of days elapsed in that month prior to redemption. In the sole discretion of the Investment Adviser or the Domestic Fund's general partner, an affiliate of the Investment Adviser (the "Fund General Partner"), as applicable, the Management Fee may be waived, reduced or calculated differently with respect to a Fund.

#### Performance Compensation

Generally, at the end of each fiscal year of the Funds, the Fund General Partner or Investment Adviser (as applicable) is entitled to an incentive allocation (the "Performance Compensation") in an amount equal to 20% of the net capital appreciation (which includes both realized gains and losses and unrealized appreciation and depreciation of securities held in the applicable Fund's portfolio) allocated to an investor's capital account (or series of shares, as applicable) for such fiscal year after deducting the Management Fee attributable to such investor's capital account or series of shares, as applicable, for such fiscal year, subject to a loss carryforward mechanism. With respect to the Offshore Fund, the Performance Compensation is allocated to an affiliate of the Investment Adviser in its capacity as general partner of the Intermediate Fund, in which the Offshore Fund invests substantially all of its assets.

The Performance Compensation may be made at times other than at the end of each fiscal year to account for complete or partial withdrawals and/or redemptions of shares. In the sole discretion of the Investment Adviser or Fund General Partner (as applicable), the

Performance Compensation may be waived, reduced or calculated differently with respect to certain investors.

**B. Payment of Fees.**

Fees and compensation paid to the Investment Adviser or its affiliates by the Funds are generally deducted or reallocated from the assets of such clients. As discussed above, Management Fees are generally deducted on a quarterly basis and Performance Compensation is generally reallocated on an annual basis.

**C. Additional Fees and Expenses.**

The Funds will bear all of their (and a pro rata share of the Master Fund's, as applicable) legal and other organizational expenses incurred in the formation of the Funds (and the Master Fund, as applicable), including all expenses relating to the offer and sale of Fund securities. The Funds will bear their own (and a pro rata share of the Master Fund's, as applicable) operating and other expenses, including, but not limited to, investment-related expenses (e.g., brokerage commissions, clearing and settlement charges, custodial fees, interest expenses, initial and variation margin, broken deal expenses and other transactional charges, fees or costs, investment-related travel expenses, consulting, advisory, investment banking and other professional fees relating to particular investments or contemplated investments, research related expenses, including, without limitation, news and quotation equipment and services, market data services, and fees to third-party providers of research and/or portfolio risk management services), legal expenses (including with respect to litigation, if any), accounting, audit and tax advice and preparation expenses (including preparation costs of financial statements, tax returns, reports to investors and Schedules K-1), printing and mailing costs, fees of pricing services and financial modeling services, the costs and expenses of third party risk management products and services (including, without limitation, the costs of risk management software or database packages), insurance costs (including, without limitation, directors' and officers' insurance, errors and omissions insurance and other similar policies), filing and registration fees, fees of the administrator, the Management Fee, any extraordinary expenses (including indemnification or litigation expenses and any judgments or settlements paid in connection therewith), all other costs and expenses arising out of the Funds' indemnification obligations, any entity level taxes, fees or other governmental charges levied against the clients, wind-up and liquidation expenses and expenses similar to the foregoing.

**D. Prepayment of Fees.**

As described above, the Funds generally pay the Management Fee in advance (with the exception of Management Fees paid by P Dabroes). In the event that a client's net asset value is reduced in connection with a withdrawal or redemption by an investor of such client other than as of the last day of a quarter, the Investment Adviser will pay such client an amount equal to the pro rata portion of the Management Fee, based on the actual number of days remaining in such quarter, and such client will distribute such amount to the investor.

**E. Additional Compensation and Conflicts of Interest.**

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

ITEM 6  
PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

The Investment Adviser and its affiliates accept performance-based compensation from every client. As a result, the Investment Adviser and its affiliates do not face certain conflicts of interest that may arise when an investment adviser accepts performance-based fees from some clients, but not from other clients. However, clients should be aware that performance-based compensation may be deemed to create a conflict of interest for the Investment Adviser, as there can be an incentive for the Investment Adviser to make investments that are riskier or more speculative than would be the case in the absence of performance compensation.



ITEM 7  
TYPES OF CLIENTS

The Investment Adviser generally provides investment advice to Funds, as described above.

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

A. Methods of Analysis and Investment Strategies.

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

The Investment Adviser's investment strategy is based upon a fundamental, research-intensive, security selection process. While attention will be paid to general macroeconomic conditions, the Investment Adviser believes that the underlying stock selection process is the critical determinant to achieving superior investment results. This research is done with the goal to understand and confirm investment thesis well beyond senior management conversations incorporating a team oriented approach to challenge and refine ideas.

Stock selection starts with a vision; an understanding of a business's potential relative to market perception and price in the short and/or longer term. As a part of its fundamental approach to individual stock selection, the Investment Adviser generally performs a number of tasks, including: frequent interviews with a company's management team; discussions with customers and competitors; a detailed review of its products and services; and consultation with industry experts. In addition, the Investment Adviser analyzes a company's historical financial information with particular attention given to the soundness of the balance sheet and understanding the drivers of past and potential future earnings growth.

B. Material, Significant, or Unusual Risks Relating to Investment Strategies.

*The following risk factors do not purport to be a complete list or explanation of the risks involved in an investment in the clients advised by the Investment Adviser. These risk factors include only those risks the Investment Adviser believes to be material, significant or unusual and relate to particular significant investment strategies or methods of analysis employed by the Investment Adviser.*

**Investments in Emerging Markets.** While the Investment Adviser invests primarily in Western European countries it is not limited to Western European countries and may invest in emerging markets outside of Western Europe. Developing economies are generally heavily dependent upon international trade and, accordingly, have been and may continue to be adversely affected by trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which they trade. Business entities in certain countries have only a limited history of operating in a market-oriented economy, and the ultimate impact of such countries'

attempts to move toward more market-oriented economies is currently unclear. Certain such countries have been developing a body of real property, securities and tax laws and laws governing corporations and other business entities. Such legal structures governing private and foreign investment and private property, where they have been implemented, are new. Laws may not exist to cover all business and commercial relationships or to protect the holders of interests in equity or debt securities adequately.

Investing in emerging markets involves additional risks and special considerations not typically associated with investing in other more established economies or markets. Such risks may include (i) increased risk of nationalization or expropriation of assets or confiscatory taxation; (ii) greater social, economic and political uncertainty, including war; (iii) higher dependence on exports and the corresponding importance of international trade; (iv) greater volatility, less liquidity and smaller capitalization of markets; (v) greater volatility in currency exchange rates; (vi) greater risk of inflation; (vii) greater controls on foreign investment and limitations on realization of investments, repatriation of invested capital and on the ability to exchange local currencies for U.S. dollars; (viii) increased likelihood of governmental involvement in and control over the economy; (ix) governmental decisions to cease support of economic reform programs or to impose centrally planned economies; (x) differences in auditing and financial reporting standards which may result in the unavailability of material information about issuers; (xi) less extensive regulation of the markets; (xii) longer settlement periods for transactions and less reliable clearance and custody arrangements; (xiii) less developed corporate laws regarding fiduciary duties of officers and directors and the protection of investors; and (xiv) certain considerations regarding the maintenance of clients' financial instruments with non-U.S. brokers and securities depositories.

Repatriation of investment income, assets and the proceeds of sales by foreign investors may require governmental registration and/or approval in some emerging countries. The Investment Adviser could be adversely affected by delays in or a refusal to grant any required governmental registration or approval for such repatriation or by withholding taxes imposed by emerging market countries on interest or dividends paid on financial instruments held by the Investment Adviser's clients or gains from the disposition of such financial instruments.

**Short Sales.** The Investment Adviser engages in short selling. Short selling involves selling securities that may or may not be owned by the seller and borrowing the same securities for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the investor to profit from declines in the value of securities. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost of buying those securities to cover the short position. There can be no assurance that the security necessary to cover a short position will be available for purchase. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss. Securities may be sold short by the Investment Adviser in a long/short strategy to hedge a long position, or to enable the Investment Adviser to express a view as to the relative value between the long and short positions. There is no assurance that the objectives of these strategies will be achieved, or specifically that the long position will not decrease in value and the short position will not increase in value, causing clients losses on both components of the transaction. In addition, when the Investment Adviser effects a short sale, it may be obligated to leave the proceeds thereof with the broker

and also deposit with the broker an amount of cash or other securities (subject to requirements of applicable law) that is sufficient under any applicable margin or similar regulations to collateralize its obligation to replace the borrowed securities that have been sold.

**Use of Options.** The Investment Adviser may buy or sell (write) both call options and put options (either exchange-traded, over-the-counter or issued in private transactions), and when it writes options it may do so on a "covered" or an "uncovered" basis. The Investment Adviser's options transactions may be part of a hedging tactic (i.e., offsetting the risk involved in another securities position) or a form of leverage, in which the Investment Adviser has the right to benefit from price movements in a large number of securities with a small commitment of capital. These activities involve risks that can be large, depending on the circumstances. In general, the principal risks involved in options trading can be described as follows, without taking into account other positions or transactions the Investment Adviser may enter into.

When the Investment Adviser buys an option, a decrease (or inadequate increase) in the price of the underlying security in the case of a call, or an increase (or inadequate decrease) in the security in the case of a put, would result in a total loss of the clients' investment in the option (including commissions). The Investment Adviser could mitigate those losses by selling short the securities as to which it holds call options or taking a long position (i.e., by buying the securities or buying options on them) on securities underlying put options.

When the Investment Adviser sells (writes) an option, the risk can be substantially greater than when it buys an option. The seller of an uncovered call option bears the risk of an increase in the market price of the underlying security above the exercise price. Theoretically, the risk is unlimited unless the option is "covered." If it is covered, an increase in the market price of the security above the exercise price would cause clients to lose the opportunity for gain on the underlying security—assuming it bought the security for less than the exercise price. If the price of the underlying security were to drop below the exercise price, the premium received on the option (after transaction costs) would provide profit that would reduce or offset any loss the clients might suffer as a result of owning the security.

The seller of an uncovered put option theoretically could lose an amount equal to the entire aggregate exercise price of the option, if the underlying security were to become valueless. If the option were covered with a short position in the underlying security, this risk would be limited, but a drop in the security's price below the exercise price would cause the clients to lose some or all of the opportunity for profit on the "covering" short position—assuming the clients sold short for more than the exercise price. If the price of the underlying security were to increase above the exercise price, the premium on the option (after transaction costs) would provide profit that would reduce or offset any loss the clients might suffer in closing out its short position.

**Highly Volatile Markets.** The prices of financial instruments in which the Investment Adviser may invest can be highly volatile. Price movements of forward and other derivative contracts in which client assets may be invested are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international

political and economic events and policies. In addition, governments from time to time intervene, directly and by regulation, in certain markets, particularly those in currencies and financial instrument options. Such intervention often is intended directly to influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations. Clients are also subject to the risk of the failure of any of the exchanges on which their positions trade or of their clearinghouses.

**Hedging Transactions.** The Investment Adviser may employ hedging techniques. These techniques could involve a variety of derivative transactions, including swaps, futures contracts, exchange-listed and over-the-counter put and call options on securities or other instruments, forward non-U.S. currency contracts and various interest rate and foreign exchange transactions (collectively, "Hedging Instruments"). Hedging techniques involve risks different than those of underlying investments. In particular, the variable degree of correlation between price movements of Hedging Instruments and price movements in the position being hedged creates the possibility that losses on the hedge may be greater than gains in the value of the Investment Adviser's positions. In addition, certain Hedging Instruments and markets may not be liquid in all circumstances. As a result, in volatile markets, the Investment Adviser may not be able to close out a transaction in certain of these instruments without clients incurring losses substantially greater than their initial deposit. Although the contemplated use of Hedging Instruments should tend to minimize the risk of loss due to a decline in the value of the hedged position, at the same time they tend to limit any potential gain which might result from an increase in the value of such position. The ability of the Investment Adviser to hedge successfully will depend on its ability to predict pertinent market movements, which cannot be assured. In addition, it is not possible to hedge fully or perfectly against currency fluctuations affecting the value of securities denominated in non-U.S. currencies because the value of those securities is likely to fluctuate as a result of independent factors not related to currency fluctuations.

The Investment Adviser is not required to attempt to hedge portfolio positions of the clients and for various reasons, may determine not to do so. Furthermore, the Investment Adviser may not establish a hedge because it has not anticipated a particular risk.

**Capital Structure Arbitrage.** The success of this strategy will depend on the ability of the Investment Adviser to identify and exploit the relationships between movements in different securities and instruments within an issuer's capital structure (e.g., bank debt, convertible and non-convertible senior and subordinated debt and preferred and common stock). Identification and exploitation of these opportunities involve uncertainty. In the event that the perceived pricing inefficiencies underlying an issuer's securities were to fail to materialize as expected by the clients could incur a loss.

**Risks of Investments in Special Situations.** The Investment Adviser may invest in "event-driven" and other special situations such as recapitalizations, spin-offs, restructurings, bankruptcy, litigation, corporate control transactions, corporate events and other catalyst-oriented strategies. The Investment Adviser believes these types of investments often have limited downside risk relative to their current valuations. The Investment Adviser could, however, be incorrect in its assessment of the downside risk associated with an investment, thus resulting in significant losses to clients. Investment in such securities are often difficult to analyze or may have limited trading histories or in-depth

research coverage. Although the Investment Adviser intends to utilize appropriate risk management strategies, such strategies cannot fully insulate clients from the risks inherent in its planned activities. Moreover, in certain situations the Investment Adviser may be unable to, or may choose not to, implement risk management strategies because of the costs involved or other relevant circumstances.

**Investments in Distressed Securities.** The Investment Adviser 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. There is no minimum credit standard that is a prerequisite to the Investment Adviser's investment in any instrument. 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 Investment Adviser will correctly evaluate the value of the assets underlying the clients' investments or the prospects for a successful reorganization or similar action.

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 clients of the security in respect to which such distribution was made. In addition, involvement by the Investment Adviser in an issuer's reorganization proceedings could result in the imposition of restrictions limiting the Investment Adviser's ability to liquidate its position in the issuer. Under such circumstances, the returns generated from the Investment Adviser's investments may not compensate clients adequately for the risks assumed.

The market for distressed securities is expected to be less liquid than the market for securities of companies that are not distressed and a substantial length of time may be required to liquidate such securities. The Investment Adviser may also find it more difficult to determine the fair market value of distressed securities for purposes of computing clients' net asset value.

The Investment Adviser may purchase creditor claims subsequent to the commencement of a bankruptcy case. Under judicial decisions, it is possible that such purchase may be disallowed by the bankruptcy court if the court determines that the purchaser has taken unfair advantage of an unsophisticated seller, which may result in the rescission of the transaction (presumably at the original purchase price) or forfeiture by the purchaser. In certain developing countries, although bankruptcy laws have been enacted, the process for reorganization remains highly uncertain.

The Investment Adviser may elect to serve on creditors' committees, official or unofficial, equity holders' committees or other groups to ensure preservation or enhancement of the clients' position as a creditor or equity holder. A member of any such committee or group may owe certain obligations generally to all parties similarly situated that the committee represents. If the Investment Adviser concludes that its obligations owed to the other parties as a committee or group member conflict with its duties owed to the clients, it will resign from that committee or group, and the clients may not realize the benefits, if any, of participation on the committee or group. In addition, if the clients are represented on a committee or group, they may be restricted or prohibited under applicable law from disposing of or increasing its investments in such company while they continue to be represented on such committee or group.

**Co-Investments with Third Parties.** The Investment Adviser may co-invest with third parties through joint ventures or other entities. Such investments may involve risks in connection with such third party involvement, including the possibility that a third party co-venturer may have financial difficulties, resulting in a negative impact on such investment, may have economic or business interests or goals that are inconsistent with those of the clients or may be in a position to take (or block) action in a manner contrary to the clients' investment objectives. In those circumstances where such third parties involve a management group, such third parties may enter into compensation arrangements relating to such investments, including incentive compensation arrangements. Such compensation arrangements will reduce the returns to participants in the investments.

#### C. Risks Associated With Particular Types of Securities.

**Equity Risks.** The Investment Adviser invests in equity and equity derivative securities. The value of these securities generally will vary with the performance of the issuer and movements in the equity markets. As a result, clients may suffer losses if it invests in equity securities of issuers whose performance diverges from the Investment Adviser's expectations or if equity markets generally move in a single direction and the Investment Adviser has not hedged against such a general move. In its equity derivative and private placement investments, clients are exposed to risks that issuers will not fulfill their contractual obligations to clients, such as delivering marketable common stock upon conversions of convertible securities and registering restricted securities for public resale.

**Currency Risks.** The Investment Adviser's investments that are denominated in a foreign currency are subject to the risk that the value of a particular currency will change in relation to one or more other currencies. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments. The Investment Adviser may try to hedge these risks through different local financing options, investing directly in foreign currencies, buying and selling forward foreign currency exchange contracts and buying and selling options on foreign currencies, but there can be no assurance such strategies will be effective.

**Small and Mid-Capitalization Risks.** Investments in small and mid-capitalization companies may expose clients to greater investment risk. Investments in the securities of these companies may present greater opportunities for growth but also involve greater risks than are customarily associated with investments in securities of more established and larger capitalized companies. The securities of smaller capitalized companies

are often traded in the over-the-counter market and have fewer market makers and wider price spreads, which may in turn result in more abrupt and erratic market price movements and make the Investment Adviser's investments more vulnerable to adverse general market or economic developments than would investments only in large, more established companies. It is more difficult to obtain information about smaller capitalization companies because they tend to be less well known and have shorter operating histories and because they tend not to have significant ownership by large investors or be followed by many securities analysts. Additionally, these companies may have limited product lines, markets or financial resources and they may be dependent upon a limited management group that may lack depth and experience. Investments in larger and more established companies present certain advantages in that such companies generally have greater financial resources, more extensive research and development, manufacturing, marketing and service capabilities, more stability and greater depth of management and technical personnel.

The Investment Adviser has not established any minimum capitalization or length of operating history for the smaller, less seasoned issuers in whose securities it may invest.

**Liquidity of Futures Contracts.** Each client may utilize futures as part of its investment program. Futures positions may be illiquid because certain commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits." Under such daily limits, during a single trading day no trades may be executed at prices beyond the daily limits. Once the price of a particular futures contract has increased or decreased by an amount equal to the daily limit, positions in that contract can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. Futures prices have occasionally moved beyond the daily limits for several consecutive days with little or no trading. Over-the-counter instruments generally are not as liquid as instruments traded on recognized exchanges. This constraint could prevent the client from promptly liquidating unfavorable positions and subject it to substantial losses. In addition, the Commodity Futures Trading Commission and various exchanges impose speculative position limits on the number of positions that the client may indirectly hold or control in particular commodities.

**Forward Contracts.** The Investment Adviser may enter into forward contracts which are not traded on exchanges and are generally not regulated. There are no limitations on daily price moves of forward contracts. Banks and other dealers with whom the Investment Adviser may maintain accounts may require clients to deposit margin with respect to such trading, although margin requirements are often minimal or nonexistent. The Investment Adviser's counterparties are not required to continue to make markets in such contracts. There have been periods during which certain counterparties have refused to continue to quote prices for forward contracts or have quoted prices with an unusually wide spread (the price at which the counterparty is prepared to buy and that at which it is prepared to sell). Arrangements to trade forward contracts may be made with only one or a few counterparties, and liquidity problems therefore might be greater than if such arrangements were made with numerous counterparties. The imposition of credit controls by governmental authorities might limit such forward trading to less than that which the Investment Adviser would otherwise recommend, to the possible detriment of the clients.

**Swap Agreements.** The Investment Adviser may enter into swap agreements. Swap agreements are individually negotiated and can be structured to include exposure to a



variety of different types of investments or market factors. Depending on their structure, swap agreements may increase or decrease clients' exposure to security prices, baskets of securities, long-term or short-term interest rates (in the United States or abroad), non-U.S. currency values, corporate borrowing rates or inflation rates. Swap agreements can take many different forms and are known by a variety of names. The Investment Adviser is not limited to any particular form of swap agreement if its determines that other forms are consistent with clients' investment objectives and policies.

Each client is not limited to any particular form of swap agreement if its determines that other forms are consistent with the client's investment objective and policies.

Swap agreements will tend to shift the client's investment exposure from one type of investment to another. For example, if the client agrees to exchange payments in dollars for payments in non-U.S. currency, the swap agreement would tend to decrease the client's exposure to U.S. interest rates and increase its exposure to non-U.S. currency and interest rates. Depending on how they are used, swap agreements may increase or decrease the overall volatility of the client's portfolio. The most significant factor in the performance of swap agreements is the change in the individual equity values, specific interest rate, currency or other factors that determine the amounts of payments due to and from the client. If a swap agreement calls for payments by the client, it must be prepared to make such payments when due. In addition, if the counterparty's creditworthiness declined, the value of a swap agreement would be likely to decline, potentially resulting in losses by the Partnership.

**Credit Default Swaps.** The Investment Adviser may invest in credit default swaps. A credit default swap is a contract between two parties which transfers the risk of loss if a company fails to pay principal or interest on time or files for bankruptcy. In essence, an institution which owns corporate debt instruments can purchase a limited form of default protection by entering into a credit default swap with another bank, broker-dealer or financial intermediary. Upon an event of default, the swap may be terminated in one of two ways: (i) by the purchaser of credit protection delivering the referenced instrument to the swap counterparty and receiving a payment of par value, or (ii) by the parties pairing off payments, with the purchaser of the protection receiving a payment equal to the par value of the reference security less the price at which the reference security trades subsequent to default. The first way is the more common form of credit default swap termination.

In the manner described above, credit default swaps can be used to hedge a portion of the default risk on a single corporate bond or a portfolio of bonds. Credit default swaps can be used to implement the Investment Adviser's view that a particular credit, or group of credits, will experience credit improvement. In the case of expected credit improvement, the Investment Adviser may sell credit default protection in which it receives a premium to take on the risk. In such an instance, the obligation of clients to make payments upon the occurrence of a credit event creates leveraged exposure to the credit risk of the referenced entity. The Investment Adviser may also "purchase" credit default protection even in the case in which it does not own the referenced instrument if, in the judgment of the Investment Adviser, there is a high likelihood of credit deterioration.

The credit default swap market in high yield securities is comparatively new and rapidly evolving compared to the credit default swap market for more seasoned and liquid

investment grade securities. Swap transactions dependent upon credit events are priced incorporating many variables including the pricing and volatility of the common stock, potential loss upon default and the shape of the U.S. Treasury Yield curve, among other factors. As such, there are many factors upon which market participants may have divergent views. The Investment Adviser may also enter into credit default swap transactions, even if the credit outlook is positive, if it believes that participants in the marketplace have incorrectly valued the components which determine the value of a swap.

**Bank Loans.** The Investment Adviser's investment program may include investments in bank loans and participations. These obligations are subject to unique risks, including, without limitation: (i) the possible invalidation of an investment transaction as a fraudulent conveyance under relevant creditors' rights laws; (ii) so-called lender-liability claims by the issuer of the obligations; (iii) environmental liabilities that may arise with respect to collateral securing the obligations; and (iv) limitations on the ability of clients to directly enforce their rights with respect to participations. In analyzing each bank loan or participation, the Investment Adviser compares the relative significance of the risks against the expected benefits of the investment. Successful claims by third parties arising from these and other risks will be borne by clients.

**Investing in High Yield Securities.** The Investment Adviser may invest in high-yield securities. Such securities are generally not exchange-traded and, as a result, these instruments trade in the over-the-counter marketplace, which is less transparent than the exchange-traded marketplace. In addition, the Investment Adviser will invest in bonds of issuers that do not have publicly traded equity securities, making it more difficult to hedge the risks associated with such investments. High-yield securities face ongoing uncertainties and exposure to adverse business, financial or economic conditions which could lead to the issuer's inability to meet timely interest and principal payments. The market values of certain of these lower-rated and unrated debt securities tend to reflect individual corporate developments to a greater extent than do higher-rated securities which react primarily to fluctuations in the general level of interest rates, and tend to be more sensitive to economic conditions than are higher-rated securities. Companies that issue such securities are often highly leveraged and may not have available to them more traditional methods of financing. It is possible that a major economic recession could disrupt severely the market for such securities and may have an adverse impact on the value of such securities. In addition, it is possible 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 of such securities.

**Illiquid Investments.** The Investment Adviser may invest in securities and other assets, which are subject to legal or other restrictions on transfer or for which no liquid market exists. The market prices, if any, for such investments tend to be volatile and may not be readily ascertainable, and Investment Adviser may not be able to sell them when it desires to do so or to realize what it perceives to be their fair value in the event of a sale. The sale of restricted and illiquid securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets. The Investment Adviser may not be able to readily dispose of such illiquid investments and, in some cases, may be contractually prohibited from disposing of such investments for a specified period of time. Restricted securities may sell at a price lower than similar securities that are not subject to restrictions on resale. The Investment Adviser's services are only

suitable for certain sophisticated investors who do not require immediate liquidity for their investments.

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

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

A convertible security may be subject to redemption at the option of the issuer at a price established in the convertible security's governing instrument. If a convertible security held by the Investment Adviser is called for redemption, the Investment Adviser will be required to permit the issuer to redeem the security, convert it into the underlying common stock or sell it to a third- party. Any of these actions could have an adverse effect on clients' ability to achieve their investment objective.

ITEM 9  
DISCIPLINARY INFORMATION

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

ITEM 10  
OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

A. Broker-Dealer Registration Status.

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

B. Futures Commission Merchant, Commodity Pool Operator, or Commodity Trading Adviser Registration Status.

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

C. Material Relationships or Arrangements with Industry Participants.

Other than its relationship with the Funds as described above, the Investment Adviser has no material relationships with other financial industry participants.

D. Material Conflicts of Interest Relating to Other Investment Advisers.

The Investment Adviser does not recommend or select other investment advisers for its clients.

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

A. Code of Ethics.

The Investment Adviser strives to adhere to the highest industry standards of conduct based on principles of professionalism, integrity, honesty and trust. In seeking to meet these standards, the Investment Adviser has adopted a Code of Ethics (the "Code"). The Code incorporates the following general principles that all employees are expected to uphold:

- employees must at all times place the interests of clients first;
- all personal securities transactions must be conducted in a manner consistent with the Code and any actual or potential conflicts of interest or any abuse of an employee's position of trust and responsibility must be avoided;
- employees must not take any inappropriate advantage of their positions;
- information concerning the identity of securities and financial circumstances of the Funds, including the Funds' investors, must be kept confidential; and
- independence in the investment decision-making process must be maintained at all times.

Clients may request a copy of the Code by contacting the Investment Adviser at the address or telephone number listed on the first page of this document.

B. Securities in Which the Investment Adviser or a Related Person Has a Material Financial Interest.

The Investment Adviser may determine that it would be in the best interests of certain clients to transfer a security from one client to another (each such transfer, a "Cross Trade") for a variety of reasons, including, without limitation, tax purposes, liquidity purposes, to rebalance the portfolios of the clients, or to reduce transaction costs that may arise in an open market transaction. If the Investment Adviser decides to engage in a Cross Trade, the Investment Adviser will determine that the trade is in the best interests of each client involved in it and take steps to ensure that the transaction is consistent with the duty to obtain best execution for each of those clients.

The Investment Adviser generally executes Cross Trades with the assistance of a broker-dealer who executes and books the transaction at the close of the market on the day of the transaction. Alternatively, a Cross Trade between two clients may occur as an "internal cross", where the Investment Adviser instructs the custodian for the clients to book the transaction at the price determined in accordance with the Investment Adviser's valuation policy. If the Investment Adviser effects an internal cross, the Investment Adviser will not receive any fee in connection with the completion of the transaction.

To the extent that Cross Trades may be viewed as principal transactions due to the ownership interest in a client by the Investment Adviser or its personnel, the Investment Adviser will comply with the requirements of Section 206(3) of the Advisers Act, including that any such transactions will be considered on behalf of investors in such a client and approved or disapproved by (i) an advisory board comprised of representatives of such investors or (ii) a committee consisting of one or more persons selected by the Investment Adviser (or its affiliate), and any valuation approved by such a committee will be determined by an independent third party that has appropriate experience in providing such valuations.

C. Investing in Securities That You or a Related Person Recommends to Clients.

The Code places restrictions on personal trades by employees, including that they disclose their personal securities holdings and transactions to the Investment Adviser on a periodic basis, and requires that employees pre-clear certain types of personal securities transactions. Generally, and subject to certain exceptions, the Investment Adviser's employees may not engage in personal securities trading and may only dispose of securities held in their respective personal trading accounts. Any such disposition of securities must be pre-cleared. However, related persons may purchase and sell mutual funds and broad-based exchange-traded funds ("ETFs"). Some clients may invest in the same or similar mutual funds and ETFs.

The Investment Adviser, its affiliates and its employees may give advice or take action for their own accounts that may differ from, conflict with or be adverse to advice given or action taken for clients. These activities may adversely affect the prices and availability of other securities or instruments held by or potentially considered for one or more clients. Potential conflicts also may arise due to the fact that the Investment Adviser and its personnel may have investments in some Funds but not in others or may have different levels of investments in the various Funds.

The Investment Adviser has established policies and procedures to monitor and resolve conflicts with respect to investment opportunities in a manner it deems fair and equitable, including the restrictions placed on personal trading in the Code, as described above, and regular monitoring of employee transactions and trading patterns for actual or perceived conflicts of interest, including those conflicts that may arise as a result of personal trades in the same or similar securities made at or about the same time as client trades.

D. Conflicts of Interest Created by Contemporaneous Trading.

The Investment Adviser manages investments on behalf of a number of clients. Certain clients have investment programs that are similar to or overlap and may, therefore, participate with each other in investments. It is the policy of the Investment Adviser to allocate investment opportunities among all clients fairly, to the extent practical and in accordance with each client's applicable investment strategies, over a period of time. The Investment Adviser will have no obligation to purchase or sell a security for, enter into a transaction on behalf of, or provide an investment opportunity to any client solely because the Investment Adviser purchases or sells the same security for, enters into a transaction on behalf of, or provides an opportunity to any client if, in its reasonable opinion, such security, transaction or investment opportunity does not appear to be suitable, practical or desirable for the client.

## ITEM 12 BROKERAGE PRACTICES

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

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

Portfolio transactions for each client will be allocated to brokers and dealers on the basis of numerous factors and not necessarily lowest pricing. Brokers and dealers may provide other services that are beneficial to the Investment Adviser and/or certain clients, but not beneficial to all clients. Subject to best execution, in selecting brokers and dealers (including prime brokers) to execute transactions, provide financing and securities on loan, hold cash and short balances and provide other services, the Investment Adviser may consider, among other things, the following:

- the ability of the brokers and dealers to effect the transaction;
- the brokers' or dealers' facilities, reliability and financial responsibility; and
- the provision by the brokers of capital introduction, talent introduction, marketing assistance, consulting with respect to technology, operations and equipment, commitment of capital, access to company management and access to deal flow.

Accordingly, the commission rates (or dealer markups and markdowns) charged to the Funds by brokers or dealers in the foregoing circumstances may be higher than those charged by other brokers or dealers who may not offer such services. The Investment Adviser need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost or spread. Generally, neither the Investment Adviser nor the Funds separately compensate any broker or dealer for any of these other services.

#### **1. Research and Other Soft Dollar Benefits.**

From time to time, the Investment Adviser may pay a broker-dealer commissions (or markups or markdowns with respect to certain types of riskless principal transaction) for effecting Fund transactions in excess of that which another broker-dealer might have charged for effecting the transaction in recognition of the value of the brokerage and research services provided by the broker-dealer. The Investment Adviser will effect such transactions, and receive such brokerage and research services, only to the extent that they fall within the safe harbor provided by Section 28(e) of the Securities Exchange Act of 1934, as amended, and subject to prevailing guidance provided by the SEC regarding Section 28(e). The Investment Adviser believes it is important to its investment decision-making processes to have access to independent research.



Also, consistent with Section 28(e), research products or services obtained with "soft dollars" generated by one or more Funds may be used by the Investment Adviser to service one or more other clients, including clients that may not have paid for the soft dollar benefits. The Investment Adviser does not seek to allocate soft dollar benefits to client accounts in proportion to the soft dollar credits the client accounts generate. Where a product or service obtained with soft dollars provides both research and non-research assistance to the Investment Adviser (i.e., a "mixed use" item), the Investment Adviser will make a good faith allocation of the cost which may be paid for with soft dollars. In making good faith allocations of costs between administrative benefits and research and brokerage services, a conflict of interest may exist by reason of the Investment Adviser's allocation of the costs of such benefits and services between those that primarily benefit the Investment Adviser and those that primarily benefit the Funds.

When the Investment Adviser uses client brokerage commissions (or markups or markdowns) to obtain research or other products or services, the Investment Adviser receives a benefit because it does not have to produce or pay for such products or services. The Investment Adviser may have an incentive to select or recommend a broker-dealer based on the Investment Adviser's interest in receiving research or other products or services, rather than on its clients' interest in receiving most favorable execution.

Within the last fiscal year of the Investment Adviser, the Investment Adviser or its related persons acquired the following types of products and services with client brokerage commissions (or markups or markdowns):

- Data services, such as those providing stock quotes, last sales price, and trading volumes.
- Research reports and brokerage analyst's earnings estimates.
- Services providing post-trade matching of trade information and other message exchanges among broker-dealers, custodians and institutions related to the trade.

At least annually, the Investment Adviser considers the amount and nature of research and research services provided by broker-dealers, as well as the extent to which such services are relied upon, and attempts to allocate a portion of the brokerage business of its Funds on the basis of that consideration. Broker-dealers sometimes suggest a level of business they would like to receive in return for the various products and services they provide. Actual brokerage business received by any broker-dealer may be less than the suggested allocation, but can (and often does) exceed the suggested level, because total brokerage is allocated on the basis of all of the considerations described above. In no case will the Investment Adviser make binding commitments as to the level of brokerage commissions it will allocate to a broker-dealer, nor will it commit to pay cash if any informal targets are not met. A broker-dealer is not excluded from receiving business because it has not been identified as providing research products or services.

## **2. Brokerage for Client Referrals.**

Neither the Investment Adviser nor any related person receives client referrals from any broker-dealer or third party.

### 3. **Directed Brokerage.**

The Investment Adviser does not recommend, request or require that a client direct the Investment Adviser to execute transactions through a specified broker-dealer.

#### B. Order Aggregation.

If the Investment Adviser determines that the purchase or sale of a security is appropriate with regard to multiple clients, the Investment Adviser may, but is not obligated to, purchase or sell such a security on behalf of such clients with an aggregated order, for the purpose of reducing transaction costs, to the extent permitted by applicable law. When an aggregated order is filled through multiple trades at different prices on the same day, each participating client will receive the average price, with transaction costs generally allocated *pro rata* based on the size of each client's participation in the order (or allocation in the event of a partial fill) as determined by the Investment Adviser. In the event of a partial fill, allocations may be modified on a basis that the Investment Adviser deems to be appropriate, including, for example, in order to avoid odd lots or *de minimis* allocations. When orders are not aggregated, trades generally will be processed in the order that they are placed with the broker or counterparty selected by the Investment Adviser. As a result, certain trades in the same security for one client (including a client in which the Investment Adviser and its personnel may have a direct or indirect interest) may receive more or less favorable prices or terms than another client, and orders placed later may not be filled entirely or at all, based upon the prevailing market prices at the time of the order or trade. In addition, some opportunities for reduced transaction costs and economies of scale may not be achieved.

#### 1. **Trade Error**

The Funds may on occasion experience errors with respect to trades made on their behalf. Trade errors may include, for example, (i) the placement of orders (either purchases or sales) in excess of the amount of securities the Fund intended to trade; (ii) the sale of a security when it should have been purchased; (iii) the purchase of a security when it should have been sold; (iv) the purchase or sale of the wrong security; (v) the purchase or sale of a security contrary to regulatory restrictions or Fund investment guidelines or restrictions; (vi) incorrect allocations of trades; (vii) keystroke errors that occur when entering trades into an electronic trading system; and (viii) typographical or drafting errors related to derivatives contracts or similar agreements. Trade errors may result in losses or gains. The Investment Adviser generally will endeavor to detect trade errors prior to settlement and correct and/or mitigate them in an expeditious manner. To the extent an error is caused by a counterparty, such as a broker-dealer, the Investment Adviser will seek to recover any losses associated with such error from the counterparty. Pursuant to the exculpation and indemnification provided by the Fund to the Investment Adviser and its affiliates and personnel, the Investment Adviser and its affiliates and personnel will generally not be liable to the Fund for any act or omission, absent bad faith, gross negligence, willful misconduct or actual fraud and the Fund will generally be required to indemnify such persons against any losses they may incur by reason of any act or omission related to the Fund, absent bad faith, gross negligence, willful misconduct or actual fraud. As a result of these provisions, the Fund (and not the Investment Adviser) will benefit from any gains resulting from trade errors and will be responsible for any losses (including additional trading costs) resulting from trade errors and similar human errors that do not breach the standard of care of the applicable Fund's governing documents. The Investment Adviser will reimburse the

Fund for losses for which the Investment Adviser is responsible under the exculpation provisions. Given the potentially large volume of transactions executed by the Investment Adviser on behalf of the Fund, investors should assume that trade errors (and similar errors) will occur and that, to the extent permitted by applicable law and under the relevant governing documents of the Fund, the Fund will be responsible for any resulting losses, even if such losses result from the negligence (but not gross negligence) of the Investment Adviser's personnel.

ITEM 13  
REVIEW OF ACCOUNTS

A. Frequency and Nature of Review of Client Accounts or Financial Plans.

The Investment Adviser performs various daily, weekly, monthly, quarterly and periodic reviews of each client's portfolio. Such reviews are conducted by the Investment Adviser's portfolio managers and research associates.

B. Factors Prompting Review of Client Accounts Other than a Periodic Review.

A review of a client account may be triggered by any unusual activity or special circumstances.

C. Content and Frequency of Account Reports to Clients.

The Investment Adviser generally provides annual audited financial statements to investors in the Funds within 120 days of the applicable client's fiscal year end. Additionally, the Investment Adviser provides monthly letters to investors that include unaudited net asset value statements.

ITEM 14  
CLIENT REFERRALS AND OTHER COMPENSATION

A. Economic Benefits for Providing Services to Clients.

The Investment Adviser does not receive economic benefits from non-clients for providing investment advice and other advisory services.

B. Compensation to Non-Supervised Persons for Client Referrals.

Neither the Investment Adviser nor any related person directly or indirectly compensates any person who is not a supervised person, including placement agents, for client referrals.

## ITEM 15 CUSTODY

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

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

ITEM 16  
INVESTMENT DISCRETION

The Investment Adviser serves as the management company with discretionary trading authority to each Fund.

The Investment Adviser's investment decisions and advice with respect to each Fund are subject to each Fund's investment objectives and guidelines, as set forth in its offering documents.

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

## ITEM 17 VOTING CLIENT SECURITIES

In compliance with Advisers Act Rule 206(4)-6, the Investment Adviser has adopted proxy voting policies and procedures. The general policy is to vote proxy proposals, amendments, consents or resolutions (collectively, "Proxies") in a prudent and diligent manner that will serve the applicable client's best interests and is in line with each client's investment objectives.

The Investment Adviser may take into account all relevant factors, as determined by the Investment Adviser in its discretion, including, without limitation:

- the impact on the value of the securities or instruments owned by the relevant client and the returns on those securities;
- the anticipated associated costs and benefits;
- the continued or increased availability of portfolio information; and
- industry and business practices.

In limited circumstances, the Investment Adviser may refrain from voting Proxies where the Investment Adviser believes that voting would be inappropriate, taking into consideration the cost of voting the Proxies and the anticipated benefit to its clients. Generally, clients may not direct the Investment Adviser's vote in a particular solicitation.

Conflicts of interest may arise between the interests of the clients on the one hand and the Investment Adviser or its affiliates on the other hand. If the Investment Adviser determines that it may have, or is perceived to have, a conflict of interest when voting Proxies, the Investment Adviser will vote in accordance with its Proxy voting policies and procedures. Clients may obtain a copy of the Investment Adviser's Proxy voting policies and its Proxy voting record upon request.



ITEM 18  
FINANCIAL INFORMATION

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