

Invictus Capital Management, LP

Form ADV Part 2A – Firm Brochure

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Invictus Capital Management, LP
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This Brochure provides information about the qualifications and business practices of Invictus Capital Management, LP and affiliated entities (“Invictus” or “the Company”).

If you have any questions about the content of this Brochure, please contact Robert Konigsberg at (202) 534-1815. 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 by any state securities authority. Additional information about Invictus also is available on the SEC’s website at www.adviserinfo.sec.gov.

While Invictus may refer to itself as a registered investment adviser, registration does not imply a certain level of skill or training.

Item 2 Material Changes

Since Invictus' most recent filing of the Company's brochure in March 2014, Invictus changed the legal form and name of the organization of the adviser. Invictus, previously known as Invictus Capital Partners, LLC is currently doing business as Invictus Capital Management, LP effective December 2014.

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Item 4 Advisory Business

Invictus, a Delaware limited partnership formed in 2008, is registered with the SEC as an investment adviser. It provides discretionary advice to the Invictus Opportunity Fund, L.P. (“the Opportunity Fund”) Invictus Opportunity Offshore Fund L.P. (“Opportunity Offshore”, the “Opportunity Funds”), and partnerships designed for the benefit of a single investor (“Single Investor Partnerships”, collectively “the Funds”) The Company invests primarily in newly originated non-agency residential loans to capitalize on what Invictus believes to be an opportunity to earn premium spreads from creditworthy borrowers who are no longer adequately served by traditional lending sources. The primary focus of the Funds is to achieve attractive rates of return primarily through investment in residential loans (an “Investment”). Investments may include: (i) retention of securities issued as a result of any securitization of loans acquired by the Funds, (ii) first-lien and second-lien mortgages and (iii) any other participation in residential and commercial loans regardless of the legal form, transaction structure or when originated.

The Company may also opportunistically invest in other real estate lending markets and asset classes that share similar investment return characteristics, including commercial loans.

While single investor partnerships may be reasonably tailored based on the individual needs of that client, as agreed with Invictus and consistent with the limited nature of our advisory services, the Opportunity Fund and Opportunity Offshore are not tailored to the individualized investment needs of any particular Investor. An investment in the Opportunity Fund and Opportunity Offshore does not create a client-adviser relationship between an Investor and Invictus.

The Offering Materials for the Funds contain more detailed information, including a description of the investment objective and strategy or strategies employed and related restrictions that serve as a limitation on Invictus’ advice or management. Investors are strongly encouraged to undertake appropriate due diligence, including but not limited to a review of relevant Offering Materials and the additional details about Invictus’ investment strategies, methods of analysis and related risks in Item 8 of this Brochure in considering whether Invictus’s advisory services or an investment in the Funds are appropriate to their own circumstances based on all relevant factors including, but not limited to, Investor’s own investment objectives, liquidity requirements, tax situation and risk tolerance before making an investment decision.

Mr. Warden is the Chief Executive Officer (CEO) of Invictus. Invictus is primarily owned by Mr. Warden and Invictus Capital Partners, LP, which is controlled by Mr. Warden.

Michael Warden is CEO of Invictus Capital Partners. He has over 25 years’ experience in the capital markets and specifically the mortgage sector. Most recently he was Senior Managing Director and head of Fixed Income at Friedman, Billings, Ramsey (“FBR”). At FBR, Mr. Warden was responsible for the establishment and build out of the fixed

income business where he developed an origination, banking, sales and trading platform. Previously, Mr. Warden was Managing Director and head of Asset-Backed Securities (“ABS”) at Wachovia Securities and Managing Director and head of ABS and Commercial Mortgage-Backed Securities (“CMBS”) at Banc of America Securities (“BOA”) where he was responsible for the origination and securitization of all mortgage products. At BOA, he aided in establishment of both the ABS and CMBS businesses and in his tenure, achieved top five underwriter rankings in both businesses.

As of March 31, 2015, Invictus had assets under management of approximately \$31,000,000.00 all managed on a discretionary basis.

Item 5 Fees and Compensation

Invictus receives management fees and/or carried interest or similar profit allocations from the Funds. The Funds may also indirectly incur or generate other fees payable to Invictus, depending on the nature of their portfolio activities.

The Funds may also bear certain out-of-pocket expenses incurred by Invictus in connection with the services provided. The following sections discuss the most common fees and expenses, which are described in more detail in relevant Offering Materials for the Funds.

Common Types of Fees

Management Fees

The Funds generally pay a quarterly flat rate management fee, in advance, at a negotiated rate documented in their advisory agreement. General rates for the Funds will be set forth in the Offering Material and fees paid by particular single investor partnerships may vary based on the type and nature of services provided. Additionally, Invictus may waive or reduce management fees for certain Investors in its discretion. Fees may be paid either through deduction from account assets or directly by a client upon presentment of a fee bill or capital call notice. When fees are paid in advance, and the Client or Investor relationship is terminated prior to the end of the period to which such fees relate, Invictus will, within a reasonable time following such termination, refund a prorated portion of the management fee.

Performance-Based Arrangements

Invictus’ compensation generally includes a performance based component. Invictus expects that performance based arrangements will vary as to the rate, manner of calculation and conditions precedent to receipt (e.g., hurdles or high-water marks). Performance based arrangements for each of the Funds will be described in the relevant Offering Materials for that account. All performance fees may be subject to modification (e.g., *higher hurdle rates*), waiver or reduction. As discussed in more detail in Item 6, below, performance based compensation arrangements are appropriate only for

sophisticated Clients and Investors as they may create certain risks and conflicts of interest.

Performance allocations for the Funds generally represent a share of distributions made by a Client in excess of the relevant investors' invested capital and allocable share of fees and expenses.

Performance fees or carried interest profit allocations are subject to regulation under Section 205 of the Advisers Act and Rule 205-3 thereunder. Therefore, Invictus seeks to ensure that any Client or investors in a Client that are directly or indirectly assessed performance fees or are subject to carried interest profit allocations satisfy the qualifications of Rule 205-3 under the Advisers Act and have been advised of such fees or allocations and their risks.

For any Client, performance fees or carried interest allocations generally do not exceed 20% of profits, and may be subject to certain preferred return hurdles, catch-up allocations and high water marks. The manner of calculation and application of performance fees or carried interest profit allocations are disclosed in the offering documents for, and detailed in the governing agreements of, each Client. As described in the governing documents, under certain circumstances when termination occurs on other than the end date for a performance measurement period, performance fees will be calculated and assessed through the date of termination.

Other Fees

To the extent Invictus is entitled to receive transaction fees directly or indirectly from a Client, 100% of such fees paid to Invictus reduces the management fees otherwise payable to Invictus. The governing agreement of each Client sets forth the basis on which such fees reduce management fees.

Soft Dollars

Invictus may receive, on an unsolicited basis, research reports from broker-dealers with which it maintains certain relationships. Such reports do not have a stated cost nor is the receipt of such reports conditioned on a requirement to execute any particular amount of transactions through the broker-dealer providing the reports.

Please see Item 12 of this Brochure for further details on Invictus's brokerage practices.

Fees and Expenses Generally Applicable to Client Accounts

Each Client bears the costs of its trading and investment activities. Such expenses may include, but are not limited to, fees and expenses related to making and holding investments (e.g., execution charges such as spreads or commissions, exchange fees, clearing fees, regulatory fees, margin fees, option premiums, delivery fees or charges, escrow fees and expenses and custody fees and expenses), research costs, taxes,

insurance costs, interest expenses, due diligence costs (including travel expenses) and finders' fees.

Fees and Expenses Applicable to Funds The Funds may bear ordinary organizational, offering, administrative, and operating expenses, including, but not limited to, fees, costs and expenses of any administrators, custodians, attorneys, accountants, tax advisers, consultants, agents, valuation experts, data providers (including related systems and services from such data providers and data management software) and other advisers and professionals (including audit and certification fees and the costs of preparing, printing and distributing reports to investors), all out-of-pocket fees, costs and expenses, if any, incurred in developing, bidding on, evaluating, negotiating, structuring, obtaining regulatory approvals for, originating, purchasing, trading, settling, monitoring, maintaining custody of, holding, securitizing and otherwise disposing of actual Investments, including without limitation any financing, legal, accounting, advisory and consulting expenses in connection therewith (to the extent not subject to any reimbursement of such costs and expenses by entities in which Funds invests or other third parties), any costs and expenses arising from any foreign exchange or other currency transactions, and any insurance, indemnity or litigation expense, broken deal expenses, brokerage commissions, prime brokerage fees, custodial expenses, other bank service fees and other investment costs, fees and expenses actually incurred in connection with actual Investments, principal and interest on and fees and expenses in connection with or arising out of all indebtedness and other borrowings made by the Funds, including, but not limited to, the arranging thereof, the costs of any litigation, directors and officers liability or other insurance (including, a Fund's share of any premiums for insurances maintained by Invictus) and indemnification (including any indemnification expenses of any finders and/or placement agents of the Funds, any expenses of winding up and liquidating the Funds, any taxes, fees or other governmental charges levied against or payable by the Funds and all expenses incurred in connection with tax return preparation and reporting and any tax audit, investigation, settlement or review of the Funds (including any costs associated with FATCA compliance), the expenses of the any Investor Advisory Committee and the expenses of non-voting observers to any Investor Advisory Committee attending meetings thereof, to the extent not otherwise paid by Invictus, the placement fees due to any finder and/or placement agents engaged by Invictus in connection with the offer and sale of interests in any Fund, provided that any such placement fees borne by any Fund shall reduce the management fee, all out-of-pocket fees, costs and expenses, if any, incurred in connection with the Funds legal and regulatory compliance with U.S. federal, state, local, non-U.S. or other law or regulation, fees, costs and expenses related to the organization, operation or maintenance of any Fund related entity used to acquire, originate, service, hold or dispose of any Investment or otherwise facilitate the Funds' investment activities, including without limitation any travel and accommodation expenses related thereto; the salary and benefits of any personnel reasonably necessary for the operation or maintenance of such entity; or overhead and other expenses in connection therewith.

Item 6 Performance-Based Fees

All Funds pay both Management Fees and Performance Based Fees or Allocations. However, the fee rates, the manner in which such fees are calculated and conditions precedent to receipt may vary from account to account and Invictus or its related persons may have other pecuniary interests in one or more Client accounts, including the Funds.

As a result of these arrangements, Invictus faces various potential conflicts of interest, including an incentive to favor certain accounts based on pecuniary or compensatory interests; an incentive to take excessive risks in order to earn a performance fee or allocation; and where Invictus is involved in the valuation of investment holdings or to accelerate or defer realizations. Invictus maintains policies and procedures, including its Code of Ethics, reasonably designed to mitigate these conflicts. Among other things, these policies prohibit the recommendation of any particular investment based on anticipated compensation or profits to Invictus or its professionals.

Item 7 Types of Clients

Currently Invictus provides investment advice to the Funds and will accept as Clients, Investors in the Funds and or single investor partnerships, in its discretion, institutional accredited investors, trusts, pension funds, investment pools and qualified high net worth individuals.

The Funds are or will be privately placed pooled investment vehicles excepted from the definition of “investment company” under the Investment Company Act of 1940 by Section 3(c)(7) or Section 3(c)(1) of that Act. Investors generally are limited to persons who are qualified purchasers and such investors may include proprietary investment by Invictus or its affiliates, current or former personnel who are “knowledgeable employees” or otherwise meet the relevant fund’s investment criteria, funds of funds, high net worth individuals and related entities, sovereign entities, pension funds, general corporate or business entities, financial institutions, endowments and foundations. Investors in single investor partnership may also include institutions such as: banks, financial institutions, investment banks and asset management firms.

Invictus generally imposes an initial investment minimum to establish a client relationship or to invest in the Funds, but may waive or change any such minimums in its discretion. The minimum for an investment in the Opportunity Funds, as set forth in applicable Offering Materials is \$10 million. Investors or Clients may also be subject to additional qualifications based on, among other things, legal or regulatory requirements associated with the vehicle or investment strategy. Account opening and maintenance requirements are described in more detail in the relevant Offering Materials.

Item 8 Methods of Analysis, Investment Strategies and Risk of Loss

The general investment strategy and methods of analysis that we employ in managing accounts, as well as the primary associated risks, are described below. The discussion below is a summary and is not intended to be a complete description of our methods, strategies or risks; a more complete discussion is available in relevant Offering Materials.

Investors should note that it is not possible to identify all of the risks associated with investing and that the particular risks applicable to a client account will depend on the nature of the account, its investment strategy and the characteristics of securities held. The Funds' investment strategy is predicated upon rigorous credit analysis and a research-based approach to financing and asset management designed to reduce risk while maximizing returns to investors. Invictus will seek to structure the Fund's investments with downside protection and risk management through a high level of borrower equity and strict, research-based underwriting criteria.

The Company currently identifies opportunities to invest primarily in newly originated non-agency residential loans to capitalize on what Invictus believes to be an opportunity to earn premium spreads from creditworthy borrowers who are no longer adequately served by traditional lending sources subject to account-specific investment objectives, guidelines and restrictions (*i.e.*, the account's mandate) and seeks to manage each account so that risks are appropriate to the mandate. However, it is often not possible or desirable to fully mitigate risks. Any investment includes the risk of loss and there can be no guarantee that a particular level of return will be achieved.

Because we limit our advice to particular types of investments, a Fund's mandate may be limited (*e.g.*, based on security type or capitalization levels), accounts are not diversified and are not intended as a complete investment program.

Investors, as applicable, are responsible for appropriately diversifying assets to guard against the risk of loss. Invictus does not offer any products or services that guarantee rates of return on investments for any period to any Investor. Investors assume the risk that investment returns may be negative or below the rates of return of other investment advisers or products and should be prepared to bear the risk of loss.

Methods of Analysis and Investment Strategies

Invictus uses a range of methods to identify, analyze and assess potential and existing investment opportunities. This may include arrangements with or unaffiliated advisors for purposes of obtaining analyses that would assist the company in its investment decision-making recommendation process. More specific descriptions are provided below regarding the investment strategies and investment processes. As a general matter, analytical methods used by the company can include gain/loss forecast models, cash-flow models, other financial modeling and simulation, risk sensitivity analyses, charting, and fundamental, technical and cyclical analysis.

Invictus generally focuses on identifying domestic non-agency residential loan opportunities using a top-down relative value approach to allocate capital to various asset classes within the non-agency residential loans market. Our analysis involves a variety of factors, such as cash yield, risk-adjusted returns, macro-economic environment, market concentration limits, credit concentration limits, liquidity, costs and availability of financing and hedging activities.

Invictus seeks investments that we believe will generate both current income and capital appreciation. However, as noted below, not every investment will perform as anticipated and investments may lose value, fail to produce current income and/or produce insufficient gains or income to offset expenses or other losses.

Market Conditions and Financial Market Fluctuations

A lack of liquidity in the capital markets may make it significantly more difficult for investment advisers like Invictus to obtain favorable financing for investments, and the financing that is available may be on much less favorable terms than had been prevailing in the past. General fluctuations in the market prices of securities may affect the value of the investments held. Instability in the capital and housing markets may also increase the risks inherent in mortgage loan investments.

Highly Competitive Market for Investment Opportunities

The activity of identifying, completing and realizing attractive investments is highly competitive, and involves a high degree of uncertainty. Some competitors may have a lower cost of funds and access to financing sources that are not available to Invictus. There can be no assurance that the Funds will be able to locate, consummate and exit investments that satisfy its rate of return objectives or realize upon their values or that it will be able to invest fully its committed capital.

Illiquid and Long-Term Investments

Mortgage loans may be illiquid, and there can be no assurance that Invictus will be able to realize on such investments in a timely manner. Therefore, investment through Invictus may involve a long-term commitment with no certainty of return. Although investments may occasionally generate some current income, the return of capital and the realization of gains, if any, from an investment generally will occur only upon the partial or complete disposition or refinancing of such investment.

Risks Associated with Residential Mortgages

The Funds intend to invest, directly or indirectly, in the residential mortgage market, including in non-agency mortgages. The value of the Fund's investment in such assets will be influenced by the rate of delinquencies and defaults experienced on the residential mortgage loans and by the severity of loss incurred as a result of such defaults. The factors influencing delinquencies, defaults and loss severity include (i) general economic

conditions and those in the geographic area where the related mortgaged property is located, (ii) the terms and structure of the residential mortgage loans, (iii) the borrowers' "equity" in mortgaged properties, (iv) the financial circumstances of borrowers and (v) any specific limits to legal and financial recourse upon a default under the terms of the residential mortgage loans.

Geographic Concentration of Mortgage Loans

The mortgage loans in which the Funds invests may be concentrated in a specific state or states. Weak economic conditions in these locations or any other location (which may or may not affect real property values), may affect the ability of borrowers to repay their mortgage loans on time. Properties in certain jurisdictions may be more susceptible than homes located in other parts of the country to certain types of uninsurable hazards, such as earthquakes, floods, hurricanes, wildfires, mudslides and other natural disasters, which may result in reduced value of such homes as collateral of prepayments of mortgage loans.

Lack of Information Regarding Underwriting Standards

The Funds may acquire mortgage loans from various unaffiliated savings institutions, finance companies and other sellers. In selecting mortgage loans for investment, the Company expects to obtain information as to the underwriting standards that were applied in originating the mortgage loans, but may not be able to do so and such mortgage loans may have been originated in accordance with standards less strict than those of the Federal National Mortgage Association ("Fannie") and the Federal Home Loan Mortgage Corporation ("Freddie"). Certain of the mortgage loans may have had faulty appraisals, leading to inaccurate original loan-to-value ratios. Other mortgage loans may have been or may still be subject to second liens that are not included in the asset pool. If any mortgage loans have a history of delinquency, it is more likely that the related mortgaged properties exhibit or may have exhibited deferred maintenance or are or were in poor repair when compared to an otherwise comparable pool of performing mortgage loans. Borrowers on the mortgage loans may have had limited access to traditional mortgage financing for a variety of reasons, including impaired past credit experience, limited credit history, limited documentation of income, insufficient home equity value or high debt-to-income ratios. Accordingly, the mortgage loans may be extremely sensitive to economic factors that could affect the ability of borrowers to pay their obligations or the value of the mortgaged property. Additionally, due to the recent deep recession, the seasoning of the mortgage loans and the re-performing nature of many of the mortgage loans in the asset pool, the mortgagors' creditworthiness at origination may not accurately reflect their current ability to pay their mortgage loans. As a result, certain Fund investments may experience rates of delinquency, default and foreclosures that are higher than those experienced by mortgage loans that were underwritten in accordance with higher standards.

Legal, Tax and Regulatory Risks

Legal, tax and regulatory changes could occur that may adversely affect the value of investments or the ability to fulfill a mandate. There is a material risk that regulatory agencies may adopt burdensome laws (including tax laws) or regulations, or changes in law or regulation, or in the interpretation or enforcement thereof, which are specifically targeted at the real estate industry, or other changes that could adversely affect Invictus and the Funds.

Litigation

In the ordinary course of business, Invictus or an account may become a party to litigation, disputes and other potential claims. There are no known current or pending litigation, disputes and other potential claims.

Below Investment-Grade Assets Involve Particular Risks

Fund investments may include mortgage loans originally rated non-investment grade. Non-investment grade securities are subject to liquidity, market value, credit, interest rate, reinvestment and certain other risks and generally will be subject to greater risks than investment grade securities, including greater risk of failure of timely payment of principal and interest.

Interest Rate Fluctuations

General interest rate fluctuations may have a substantial negative impact on investments and investment opportunities and accordingly may have a material adverse effect on investment objectives and the rate of return on invested capital. Valuations of non-agency residential loans are based on numerous factors, including specific loan characteristics. Such securities are also susceptible to fluctuations in interest rates.

Real Estate Risks Generally

Many of the risks of holding non-agency residential loans, which represent interests in mortgage loans, relate to the risks of investing directly in the real estate securing those mortgage loans. The value of non-agency residential loans may fall in periods of economic slowdown or recession, which may be accompanied by declining real estate values. Any material decline in real estate values reduces the ability of borrowers to use real estate equity to support their borrowings and increases the loan-to-value ratios of mortgage loans previously made, thereby weakening collateral coverage and increasing the possibility of a loss in the event of default. In addition, delinquencies, foreclosures and losses generally increase during economic slowdowns and recessions.

Non-conforming loans

Non-agency residential loans may include non-conforming mortgage loans. Credit risks associated with non-conforming mortgage loans may be greater than those associated with conventional mortgage loans that conform to Fannie Mae and Freddie Mac guidelines. The principal difference between non-conforming mortgage loans and conforming mortgage loans include the applicable loan-to-value ratios, the credit and income histories of the mortgagors, the documentation required for approval of the mortgagors, the types of properties securing the mortgage loans, loan sizes and the mortgagors' occupancy status with respect to the mortgaged property. As a result of these and other factors, the interest rates charged on non-conforming mortgage loans are often higher than those charged for conforming mortgage loans. The combination of different underwriting criteria and higher rates of interest may lead to higher delinquency rates and/or credit losses for non-conforming as compared to conforming mortgage loans and any failure by us to adequately address these issues could harm our business to the extent that we invest in such mortgage loans.

Valuations of Investments

Invictus values securities at their market price if market quotations are readily available. Where there is no readily available market quotation, securities are valued based on observable market inputs, including analyses of similar securities and recent comparable transactions. To the extent there are no observable market inputs, the Company will value securities based on significant management input. Invictus may alter its valuation based on market events, unreliability of pricing sources, or macro-economic events.

Other Risks of Investing in Mortgage Loans

The residential mortgage loans underlying a mortgage loans may not appreciate in value and, in fact, may decline in value. Additionally, mortgage loans issuances may default on interest and/or principal payments. Accordingly, a client may not realize gains or income from an investment or gains and income realized may be insufficient to offset any expenses or other losses experienced in the client's account.

Mortgage loans are also exposed to the credit risks of mortgage lending, which may harm results. Credit losses on residential mortgage loans can occur for many reasons, including: poor origination practices – leading to losses from fraud, faulty appraisals, documentation errors, poor underwriting and legal errors; poor servicing practices; weak economic conditions; declines in the values of homes; special hazards; earthquakes and other natural events; over-leveraging by the borrower; changes in legal protections for lenders; reduction in personal incomes; job loss; and personal events such as divorce or health problems. Despite reasonable efforts to manage credit risk in both recommending mortgage loans, there are many aspects of credit risk that cannot be controlled, and there can be no assurance that quality control and loss mitigation practices will be successful in limiting delinquencies, defaults and losses. Additional credit-related risks include the following:

Default and foreclosure

In the event of a borrower's default on a mortgage loan, the ultimate extent of the loss, if any, may only be determined after a foreclosure of the mortgage encumbering the property and, if the lender takes title to the property, upon liquidation of the property. Factors such as the title to the property or its physical condition (including environmental considerations) may make a third party unwilling to purchase the property at a foreclosure sale or for a price sufficient to satisfy the obligations with respect to the related mortgage loan. Foreclosure laws may protract the foreclosure process. In addition, the condition of a property may deteriorate during the pendency of foreclosure proceedings.

Environmental liabilities

Some properties securing mortgage loans may be contaminated by hazardous substances. As a result, the value of the real property may be diminished. In the event that there is a forced foreclosure on a defaulted mortgage loan on that property, that property may be subject to environmental liabilities regardless of whether the lien holder was responsible for the contamination. While we intend to exercise due diligence to discover potential environmental liabilities prior to the recommendation of the acquisition of any property through foreclosure, hazardous substances or waste, contaminants, pollutants or sources thereof, as defined by state and federal laws and regulations, may be discovered on properties. If such hazardous substances are discovered on a property, there may be a requirement to remove those substances or sources and clean up the property. The lien holder may also be liable to tenants and other users of neighboring properties. In addition, it may be difficult or impossible to sell the property prior to or following any such clean up.

Hedging and Leverage

Invictus employs various techniques to hedge exposures in client portfolios. These may include options, interest rate swaps, and other derivatives. The use of certain derivatives and other hedging instruments may involve leverage, which introduces additional risks, as described below. Additionally, Invictus may employ leverage in managing accounts for purposes other than hedging. The use of leverage or margin can result in losses that are significantly greater than would have been suffered if leverage were not employed. Invictus may cause an account to incur significant leverage, including short-term margin borrowings or implicit leverage associated with hedging instruments. The amount of leverage outstanding at any time may be large in relation to capital. In addition, the costs of leverage (including interest on borrowings and other expenses that may be associated with borrowings) may be substantial and will impact performance.

Risks Associated with Derivatives

Invictus may use derivative instruments or enter into derivative transactions, including for hedging purposes. Derivatives permit Invictus to increase or decrease the level of risk of a fund or account, or change the character of the risk. Derivatives may entail

investment exposures (including leverage and resulting collateral requirements) that are greater than their cost. Small investments in derivatives could have a material impact on the performance of the vehicle. Derivatives are often purchased on margin, subjecting accounts to leverage risk as described above.

Risks Associated with Swaps

Invictus may use swaps, including for hedging purposes. The use of interest rate, credit, currency, equity, commodity and total return swaps, “swaptions”, interest rate caps and floors and collars is a highly specialized activity that involves investment techniques and risks different from those associated with ordinary securities transactions. Swap agreements are principal-to-principal transactions in which performance is the responsibility of the individual counterparty and not an organized exchange or clearing house. As such, Invictus is exposed to the risk of counterparty default. Moreover, Invictus forecasts of market values, interest rates and currency exchange rates may be inaccurate and may result in overall performance results that are worse than the results that would have been achieved if the account did not engage in swap transactions.

For a complete list of risk associated with an investment in the Funds, please review the risks as set forth in the relevant Offering Materials for the Funds.

Item 9 Disciplinary Information

Neither Invictus nor any member of Invictus’s management has been involved in legal or disciplinary events that are material to an Investor’s evaluation of our advisory business.

Item 10 Other Financial Industry Activities and Affiliations

Invictus is independent and does not have any affiliated entities that are engaged in financial services or related businesses.

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

To avoid any potential conflicts of interest involving personal trades, Invictus has adopted a Code of Ethics (“COE”), which includes policies and procedures for personal trading as well as insider trading. Invictus’s COE requires, among other things, that Employees:

- Act with integrity, competence, diligence, respect, and in an ethical manner with the public, clients, prospective clients, employers, employees, colleagues in the investment profession, and other participants in the global capital markets;
- Place the integrity of the investment profession, the interests of clients, and the interests of Invictus’s above one’s own personal interests;
- Adhere to the fundamental standard that an Employee should not take inappropriate advantage of his/her position;
- Avoid any actual or potential conflict of interest;

- Conduct all personal securities transactions in a manner consistent with this policy;
- Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities;
- Practice and encourage others to practice in a professional and ethical manner that will reflect credit on oneself and the profession;
- Promote the integrity of, and uphold the rules governing, capital markets;
- Maintain and improve one's professional competence and strive to maintain and improve the competence of other investment professionals; and
- Comply with applicable provisions of the federal and state securities laws.

Invictus's COE also requires Employees to: 1) pre-clear certain personal securities transactions, 2) report personal securities transactions on at least a quarterly basis, and 3) provide Invictus with a detailed summary of certain holdings and securities accounts (both initially upon commencement of employment and annually thereafter) over which such Employees have a direct or indirect beneficial interest.

A copy of Invictus's COE is available to any client or prospective client upon request.

Item 12 Brokerage Practices

Given that Invictus invests primarily in individual mortgage loans, Invictus currently does not aggregate transactions. In the future, Invictus expects that, where permissible and consistent with its duty to seek best execution when executing in securitized loan interests on behalf of clients, it will aggregate orders and allocate them to participating accounts in a manner that is fair and equitable over time.

Invictus has discretion to select brokers and dealers to execute securities transactions and may recommend such brokers or dealers its clients. In doing so, Invictus seeks to recommend or select brokers or dealers consistent with its duty to "seek best execution". Non-agency residential loans trade in specialized markets and it is often the case that only one, or relatively few, trading agents or counterparties are available to execute a transaction. In many cases, Invictus recommends or selects brokers or dealers based on bid lists indicating available (or desired) issuances, their characteristics and prices, with dealers being compensated through spreads (i.e., the difference between the price at which the dealer buys, or will buy, a security and the price at which the dealer sells, or will sell, the security), with transactions being time-sensitive and there often being little if any opportunity to survey the market for better terms.

As such, Invictus broker recommendation and selection practices are inherently tied to its investment advisory and security analysis process. In making recommendations or decisions, Invictus takes into account quantitative and qualitative factors affecting the execution quality of portfolio transactions.

Item 13 Review of Accounts

Oversight and Monitoring

The Funds are expected to be monitored on an ongoing basis. Accounts are reviewed by a team consisting of Invictus principal executive and other Invictus investment professionals. These professionals monitor operations, overall performance, financial performance, strategic direction and compliance with the trading guidelines of each of the Funds. Reviews also consider, and may be triggered by events in the capital markets.

Investors in the Funds typically will receive written quarterly financial reports and annual financial statements (audited in accordance with GAAP). Additionally, investors may receive quarterly reports or letters, quarterly financial and capital account statements, or any other information as requested by an investor.

Item 14 Client Referrals and Other Compensation

Invictus currently utilizes Mercury Capital Advisors, LLC (“Mercury”) and Optimus Capital LLP (“Optimus”) as placement agents for the Opportunity Funds and Mercury and Optimus receive compensation from Invictus for successfully introducing prospective Investors making new investments in the Funds.

Item 15 Custody

In circumstances where Invictus or one of its related persons serves as a general partner or a managing member of the Funds, Invictus is deemed to have “custody” over the Fund’s assets for purposes of Rule 206(4)-2 under the Advisers Act (the “Custody Rule”). To comply with the Custody Rule, each Investor in the Funds receives audited financial statements, prepared in accordance with GAAP, within 120 days following the Fund’s fiscal year end. Investors who have not received audited financial statements timely should contact Invictus immediately.

Invictus would also be deemed to have custody if has the authority to deduct its fees directly from a client’s account. In these cases, the client’s custodian(s) would provide the client with quarterly (or more frequent) account statements including, among other things, account holdings, cash positions and transactions. Invictus generally will also receive a copy of these statements. Clients who fail to receive statements timely should inquire of their custodian(s) and notify Invictus. To the extent that Invictus may also provide account statements, clients are urged to compare Invictus statements with those provided by the custodian(s) and notify Invictus promptly of any discrepancies.

Item 16 Investment Discretion

Invictus maintains discretionary authority over the Funds as set forth in the relevant Offering Materials. The Company’s investment decisions may be limited, subject to reasonable investment objectives, policies and restrictions implemented on behalf of

Single Investor Partnerships and side letters providing specific investment terms for Investors in the Funds.

Item 17 Voting Client Securities

Unlike equity securities, non-agency residential loans do not typically solicit proxies or require holders to vote on proxy matters. From time to time, however, issuers may seek consents for various actions. Invictus, as a matter of policy and as a fiduciary to our clients, has responsibility for voting proxies for portfolio securities consistent with the best economic interests of the Clients. Our firm maintains written policies and procedures as to the handling, research, voting and reporting of proxy voting and makes appropriate disclosures about our firm's proxy policies and practices. Our policy and practice includes the responsibility to monitor corporate actions, receive and vote Client proxies and disclose any potential conflicts of interest as well as making information available to Clients about the voting of proxies for their portfolio securities and maintaining relevant and required records. Clients may request information regarding how Invictus voted a client's proxies, and clients may request a copy of the firm's proxy policies and procedures.

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Item 18 Financial Information

Not applicable.