



## Form ADV – Part 2A “Brochure”

This brochure provides information about the qualifications and business practices of Noctua International WMG, LLC and affiliates (collectively, “**Noctua**” or the “**Adviser**,” or “**we**,” or “**us**,” or “**our**”). If you have any questions about the contents of this brochure, please contact us at 786-220-0330. 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.

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

We are an investment adviser registered as such under the Investment Advisers Act of 1940, as amended (the “**Advisers Act**”). Such registration under the Advisers Act does not imply any level of skill or training.

December 2015

**Noctua International WMG, LLC**

1450 Brickell Avenue, Suite 1400

Miami, FL 33131

Tel: 786-220-0330

Fax: 786-513-2222

[www.noctuapartners.com](http://www.noctuapartners.com)

## ITEM 2

### MATERIAL CHANGES

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC Rules, we will ensure that you receive a summary of any material changes to this and subsequent brochures within 120 days of the close of our business' fiscal year. We may further provide other ongoing disclosure information about material changes, as necessary.

As required by SEC rules, we would like to inform you of material changes to our investment advisory business since the last update of our firm's brochure in July 2015. Specifically, Noctua seeks to identify and outline material changes in the following areas:

#### Senior Management and Investing

- Effective November 25, 2015, Luis Caputo ("Caputo") terminated his association with the Adviser. Caputo was an indirect shareholder of the Adviser and served as Noctua's Chief Investment Officer and a Portfolio Manager for Alto Global Master Fund, L.P. and Argentina Fund Ltd, two private funds managed by Noctua Asset Management, LLC, a relying adviser.
- Noctua engaged the services of Joaquin Eslava as a new Portfolio Manager that will join the investment management team that is responsible to primarily provide advisory services to Alto Global Master Fund, L.P. and its feeder fund. For more information related to Eslava's professional background and appropriate disclosures please refer to the Brochure Supplement.

#### Direct and Indirect Ownership

- As result of Caputo's departure, Noctua restructured its ownership structure. Specifically, Princess International Group Ltd ("Princess"), an indirect owner of the Adviser, transferred its interest in Affinis Partners II Ltd. ("Affinis II"), a direct owner of Noctua, to Martin Guyot ("Guyot") an existing shareholder of the Adviser. As result, Guyot gained ownership of 98 percent of Affinis II and became the majority indirect owner of the Adviser. Changes in Affinis II's ownership structure became effective on December 28, 2015.
- In addition, directorship changes were also implemented for Affinis II in order to terminate any control relationship of Caputo, direct and indirect, over the Adviser. Specifically, Rodrigo Godoy ("Godoy") was appointed as director of Affinis II, replacing Caputo and Fernando Iribarne and joining Guyot. Godoy is an employee

of Noctua and serves as a Senior Analyst conducting research, reporting, and performance analysis on a daily basis.

- Carlos Planas (“Planas”), an individual currently associated with the Adviser (who is also currently involved in advisory services to the two private funds managed by Noctua Asset Management, LLC), will replace Caputo as the Portfolio Manager of the Argentina Fund Ltd. and its feeder fund. Planas will devote his time exclusively to the Argentina Fund and its feeder. For more information related to Planas’ professional background and appropriate disclosures please refer to the Brochure Supplement.

Our brochure may be requested, free of charge, by contacting Martin Guyot, our Chief Compliance Officer, at 786-220-0330 or [mguyot@noctuapartners.com](mailto:mguyot@noctuapartners.com). Additional information about us is also available via the SEC’s website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s website also provides information about any of our affiliates who may be registered as investment advisers.

**ITEM 3**  
**TABLE OF CONTENTS**

ITEM 2 MATERIAL CHANGES .....	2
ITEM 3 TABLE OF CONTENTS .....	4
ITEM 4 ADVISORY BUSINESS.....	7
A. General Description of Advisory Firm .....	7
B. Description of Advisory Services .....	8
C. Wrap Fee Programs.....	10
D. Assets Under Management .....	10
ITEM 5 FEES AND COMPENSATION.....	11
A. Advisory Services and Fees.....	11
B. Payment of Fees .....	12
ITEM 6 PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT .....	15
ITEM 7 TYPES OF CLIENTS .....	17
ITEM 8 METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS .....	18
A. Methods of Analysis and Investment Strategies.....	18
B. Risk of Loss.....	19
ITEM 9 DISCIPLINARY INFORMATION .....	30
ITEM 10 OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS.....	31
A. Broker-Dealer Registration.....	31
B. Futures Commission Merchant, Commodity Pool Operator, or Commodity Trading Advisor Registration.....	31

C.	Material Relationships and Conflicts of Interests with Industry Participants .....	31
D.	Material Conflicts of Interest Relating to Other Investment Advisers .....	32
ITEM 11	<b>CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING</b> .....	33
A.	Code of Ethics.....	33
B.	Recommending, Buying, or Selling Securities in which We or a Related Person Have a Material Financial Interest, Invest, or Buy or Sell at the Same Time; Conflict of Interests.....	33
ITEM 12	<b>BROKERAGE PRACTICES</b> .....	36
A.	Selection of Broker-Dealers and Reasonableness of Compensation .....	36
B.	Aggregating Orders for Various Client Accounts .....	39
ITEM 13	<b>REVIEW OF ACCOUNTS</b> .....	40
A.	Periodic Review of Client Accounts .....	40
B.	Additional Review of Client Accounts.....	40
C.	Contents and Frequency of Account Reports to Clients.....	40
ITEM 14	<b>CLIENT REFERRALS AND OTHER COMPENSATION</b> .....	41
A.	Economic Benefits for Providing Services to Clients.....	41
B.	Compensation to Non-Supervised Persons for Client Referrals .....	41
C.	Compensation from Activity with Affiliates .....	41
ITEM 15	<b>CUSTODY</b> .....	42
ITEM 16	<b>INVESTMENT DISCRETION</b> .....	44
ITEM 17	<b>VOTING CLIENT SECURITIES</b> .....	45
ITEM 18	<b>FINANCIAL INFORMATION</b> .....	47
A.	Balance Sheet .....	47

B.	Contractual Commitments to Our Clients .....	47
C.	Bankruptcy Petitions .....	47

## ITEM 4

### ADVISORY BUSINESS

#### A. General Description of Advisory Firm

Noctua International WMG, LLC is a Delaware Limited Liability Company formed on May 6, 2009. Our affiliate, Noctua Asset GP, LLC, is a Delaware Limited Liability Company formed on March 31, 2009, serves as the general partner of Alto Global Master Fund, L.P., which is organized as a Cayman Islands exempted limited partnership (the “**Master Fund**”). Our affiliate, Noctua Asset Management, LLC, a Delaware limited liability company formed on March 31, 2009, serves as the investment manager of the Master Fund and Alto Global Fund, Ltd., which is organized as a Cayman Islands exempted company (the “**Feeder Fund**”). The Feeder Fund invests substantially all of its assets in limited partnership interests of the Master Fund. The Feeder Fund and the Master Fund described above are collectively referred to in this brochure, together, as the “**Alto Funds**.”

In addition to the Alto Funds, Noctua Argentina GP, LLC, another affiliate entity, serves as the general partner for the Argentina Master Fund, L.P. (the “**Argentina Master Fund**”) which is organized as a Cayman Islands exempted limited partnership. Noctua Asset Management, LLC also serves as the investment manager for the Argentina Master Fund and the Argentina Fund, Ltd, (the “**Argentina Feeder Fund**”). The Argentina Feeder Fund invests substantially all of its assets in limited partnership interests of the Argentina Master Fund. The Argentina Feeder Fund and the Argentina Master Fund described above are collectively referred to in this brochure, together, as the “**Argentina Funds**.”

Additionally, the Adviser manages and/or advises on separately managed accounts (“**SMAs**”), some of which, we maintain discretionary authority (the “**Managed Accounts**”). From time to time, we and/or our affiliates may launch, sponsor, or provide investment management or advisory services to other pooled investment vehicles or managed accounts. We refer to the Alto Funds, the Argentina Funds and the Managed Accounts collectively, as our “**Client Accounts**,” or more generally, with other potential clients, as our “**clients**.”

The principal owner of the Adviser is Affinis Partners II, Ltd., an exempted limited partnership formed under the laws of the Cayman Islands, and, indirectly, owned by Martin Guyot. The principal owner of our affiliate, Noctua Asset Management, LLC, is Affinis Partners II, Ltd., an exempted limited partnership formed under the laws of the Cayman Islands, and, indirectly owned by, Martin Guyot. The principal owner of Noctua Asset GP, LLC is Affinis Partners I, Ltd.

## **B. Description of Advisory Services**

Noctua provides asset management, research, and other financial advice to individuals and corporations. As an investment adviser, we provide discretionary and non-discretionary investment management services and design, structure, and implement investment strategies for the Alto Funds, Argentina Funds and the Managed Accounts. The overall advisory services offered by Noctua fall within the following categories:

### **1. Private Fund Portfolio Management Services**

As previously outlined, the Adviser primarily acts as the investment adviser to the Alto Funds and Argentina Funds. In this capacity the Adviser provides portfolio management and administrative services to the Alto Funds and Argentina Funds, including investigating, analyzing, structuring and negotiating potential investments, monitoring the performance of investments and advising as to the disposition of investment opportunities.

Interests in the Alto and Argentina Funds are not registered securities under the Securities Act of 1933, as amended. In addition, the Alto and Argentina Funds are not registered as investment companies under the Investment Company Act of 1940, as amended. Accordingly, interests in the Alto and Argentina Funds are offered and sold exclusively to investors satisfying the applicable eligibility and suitability requirements in private transactions.

Adviser provides investment advisory services to Adviser's clients through the management of investment portfolios in accordance with the objectives and guidelines of the private investment companies as stated in each private placing memorandum or in accordance with the risk profiles of individual clients. The investment objectives, risk tolerance and financial circumstances are generally described in their private placement memoranda. Other clients provide such information to Adviser at or before the time they enter into an advisory agreement with Adviser. For a detailed discussion of our strategies, please see "Item 8 Methods of Analysis, Investment Strategies and Risk of Loss" below.

### **2. Customized Discretionary Portfolios**

Adviser offers discretionary separately Managed Accounts that are customized to each client. Managed Accounts may focus on investments in specified and limited kinds of assets and securities, in limited markets, or they may be broad-based across many asset



classes and markets. Such accounts are intended to fit within the investor's objectives, strategies and risk profile as described by each client. The strategies utilized for these customized accounts may be similar to or may vary widely from the core strategies typically utilized by the Adviser, as further described in Item 8 or customized for each client based upon varying factors. Clients may place targets on these accounts and may restrict the types of investments made in such accounts.

General: Investment Policy Statement & Definition; Asset Allocation Strategy; Investment Strategy & Manager Review.

Investments: Review of Current Portfolios & Proposals; Determine Modifications, Create Timeline and Implement; Suggest Reasonable Fees for Products and Services; Provide Consolidated Reporting and Analysis; Ongoing Monitoring and Re-evaluation; Define or Affirm Wealth Transfer Desires; Succession Illustration and Definition.

### 3. Other Non-Discretionary Advisory Services

Adviser provides non-discretionary advisory services to all types of clients in accordance with a non-discretionary advisory agreement between Adviser and the client. Each agreement typically defines the services to be provided and if a fee is charged, the fees will also be agreed to in the advisory agreement. Adviser also provides recommendations and research regarding the investment of securities and cash in a client's account. These services are individually tailored to each client's needs and such advice may be provided to accounts at Adviser's affiliated broker-dealer or accounts custody with third parties.

### 4. Family Office Services

The Adviser offers family office investment advisory services. Such services include, but are not limited to furnishing advice to clients on matters not involving securities, such as financial planning matters, retirement planning, trust services that often include estate planning and educational services. The Adviser's real estate planning may also include activity conducted by the Adviser's affiliate Noctua Strategic Investments, LLC, which is a Delaware Limited Liability Company that primarily engages in real estate management and structuring. Noctua Strategic Investments, LLC is under common ownership with the Adviser by way of Affinis Partners II, Ltd.

The Adviser's services also include providing personalized confidential financial planning, investment management, financial advisory and family office services to individuals, corporations, trusts and charitable organizations worldwide. Advice is provided through consultation with the client and may include: determination of

financial objectives, identification of financial problems, cash flow management, insurance review, investment management, education funding, retirement planning, estate planning, real estate analysis and educational services.

5. Other Services

Adviser may provide additional services for clients from time to time as agreed between the client and the Adviser.

**C. Wrap Fee Programs**

We do not participate in wrap fee programs.

**D. Assets Under Management**

As of November 30, 2015, Noctua maintained approximately \$242,469,164 in assets under management on a discretionary basis and \$96,910,107 in assets under management on a non-discretionary basis.

## ITEM 5

### FEES AND COMPENSATION

#### A. Advisory Services and Fees

Written investment advisory agreements govern the terms of compensation and the manner in which we charge fees to each of our clients. The fees we charge for our advisory services may be negotiable depending on the circumstances of the client's account and the service levels we provide to the client. Subject to the terms of their investment advisory agreement, clients may elect to be billed directly for fees or may authorize us to directly deduct fees from the client's account. For instance, we directly deduct our fees from the accounts of the Alto Funds, but bill our fees for SMAs. We generally bill our fees, or directly deduct our fees from client accounts, on a monthly, quarterly, or annual basis. Our fees are payable in advance or in arrears.

Adviser may enter into flat fee arrangements from time to time, typically for research services provided to clients or client Accounts. For a detailed description of our fee arrangements, please see "Item 5 Fees and Compensation – Fees" below.

Our clients generally are responsible for all fees and expenses incurred, directly or indirectly, by or on behalf of such client, including, without limitation:

- organizational and offering expenses, to the extent applicable,
- directors' fees and expenses, as applicable;
- administration fees and expenses, as applicable;
- brokerage commissions and dealer spreads;
- regulatory filing fees and expenses, as applicable;
- transaction-related fees and expenses;
- all fees and expenses incurred in connection with any investment or potential investment, (including, the cost of research reports relating to securities, issuers, market segments, or geographic regions, the cost of third-party pricing services, the costs of portfolio modeling and analysis, bank service fees and any withholding or transfer taxes);
- legal, accounting, and auditing fees and expenses;
- tax audit costs, tax filing preparation costs, taxes, and assessments;

- costs related to the preparation, reproduction, and mailing of reports to partners or shareholders, as applicable;
- expenses associated with compliance with applicable laws and regulations;
- custodial fees and insurance expenses;
- the costs of any liability insurance, including directors and officers liability insurance and errors and omissions insurance; and
- extraordinary fees and expenses, if any, including, without limitation, any indemnification obligations.

For example, in connection with the aforementioned fees and expenses, the Feeder Fund will pay a proportionate share of such fees and expenses incurred by the Master Fund. We do not receive a brokerage commission or other compensation attributable to the sale of securities or other investment products.

For a discussion of the factors that we consider in selecting or recommending broker-dealers for client transactions and determining the reasonableness of commissions and compensation for such broker-dealers, please see “Item 12 Brokerage Practices – Selection of Broker-Dealers and Reasonableness of Compensation.”

Underlying investors in the Alto Global Fund and Argentina Fund, Ltd. may also be subject to placement agent fees. The terms of sales and on-going compensation payable to placement agents for interests sold by them may differ among the various placement agents depending on the sales relationship established with the particular placement agent and the amount of capital contributed through the efforts of the placement agent. In accordance with Rule 206(4)-3 of the Advisers Act, placement agent fees are disclosed to each underlying investor of the Alto Funds and Argentina Funds as well as to investors in SMAs.

## **B. Payment of Fees**

The fees relating to our trading strategies are generally as follows:

### **Managed Accounts**

- Management and performance fees are negotiable and vary due to account size and other factors and are typically based on the nominal account size. Management fees typically range from 1% to 2% of the average capital base of

assets under management for such accounts. Such fees are negotiable. Performance fees typically range from 10% to 23% of the annual net profits attributable to such accounts.

#### Alto Funds

- Management fees are payable quarterly in arrears. Performance fees are payable in arrears at year end.
- With respect to Alto Global Master Fund, L.P., a management fee is payable to the Adviser, quarterly in advance, at an annual rate of 2% of the Master Fund's net asset value (which equals 2% of Alto Global Fund, Ltd.'s limited partnership interest in the Master Fund).
- With respect to Alto Global Master Fund, L.P., the Master Fund's general partner, Noctua Asset GP, LLC, receives an annual incentive allocation equal to 20% of the Master Fund's annual net profits (which equals 20% of the annual net profits attributable to Alto Global Fund, Ltd.'s limited partnership interest in the Master Fund), subject to a "high water mark."

#### Argentina Funds

- With respect to Argentina Master Fund, L.P., a management fee is payable to the Adviser, quarterly in advance, at an annual rate of 1.5% for Class A shares and 1.0% for Class B shares of the Argentina Master Fund's net asset value (which equals the Argentina Fund, Ltd's partnership interest in the Master Fund).

- With respect to the Argentina Master Fund, L.P., the Argentina Master Fund's general partner, Noctua Argentina GP, LLC, receives an annual incentive allocation equal to 20% of the Argentina Master Fund's annual net profits for Class A shares and 15% for Class B shares (which equals the annual net profits attributable to Argentina Fund Ltd's partnership interest in the Argentina Master Fund), subject to a "high water mark."

Pursuant to the terms of the client's investment advisory agreement, if the investment advisory relationship is terminated as of any date other than the last business day of the applicable payment period, we typically charge a prorated management fee based on the ratio that the number of days for which investment advisory services were rendered bears to the total number of days in that payment period. In the event that the investment advisory relationship is terminated other than at the end of a performance allocation calculation period, such termination date shall typically be treated as the end of a performance allocation calculation period, and, if earned, we will effect such performance allocation. We may elect to reduce, waive, assign or otherwise share the management fee and incentive allocations set forth above without notice to or the consent of any client.

## ITEM 6

### PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

In some cases, including pursuant to our investment advisory agreements with the Alto and Argentina Funds as well as SMAs, we will enter into performance or incentive fee or allocation arrangements with eligible clients. The terms and conditions of such fees or allocations are subject to individualized negotiations with each client. We will structure any performance or incentive fee or allocation arrangement in accordance with Section 205(a)(1) of the Advisers Act and the rules and regulations thereunder, including the exemption set forth in Rule 205-3 of the Advisers Act permitting performance fee arrangements with “qualified clients.” For a more detailed discussion of the calculation of the incentive fees or allocations paid or made, as applicable, by the Alto and Argentina Funds and SMAs, please see “Item 5 Fees and Compensation – Fees.”

Performance-based fee or allocation arrangements may create an incentive for us to recommend investments that may be riskier or more speculative than those that may be recommended under a different fee or allocation arrangement. In the allocation of investment opportunities, performance-based fee or allocation arrangements may also create an incentive for us to favor accounts with performance or incentive fee or allocation arrangements, or accounts with higher performance or incentive fee or allocation arrangements, over accounts that do not have such arrangements or that have lower fee or allocation arrangements. We have adopted a portfolio management policy (the “**Portfolio Management Policy**”) designed to, among other items, ensure that all of our clients are treated fairly and equally and to prevent this form of conflict from influencing the allocation of investment opportunities among our clients. In accordance with our Portfolio Management Policy, while each of our clients may not participate in each individual investment opportunity, on an overall basis, due to a client’s investment strategy or elective trading restrictions established by a client, each client generally will be entitled to participate equitably with our other clients.

The Portfolio Management Policy seeks to allocate investment opportunities among our clients in a fair and equitable manner. If an investment opportunity is appropriate for two or more clients with similar or overlapping investment strategies, such investment opportunity will be allocated based on the provisions governing allocation of such investment opportunities, if any, in the relevant organizational documents or investment advisory agreements relating to such clients. Generally, we affect trades on a client by client basis. As a general rule, allocations among accounts with the same or similar investment objective are made *pro rata* based upon the size of the accounts. However, the Portfolio Management Policy provides that the Firm may “bunch” trades for a number of clients (which is done for discretionary Client Accounts

only). The aggregation must be done to assure best execution and is based on the fact that each investment so bunched is appropriate for the applicable clients. The Portfolio Management Policy also provides that to the extent that a client participates in an aggregate order, it will do so at the average price per share for that order.



## **ITEM 7**

### **TYPES OF CLIENTS**

We currently provide investment advisory services to the Alto Funds, Argentina Funds and Managed Accounts. Interests in Alto Global Fund and Argentina Fund Ltd. and the Managed Accounts are offered to high net worth individuals, financially sophisticated individual and institutional investors, including trusts, estates, or charitable organizations, pension and profit sharing plans and comingled investment vehicles, including investment companies.

Investors in Alto Global Fund, Ltd. must make minimum initial subscriptions of \$1,000,000, and any additional subscriptions are subject to a \$500,000 minimum. Investors in Argentina Fund, Ltd. Requires minimum initial subscriptions of \$500,000 and any additional subscriptions are subject to a \$250,000 minimum. In addition, investors in Alto Global Fund and Argentina Fund, Ltd. must meet certain prescribed criteria, including, as applicable, being an “accredited investor,” as defined in Rule 501(a) of Regulation D, promulgated pursuant to Section 4(2) of the Securities Act of 1933, as amended; a “qualified purchaser,” as defined in Section 2(a)(51)(A) of the Investment Company Act of 1940, as amended; and a “qualified client,” as defined in Rule 205-3 of the Advisers Act. Such minimum investment amounts and investor criteria are set forth in the offering documents of Alto Global Fund and Argentina Fund Ltd. Investors in a Managed Account generally must be willing to provide an initial minimum of \$3,000,000 in order to open such account with us.

We may, in our sole discretion, waive any of the minimum account requirements set forth above.

## ITEM 8

### **METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

#### **A. Methods of Analysis and Investment Strategies**

With respect to the Alto Funds and Managed Accounts, we seek high risk-adjusted total returns through a focus primarily on investments in equities, debt, commodities and currencies across global markets, with an emphasis on emerging markets and Latin American investments. The Master Fund employs a top-down macro analysis approach. We attempt to identify investment opportunities with attractive risk-return characteristics and will seek to select the best of these well-researched opportunities. The Master Fund may utilize leverage to enhance returns where deemed appropriate by the Adviser. Options, swaps or other derivative instruments may be used to complement or substitute for long or short positions in equities, fixed income, commodities and currencies, particularly in instances where a derivative may offer advantages such as greater liquidity, preferable tax treatment, ease of implementation/execution or other benefits identified by the Adviser. Such derivative instruments may also be used to reduce risk.

We believe that superior performance on a macro basis is a function of proper top-down analysis and asset allocation, whereas superior performance within an asset class or individual country is more a function of proper bottom-up analysis and security selection. We believe that the bulk of performance in emerging markets and Latin America is driven by country selection. We seek to combine both approaches to form a dual screening process to consider appropriate investment alternatives. We will utilize on the ground research as a primary tool for assessing attractive directional and relative value investments.

Experience and a detailed investment analysis process, as well as independent outside research will be used to select the top ideas out of a broad universe of investment alternatives across various markets and countries. Because of the anticipated limited number of investment positions, we expect to understand each investment in depth, analysing key variables and events. Each investment idea will go through a detailed screening process. As investments achieve selected targets, they will be replaced with new, attractive risk/reward opportunities. Positions will also be eliminated if we change our fundamental view of the investment as events or valuations change, or new information becomes available.

The Feeder Fund invests substantially all of its assets into the Master Fund. If deemed appropriate, the investment objective, investment restrictions and/or investment guidelines of the Master Fund may be altered if, due to a change in current market

conditions and/or a change in other systemic factors negatively affecting the investment objective of the Master Fund, we no longer believe that such investment objective, investment restriction and/or investment guideline is in the best interests of the Master Fund.

## **B. Risk of Loss**

Investing in securities involves risk of loss that clients should be prepared to bear. More specifically, investing in assets managed pursuant to our strategies set forth above involves the below material risks. Because these risk factors are not a complete list or explanation of all of the risks to investors in the Alto Funds or Managed Accounts, all such investors should read this brochure and any investment advisory agreement or offering document of the particular Alto Fund or Managed Account before making an investment with us.

### **Market Risks**

The profitability of a significant portion of our investment program depends to a great extent upon correctly assessing the future course of the price movements of securities and other investments. There can be no assurance that the Adviser will be able to predict accurately these price movements. Although the Adviser may attempt to mitigate market risk through the use of long and short positions or other methods and techniques, there may be a significant degree of market risk and there can be no assurances that the use of such methods and techniques will protect from significant losses.

### **Emerging Markets**

Investing in emerging market securities involves certain risks and special considerations not typically associated with investing in other more established economies or securities markets. Such risks may include (i) the risk of nationalization or expropriation of assets or confiscatory taxation; (ii) social, economic and political uncertainty including war; (iii) dependence on exports and the corresponding importance of international trade; (iv) price fluctuations, less liquidity and smaller capitalization of securities markets; (v) currency exchange rate fluctuations; (vi) rates of inflation (including hyperinflation); (vii) controls on foreign investment and limitations on repatriation of invested capital and on the ability to exchange local currencies for U.S. dollars; (viii) governmental involvement in and control over the economies; (ix) governmental decisions to discontinue support of economic reform programs generally and 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 securities markets; (xii) longer settlement periods for securities transactions in emerging markets; (xiii) less developed corporate laws regarding fiduciary duties of officers and directors and the protection of investors; (xiv) certain considerations regarding the maintenance of portfolio securities and cash with non-U.S. sub-custodians and securities depositories; and (xv) overall greater volatility.

### **Event Driven Strategy Risk**

The Adviser may look for special opportunities in which to invest, such as in distressed securities and/or event driven strategies. There is significant business risks associated with event driven investing. Because of the inherently speculative nature of this activity, results may fluctuate from period to period and may not correlate with the direction of the equity markets. Accordingly, the results of a particular period will not necessarily be indicative of results that may be expected in future periods. The significant business risks associated with event driven strategies include, but are not limited to, the items discussed below.

Investments may be made in the securities of a company engaging in an extraordinary transaction or event after the event has been announced. Because the price offered for securities of a company involved in an announced deal will generally be at a significant premium above the market price prior to the announcement, the failure of a proposed transaction to close is generally followed by a significant decline in the value of the securities as their market price returns to a level comparable to that which existed prior to the announcement of the transaction. Furthermore, the difference between the price paid for securities of a company involved in an announced transaction and the anticipated value to be received for such securities upon consummation of the proposed transaction will often be small. If the proposed transaction appears likely not to be consummated or, in fact, is not consummated or is delayed, the market price of the securities will usually decline sharply, perhaps below the price at which the security was purchased. The number of such opportunities available varies greatly and is based on many factors beyond the control of the Adviser.

We may invest in the securities of large, medium or small capitalization companies that we believe are potential candidates in an extraordinary corporate transaction such as a tender offer, merger, spin-off, reacquisition, reorganization, bankruptcy, liquidation or other catalytic change or transaction. In any investment opportunity involving any such type of special situation, there exists the risk that the contemplated transaction either will be unsuccessful, will take considerable time or will result in a distribution to of cash or a new security, the value of which will be less than the purchase price of the security or other financial instrument in respect of which such distribution is received. Similarly,

if such investments were made and the anticipated transactions were not in fact to occur, the securities would likely be sold at a loss.

If put options are purchased with respect to securities anticipated to be received in an exchange or merger and the proposed transaction is not consummated, the market price of the securities may rise above the exercise price of the put options, resulting in the cost of the put options not being recovered. If put options are purchased with respect to securities that are the subject of a proposed cash tender offer or cash merger and the transaction is consummated, the options may not be exercised and the premiums paid therefor may be lost. In addition, premiums paid for put options increase transaction costs and, in certain situations, may result in a sufficient reduction in the spread between the acquisition price and the anticipated price to be received to make the investment so unattractive based upon a return on capital/risk-reward analysis that the Adviser may determine not to take a portfolio position. Since options expire on specific dates, in the event consummation of a transaction is delayed beyond the expiration of a put option held, the anticipated benefit of the option may be lost.

It may be determined that the offer price for a security that is the subject of a tender offer is likely to be increased, either by the original bidder or by another party. In those circumstances, securities may be purchased above the offer price, and such purchases are subject to the added risk that the offer price will not be increased or that the original offer will be withdrawn.

The consummation of mergers, tender offers, and exchange offers can be prevented or delayed by a variety of factors, including, without limitation: (i) opposition by the management or stockholders of the target company, which will often result in litigation to enjoin the proposed transaction; (ii) intervention of a regulatory agency; (iii) efforts by the target company to pursue a “defensive” strategy, including a merger on less favorable terms with, or a friendly tender offer by, a company other than the offeror; (iv) in the case of a merger, failure to obtain the necessary stockholder approvals; (v) market conditions resulting in material changes in securities prices; (vi) compliance with any applicable securities laws; (vii) inability to obtain adequate financing; and (viii) material adverse changes in target or acquiring companies.

Often a tender or exchange offer will be made for less than all of the outstanding securities of an issuer or a higher price will be offered for a limited amount of the securities, with the provision that, if a greater number is tendered, securities will be accepted pro rata. Thus, a portion of the tendered securities may be returned. After completion of the tender offer, the market price of the securities may decline below their cost, resulting in a loss on this portion of the securities.

## **Valuation of Investments**

Client assets may, at any given time, include securities and other financial instruments or obligations that are thinly traded or for which no market exists and/or that are restricted as to their transferability under applicable securities laws. The sale of any such investments may be possible only at substantial discounts, and it may be extremely difficult to value accurately any such investments. Valuation of client securities and other investments may involve uncertainties and judgmental determinations. If such valuations should prove to be incorrect, clients could be adversely affected. While the Adviser may utilize the services of certain third parties to provide independent valuation of a client's portfolio (and may retain other independent pricing services to value securities that are not publicly traded), independent pricing information may not at times be available, reliable or may be difficult to obtain with respect to certain securities and other investments. We are entitled to rely, without independent investigation, upon pricing information and valuations furnished by such pricing services.

## **Currency Risks**

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, capital appreciation and political developments. The Adviser may try to hedge these risks, but there can be no assurance that it will implement a hedging strategy, or if it implements one, that it will be effective.

## **Arbitrage Transaction Risks**

Arbitrage strategies attempt to take advantage of perceived price discrepancies of identical or similar financial instruments on different markets or in different forms. Examples of arbitrage strategies include event-driven arbitrage, merger arbitrage, capital structure arbitrage, convertible arbitrage, fixed income or interest rate arbitrage, statistical arbitrage, debt spread arbitrage and index arbitrage. The Adviser may employ any one or more of these arbitrage strategies. If the requisite elements of an arbitrage strategy are not properly analyzed, or unexpected events or price movements intervene, losses can occur that may be magnified to the extent we are employing leverage. Moreover, arbitrage strategies often depend upon identifying favorable "spreads," which can also be identified, reduced or eliminated by other market participants.

## **Debt Securities**

We may invest in unrated or low grade debt securities that are subject to greater risk of loss of principal and interest than higher-rated debt securities. We may invest in debt securities that rank junior to other outstanding securities and obligations of the issuer, all or a significant portion of which may be secured on substantially all of that issuer's assets. We may invest in debt securities that are not protected by financial covenants or limitations on additional indebtedness. In addition, evaluating credit risk for foreign debt securities involves greater uncertainty because credit rating agencies throughout the world have different standards, making comparison across countries difficult.

### **Derivatives**

We may utilize both exchange-traded and over-the-counter derivatives, including, but not limited to, futures, forwards, swaps, options and contracts for differences, as part of our investment policy. These instruments can be highly volatile and expose investors to a high risk of loss. Transactions in over-the-counter contracts may involve additional risk, as there is no exchange market on which to close out an open position. Consequently, it may be impossible to liquidate an existing position, to assess the value of a position or to assess the exposure to risk. Contractual asymmetries and inefficiencies can also increase risk, such as break clauses, whereby counterparty can terminate a transaction on the basis of a certain reduction in net asset value, incorrect collateral calls, or delays in collateral recovery.

### **Real Estate Industry and REIT Risks**

Investments in REITs, other real estate related securities and fee simple assets are subject to the risks incident to the ownership and operation of real estate generally. Some of the risks associated with investments in real estate are declines in the value of real estate, risks related to general and local economic conditions, dependency on management skill, heavy cash flow dependency, possible lack of availability of mortgage funds, overbuilding, extended vacancies of properties, increased taxes and operating expenses, changes in zoning laws, losses due to costs resulting from the clean-up of environmental problems, liability to third parties for damages resulting from environmental problems, casualty or condemnation losses, limitations on rents, changes in neighborhood values and the appeal of properties to tenants and changes in interest rates.

### **Commodity-Related Securities**

The production and marketing of commodities may be affected by actions and changes in governments. In addition, commodity-related securities may be cyclical in



nature. During periods of economic or financial instability, commodity-related securities may be subject to broad price fluctuations, reflecting volatility of energy and basic materials prices and possible instability of supply of various commodities. Commodity-related securities may also experience greater price fluctuations than the relevant commodity. In periods of rising commodity prices, such securities may rise at a faster rate, and conversely, in time of falling commodity prices, such securities may suffer a greater price decline.

### **Distressed Securities**

We may invest in “distressed” securities, claims and obligations of domestic and foreign entities that are experiencing significant financial or business difficulties. Investments may include loans, commercial paper, loan participations, trade claims held by trade or other creditors, stocks, partnership interests and similar financial instruments, executory contracts and options or participations therein not publicly traded. Distressed securities may result in significant returns to clients, but also involve a substantial degree of risk. Clients may lose a substantial portion or all of investments in a distressed environment or may be required to accept cash or securities with a value less than the investment. Among the risks inherent in investments in entities experiencing significant financial or business difficulties is the fact that it frequently may be difficult to obtain information as to the true condition of such issuers. Such investments also may be adversely affected by applicable laws relating to, among other things, fraudulent conveyances, voidable preferences, lender liability and a bankruptcy court's discretionary power to disallow, subordinate or disenfranchise particular claims. The market prices of such instruments are also subject to abrupt and erratic market movements and above average price volatility, and the spread between the bid and asked prices of such instruments may be greater than normally expected. In trading distressed securities, litigation is sometimes required. Such litigation can be time-consuming and expensive and can frequently lead to unpredicted delays or losses. Moreover, to the extent that clients invest in distressed sovereign debt obligations, they will be subject to additional risks and considerations not present in private distressed securities, including the uncertainties involved in enforcing and collecting debt obligations against sovereign nations, which may be affected by world events, changes in foreign policy and other factors outside of the control of the Adviser.

### **Closed-End Funds**

We may invest in closed-end funds. Because closed-end funds are, by definition, portfolios of securities, we believe that the unsystematic risk associated with investments in closed-end funds is generally very low relative to investments in ordinary securities of individual issuers. However, there are events that can trigger sharp and sometimes



adverse price movements in closed-end funds that are not related to movements of the market in general. Not limited to, but among these, are surprise dividends, changes to regular dividend amounts, announcements of rights offerings and possible surprise revisions to net asset values.

In addition to the foregoing, it should be noted that the Investment Company Act of 1940, as amended, places certain restrictions on the percentage of ownership that a private investment fund may have in a registered investment company.

### **Loan Participations**

We may invest in corporate loans acquired through assignment or participations. In purchasing participations on behalf of clients, we will usually have a contractual relationship only with the selling institution, and not the borrower. We generally will have no right directly to enforce compliance by the borrower with the terms of the loan agreement, nor any rights of set-off against the borrower, nor will it have the right to object to certain changes to the loan agreement agreed to by the selling institution. Clients may not directly benefit from the collateral supporting the related secured loan and may not be subject to any rights of set-off the borrower has against the selling institution.

In addition, in the event of the insolvency of the selling institution, under the laws of various jurisdictions, clients may be treated as a general creditor of such selling institution and may not have any exclusive or senior claim with respect to the selling institution's interest in, or the collateral with respect to, the secured loan. Consequently, clients may be subject to the credit risk of the selling institution as well as of the borrower. Certain loans or loan participations may be governed by the laws of a jurisdiction other than a United States jurisdiction, which may present additional risks as regards the characterization under such laws of such participation in the event of the insolvency of the selling institution or the borrower.

### **Portfolio Illiquidity**

We may invest a portion of client assets in securities that may be difficult to trade. At various times, the markets for securities purchased or sold by us on behalf of clients may be "thin" or illiquid, making purchase or sale of securities at desired prices or in desired quantities difficult or impossible. In some cases, clients may be contractually prohibited from disposing of such securities for a specified period of time. Further, the sale of any such investments may be possible only at substantial discounts and such investments may be extremely difficult to value.

## **Swap Agreements**

We may enter into swap agreements on behalf of clients. Swap agreements are two party contracts entered into primarily by institutional investors for periods ranging from a few weeks to more than a year. In a standard “swap” transaction, two parties agree to exchange the returns (or differentials in rates of return) earned or realized on particular predetermined investments or instruments. The gross returns to be exchanged or “swapped” between the parties are calculated with respect to a “notional amount” (i.e., the return on or increase in value of a particular dollar amount invested at a particular interest rate, in a particular foreign currency or security, or in a “basket” of securities representing a particular index). The “notional amount” of the swap agreement is only a fictive basis on which to calculate the obligations that the parties to a swap agreement have agreed to exchange. Most swap agreements entered into by clients would calculate the obligations of the parties to the agreement on a “net” basis.” Consequently, client obligations (or rights) under a swap agreement will generally be equal only to the net amount to be paid or received under the agreement based on the relative values of the positions held by each party to the agreement (the “net amount”).

Whether our use of swap agreements, if any, will be successful in furthering our investment objective will depend on our ability to correctly predict whether certain types of investments are likely to produce greater returns than other investments. Clients bear the risk of loss of the amount expected to be received under a swap agreement in the event of the default or bankruptcy of a swap agreement counterparty. The swaps market is a relatively new market and it is largely unregulated. It is possible that developments in the swaps market, including potential government regulation, could adversely affect the clients’ ability to terminate existing swap agreements or to realize amounts to be received under such agreements.

## **Small to Medium Capitalization Companies**

We may invest a portion of our clients’ assets in the securities of companies with small-to medium-sized market capitalizations. While we believe these investments often provide significant potential for appreciation, those securities, particularly smaller-capitalization securities, involve higher risks in some respects than do investments in securities of larger companies. For example, prices of such securities are often more volatile than prices of large-capitalization securities. In addition, due to thin trading in some of these investments, an investment in these securities may be more illiquid than that of larger capitalization securities.

## **Options**

The purchase or sale of an option involves the payment or receipt of a premium by the investor and the corresponding right or obligation, as the case may be, either to purchase or sell the underlying security, commodity or other instrument for a specific price at a certain time or during a certain period. Purchasing options involves the risk that the underlying instrument will not change price in the manner expected, so that the investor loses its premium. Selling options involves potentially greater risk because the investor is exposed to the extent of the actual price movement in the underlying security rather than only the premium payment received (which could result in a potentially unlimited loss). Over-the-counter options also involve counterparty solvency risk.

## **Counterparty and Custodial Risk**

To the extent that we invest in swaps, “synthetic” or derivative instruments, repurchase agreements, certain types of options or other customized financial instruments, or, in certain circumstances, non-U.S. securities, our clients take the risk of non-performance by the other party to the contract. This risk may include credit risk of the counterparty and the risk of settlement default. This risk may differ materially from those entailed in exchange-traded transactions that generally are supported by guarantees of clearing organizations, daily marking-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered directly between two counterparties generally do not benefit from such protections and expose the parties to the risk of counterparty default.

In addition, there are risks involved in dealing with the custodians or brokers that settle client trades, particularly with respect to non-U.S. investments. It is expected that all securities and other assets deposited with custodians or brokers will be clearly identified as being assets of the client and the client should not be exposed to a credit risk with respect to such parties. However, it may not always be possible to achieve this segregation and there may be practical or timing problems associated with enforcing the client’s rights to its assets in the case of an insolvency of any such party.

## **Lack of Liquidity of Fund Investments/Restricted or Non-Marketable Securities**

Client assets may, at any given time, include securities and other financial instruments or obligations that are thinly-traded or private, making purchase or sale of such securities at desired prices or in desired quantities difficult or impossible. Furthermore, the sale of any such investments may be possible only at substantial discounts, and it may be extremely difficult to value any such investments accurately.

### **Lack of Diversification**

Client portfolios will not generally be as diversified as other investment vehicles. Accordingly, investments may be subject to more rapid change in value than would be the case if clients were required to maintain a wide diversification among types of securities, geographical areas, issuers and industries.

### **Limited Redemption and Transfer Rights**

Investors in the Alto Funds and Argentina Funds generally will be permitted to redeem on a quarterly basis, subject to thirty (30) days' prior written notice. Investors may only transfer their interests with our written consent.

### **Incentive Fees and Allocations**

Incentive fees and allocations may create an incentive for us to cause clients to make investments that are riskier or more speculative than would be the case if this allocation were not made. Since such fees and allocations are calculated on a basis that includes unrealized appreciation of assets, such fees and allocations may be greater than if it were based solely on realized gains.

### **Limited Operating History**

We began operations in 2009 and, as such, we have a limited operating history for prospective investors to evaluate prior to making an investment with us.

### **Reliance on Key Persons**

Investments with us will be substantially dependent on the services of our personnel. In the event of the death, disability, departure, or insolvency of such persons, our business may be adversely affected.

### **Legal, Tax, and Regulatory Risks**

Legal, tax, and regulatory changes could occur during that may adversely affect clients, including by increasing the costs of compliance and by restricting clients' ability to implement its investment strategy. Over the last two years, comprehensive legal, tax, and regulatory changes have been proposed in virtually every jurisdiction active in the financial markets, and investment funds and their investment advisers have come under attack from the media and some legislators. This has particularly been the case following the credit crisis and extreme economic downturn that began in 2008. As a result, multiple pieces of legislation have been introduced or adopted, both on the state and federal level

in the United States, and throughout the world. Any of such pieces of legislation are likely to add to the costs and regulatory burdens of operating Client Accounts.

**ITEM 9**  
**DISCIPLINARY INFORMATION**

To the best of our knowledge, there are no legal or disciplinary events that we believe would be material to our clients' or our prospective clients' evaluation of our advisory business or the integrity of our management.

## ITEM 10

### OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

#### A. Broker-Dealer Registration

Neither we nor our management personnel (i) are registered as broker-dealers or (ii) 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 Advisor Registration

Neither we nor our management personnel (i) are registered as a futures commission merchant, commodity pool operator, commodity trading advisor or an associated person of the foregoing or (ii) have any application pending to register with respect to any of the foregoing.

#### C. Material Relationships and Conflicts of Interests with Industry Participants

Our relationships and arrangements with our various clients and other industry participants are material to our advisory business and may raise conflicts of interest. Below is a description of some of the conflicts of interest arising from such relationships and arrangements. Because this is not an exhaustive list of all of the conflicts of interest associated with the conduct of our investment advisory business, clients should read this brochure, any investment advisory agreement and any offering documents of the particular Alto Fund, Argentina Fund and Managed Account before making an investment with us.

We provide investment advisory services to the Alto Funds, Argentina Funds as well as certain Managed Accounts. There is no limit on the number of vehicles or accounts that we may manage or advise in the future. Furthermore, we and our personnel may have investments in certain of our client accounts. As a result of the foregoing, we may have conflicts of interest in (i) allocating the time and resources of our personnel between and among clients; (ii) allocating investment opportunities between and among clients (See Item 6 – “Performance-Based Fees and Side-By-Side Management”); and (iii) effecting transactions between clients, including clients in which we or our personnel may have different financial interests.

While we select our prime brokers, counterparties and service providers in accordance with our fiduciary obligations to our clients, from time to time, such parties or their affiliates may also invest in the Alto Funds, Argentina Funds or Managed Accounts.

Placement agents that we engage to solicit investors for the Alto Funds, Argentina Funds and/or Managed Accounts are subject to a conflict of interest because they will be compensated in connection with their solicitation activities. For a more detailed discussion of our engagement of placement agents, please see Item 14 - "Client Referrals and Other Compensation."

To address these potential conflicts of interests in our material relationships, we have adopted policies and procedures, including a Code of Ethics. Under the Code of Ethics, in general, all of our personnel, including directors, officers, and employees, must put the interests of our clients first, and must act honestly and fairly in all respects in dealings with clients. Additionally, under such policies and procedures, no client may receive preferential treatment over any other client. In allocating investment opportunities and securities among clients, it is our policy that all clients should be treated fairly and that, to the extent possible, all clients should receive equivalent treatment. To that end, we review our client portfolios periodically to consider the investment strategy and criteria, positioning and portfolio construction guidelines.

With respect to the selection of broker-dealers, we allocate portfolio transactions to brokers based on best execution and in consideration of such brokers' provision or payment of the costs of research and other services. For a more detailed discussion of the factors that we consider in selecting or recommending broker-dealers for client transactions, please see Item 12 - "Brokerage Practices."

Our Code of Ethics requires that we make full disclosure of all material facts concerning any actual, apparent or potential conflicts of interest, and requires us and our personnel to follow appropriate procedures designed to minimize any such conflict.

For a more detailed discussion of our Code of Ethics, please see Item 11 - "Code of Ethics, Participation or Interest in Client Transactions and Personal Trading."

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

Except as disclosed in this Item 10, we do not recommend or select other investment advisers for our clients.



## ITEM 11

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

#### **A. Code of Ethics**

We have adopted a Code of Ethics that is based on the principle that we, and each of our personnel, owe a fiduciary duty to our clients and a duty to comply with federal and state securities laws and all other applicable laws. These duties include the obligation of all personnel to conduct their personal securities transactions in a manner that does not interfere with the transactions of any client or otherwise to take unfair advantage of their relationship with clients. Among other things, the Code of Ethics requires regular reporting of personal securities transactions by certain personnel.

We will provide a copy of our Code of Ethics, free of charge, to any client or investor and prospective client or prospective investor upon request. Our Code of Ethics may be requested by contacting our Chief Compliance Officer, Martin Guyot at 786-220-0330 or mguyot@noctuapartners.com.

#### **B. Recommending, Buying, or Selling Securities in which We or a Related Person Have a Material Financial Interest, Invest, or Buy or Sell at the Same Time; Conflict of Interests**

In certain circumstances, we may, on our clients' behalf, buy or sell securities or related instruments in which we or our related persons, directly or indirectly, have a position of interest. We may also recommend that our clients or prospective clients buy or sell such securities. Further, we, or our related persons, may invest in the same securities or related instruments that we recommend to our clients.

Conflicts of interest may occur when we, or our related persons, trade in the same security at or about the same time as our clients. For example, we may seek to sell the securities we hold while simultaneously recommending that our clients maintain their position in the security. A sale by our related persons or by us may affect the liquidity, value, or trading price of the securities that our clients continue to hold. In addition, we or our personnel may invest in the Alto Funds and Argentina Funds and, therefore, such persons may hold an indirect interest in the same securities as other investors in the Alto Funds and Argentina Funds. Our Code of Ethics and our personal trading policy have been designed to limit conflicts of interest in cases where we or certain of our personnel, buy, sell or otherwise have an interest in, securities we have recommended to our clients.

We and/or our affiliates may provide advice and recommend securities to certain Client Accounts that may differ from advice given to, or securities recommended or bought for, other Client Accounts, even though their investment programs may be the same or similar.

We do not participate in “principal transactions” in which we or an affiliate act as principal for our own account with respect to the sale of a security to or purchase of a security from another client. Additionally, we do not participate in agency cross transactions.

We have adopted an “Insider Trading Policy” that prohibits us and our personnel from trading for clients or for ourselves or themselves, or recommending trading, in securities of a company while in possession of material nonpublic information (“**Inside Information**”) about the company, and from disclosing such information to any person not entitled to receive it, in either case in contravention of applicable securities laws. By reason of our various activities, we may have access to Inside Information or be restricted from effecting transactions in certain investments that might otherwise have been initiated. We have adopted policies and procedures reasonably designed to, among other things, control and monitor the flow of Inside Information to and within our organization, as well as prevent trading based on Inside Information.

Notwithstanding such policies and procedures, there may be certain cases where we either may receive Inside Information due to our various activities on behalf of clients or may be restricted in acting for clients, resulting in limited liquidity or using such information for the benefit of certain clients in specific securities. We seek to minimize those cases whenever possible, consistent with applicable law and our Insider Trading Policy, but there can be no assurance that such efforts will be successful and that such restrictions will not occur.

### **Personal Trading**

We believe restricting certain of our personnel’s personal trading is one way of avoiding conflicts of interest between our clients and such personnel. Our personal trading policies are part of our Code of Ethics. For a full description of our Code of Ethics, please see Item 11 - “Code of Ethics, Participation or Interest in Client Transactions and Personal Trading - Code of Ethics,” above. Generally, the Code of Ethics requires that, prior to effecting any personal securities transactions; personnel subject to our personal trading policies must receive written approval from the Chief Compliance Officer.

In general, personnel covered by our personal trading policy must provide our Chief Compliance Officer or her designee with (i) their securities holdings at the

commencement of employment and annually thereafter and (ii) quarterly transaction reports or quarterly brokerage statements or duplicate trade confirmations. Furthermore, the personal accounts of the personnel covered by our personal trading policy will be reviewed regularly and compared with transactions for our clients.

## ITEM 12

### BROKERAGE PRACTICES

Pursuant to each client's investment advisory agreement, or other similar agreement, we are generally authorized to select the broker or dealer to effect transactions on behalf of our clients. However, our selection of the broker or dealer may be tailored to a particular client's investment guidelines or restrictions, where appropriate. Accordingly, portfolio transactions will be allocated to brokers based on best execution and in consideration of such broker's provision or payment of the costs of research and other services.

#### A. Selection of Broker-Dealers and Reasonableness of Compensation

Consistent with our fiduciary duty to clients, we have an obligation to seek the best price and execution of client securities transactions when we are in a position to direct brokerage transactions. While not defined by statute or regulation, "best execution" generally means the execution of client trades at the best net price considering all relevant circumstances.

We will place trades for execution only with approved brokers or dealers. The factors to be considered in selecting and approving brokers-dealers that may be used to execute trades include, but are not limited to:

1. the value of research provided, execution capabilities, commission rates or ticket charges;
2. reputation and financial strength, ability and willingness to correct trade errors, and administrative resources.

As a part of this analysis, we will also consider the quality and cost of services available from alternative broker/dealers.

Our Chief Compliance Officer and portfolio managers are responsible for due diligence on best execution, including ensuring that we meet our best execution obligations, updating our best execution procedures whenever appropriate, and considering any other best execution issues identified by such persons. Such persons will generally meet on a periodic basis to review the approved broker list and to evaluate several randomly selected trades for best execution. Notes will be kept for each such meeting. The notes will identify the issues considered, and any decisions reached.

## 1. Research and Other Soft Dollar Arrangements

Our policy is to only use “soft” or commission dollars to the extent that such expenses come within Section 28(e) of the Securities Exchange Act of 1934, as amended (“**Section 28(e)**”). Section 28(e) provides a “safe harbor” to investment managers that use commission dollars of their advised accounts to obtain investment research and brokerage services that provide lawful and appropriate assistance to the investment manager in performing investment decision-making responsibilities. Conduct outside of the safe harbor afforded by Section 28(e) is subject to the traditional standards of fiduciary duty under state and federal law. Items for which we may use soft dollars, and that fall within the safe harbor, include:

- research seminars and similar programs (however, travel expenses, meals and hotel accommodations are not included);
- computer analyses of securities portfolios;
- economic factors and trends as well as political analysis;
- third party research, provided that the broker is contractually obligated to pay the provider of the service or products and does not merely act as a conduit to pass on the Adviser’s commissions to the provider of the services to satisfy the Adviser’s obligation.

We are not obligated to seek the lowest transaction charge, except to the extent that it contributes to the overall goal of obtaining the best execution for clients. A higher transaction charge on exchange and over-the-counter trades may be determined reasonable in light of the value of the brokerage execution and research products and services provided to us for the benefit of our clients.

We may from time to time enter into formal or informal arrangements with certain brokers (“**Soft Dollar Brokers**”) whereby the provision of research or brokerage execution services is explicitly dependent on the level of commissions and underwriting concessions generated by the client accounts. In selecting Soft Dollar Brokers to initiate soft dollar transactions, we will consider the capabilities of the Soft Dollar Broker to provide best execution. We currently have one formal soft dollar arrangement with a Soft Dollar Broker. Pursuant to such arrangement, we have only received research services over the past fiscal year. Such research services fall within Section 28(e).

Research services received from Soft Dollar Brokers will be used to supplement and augment our own research capabilities, and will directly assist us in our investment decision-making process. Soft Dollar Brokers also may provide execution-related

products and services, including trade execution and electronic access to broker networks, in exchange for commission business.

All products and services that are paid for with client transaction charges are of the type described in Section 28(e). All products and services that are paid for with soft dollars are reviewed and approved to ensure that the product or service provides lawful and appropriate assistance in the performance of our investment decision-making activities. In addition, a determination will be made as to whether the amount of the commissions paid is reasonable in light of the value of the products or services provided. Section 28(e) permits products and services obtained by soft dollars to be used for any or all client accounts.

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

In selecting or recommending broker-dealers, we do not consider whether we, or any of our affiliates, receive client or investor referrals from a broker-dealer or other third party.

## **3. Directed Brokerage**

“Directed brokerage” refers to instances in which a client retains the discretion to choose brokers and instructs the Adviser to direct portfolio transactions to a particular broker-dealer. We generally do not permit any directed brokerage arrangements at this time. A Managed Account client may direct us to effect all (or a specified percentage of) securities transactions in the client’s account through a specific broker-dealer in the future. We would generally negotiate commissions for transactions with such brokers unless instructed otherwise by the Managed Account client. If we are directed to use a particular broker, whether or not we negotiate the commission rates, we may not be able to obtain the same price and execution that may be available if we were free to determine the broker best able to execute the particular transaction. Before accepting a Managed Account client directed brokerage arrangement, we would ensure the Managed Account client’s instructions are clear and unambiguous and inform the Managed Account client in writing that:

1. we assume no responsibility for negotiating commission rates and other transaction costs with the directed broker;
2. although the Managed Account client has selected a directed broker, we will not be required to effect any transaction through the directed broker if we reasonably believe that to do so may result in a breach of our duties to the Managed Account client;

3. by instructing us to execute all transactions through the directed broker, the Managed Account client may not obtain commission rates and execution as favorable as would be the case if we were able to place transactions with other broker-dealers;
4. the Managed Account client may forego benefits that we may be able to obtain through, for example, negotiating volume discounts or aggregating or bunching trades; and

Managed Account client-directed brokerage trades may be placed by us after trades for other Managed Account clients or the Alto Funds and Argentina Funds in similar securities executed through us.

**B. Aggregating Orders for Various Client Accounts**

We may aggregate orders of our client accounts for trade execution and thereafter allocate the securities on an average price basis to such client accounts. More specifically, each client that participates in an aggregated order will participate at the average share price for all of our transactions in that security or other instrument on a given business day and transaction costs will be shared pro rata based on each client's participation in the transaction. No client will be favored over any other client as a result of such aggregation. Brokerage commission rates will not be reduced because of such aggregation. In some instances, average pricing may result in higher or lower execution prices than otherwise obtainable by a single client. We believe that our aggregation policy is lawful and consistent with our duty to seek best execution for all our clients. In general, in the event that we are unable to purchase the entire allotment required to satisfy any such aggregated orders (i.e., the total amount of securities purchased is less than the amount requested in such order), we will allocate such securities as "partial fills" among the purchasing accounts in proportion to the relative sizes of the initial orders.

**ITEM 13**  
**REVIEW OF ACCOUNTS**

**A. Periodic Review of Client Accounts**

Our portfolio managers and Chief Compliance Officer receive and review periodic reports and statement summaries from the custodian(s) of the assets of the Alto Funds, Argentina Funds and Managed Accounts. Our personnel will review these reports and statements to ensure conformity with each client's investment objective and appropriate asset allocation, and to monitor changes to performance of individual securities. On a continuous basis, our portfolio managers review the account trades with particular attention paid to accuracy of any applicable average price treatment and allocation procedures.

**B. Additional Review of Client Accounts**

In addition, on a quarterly basis, we review allocation reports and account performance to ensure compliance with our policies and procedures with respect to the treatment of client accounts. Our Chief Compliance Officer also reviews client accounts on a periodic basis to ensure that any applicable account restrictions are being followed.

**C. Contents and Frequency of Account Reports to Clients**

Investors in the Alto Funds typically receive the following written reports: (i) annually, an audited financial report prepared by a certified public accounting firm; (ii) unaudited monthly statements regarding investment performance; and (iii) annual tax information necessary for completion of the tax returns. Our Managed Accounts typically receive monthly account reconciliation and performance reports. We may periodically send newsletters to investors in the Alto Funds, Argentina Funds and Managed Accounts.

Upon request, certain investors may receive additional information and reporting (written or verbal) which other investors may not receive, and such information may affect an investor's decision to request a withdrawal from its account.



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

**A. Economic Benefits for Providing Services to Clients**

We do not receive economic benefits from third parties for providing investment advice or other advisory services to our clients. Currently, our only clients are the Alto Funds, Argentina Funds, and the Managed Accounts.

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

We have entered into certain solicitation agreements with third parties, and we may, in the future, enter into one or more other such agreements. Under the terms of the current solicitation agreement, we compensate a solicitor if persons introduced by the solicitor become investors in the Alto Funds, Argentina Funds or invest in a Managed Account. We may make cash payments or may share a portion of our management fees or incentive fees or allocations with these solicitors. Our Chief Compliance officer or his designee will determine whether such arrangements: (i) are subject to Rule 206(4)-3 under the Advisers Act, the so called “Cash Solicitation Rule,” and, if so, whether the arrangements comply with that rule, and (ii) comply with other applicable laws, rules and regulations, including laws and regulations requiring the registration of broker-dealers.

**C. Compensation from Activity with Affiliates**

The Adviser’s affiliate Noctua Strategic Investments, LLC engages in real estate management and asset/debt structuring. The Adviser and its associated persons receive compensation in relation to advisory client participation and investments in transactions structured by Noctua Strategic Investments, LLC. Noctua does not assess an advisory fee based upon client assets invested with Noctua Strategic Investments, LLC.

## ITEM 15

### CUSTODY

Rule 206(4)-2 of the Advisers Act (the “**Custody Rule**”) imposes specific conditions on investment advisers who have actual or deemed custody of client assets. As an investment adviser to advisory clients, including the Alto Funds and Argentina Funds and certain Managed Accounts, we may be deemed to have custody in instances where we have actual possession or the authority to obtain possession of the assets of our advisory clients, and therefore we must meet the applicable conditions of the Custody Rule.

The Custody Rule contains significant provisions applicable to investment advisers that serve as a general partner or managing member to private funds formed as limited partnerships or limited liability companies, such as the Master Fund. Most significantly, the Custody Rule provides an alternative approach to the quarterly account statement delivery requirement and the annual surprise examination requirement that are set forth in the Custody Rule. Specifically, an investment adviser to a private fund, such as the Alto Funds and Argentina Funds, need not send to each investor a quarterly account statement or have an annual surprise examination if the fund is (i) subject to an audit (as defined in Rule 1-02(d) of Regulation S-X) by an accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board at least annually<sup>1</sup> and (ii) distributes its audited financial statements prepared in accordance with generally accepted accounting principles to all fund investors within 120 days of the end of the applicable fund’s fiscal year.<sup>2</sup> We typically rely upon this exception.

We will maintain all securities and funds of our clients, of which we are deemed to have custody, including privately offered securities, with a “qualified custodian.”

The Managed Accounts will receive quarterly, or more frequent, statements directly from the broker-dealer, bank, or other qualified custodian that holds and maintains such client’s investment assets. We urge our Managed Account clients to carefully review these statements and compare them to the account statements, if any, that we may provide to them. Our statements may vary from the statements provided

---

<sup>1</sup> Audited financial statements that contain qualifying footnotes generally would not meet this requirement.

<sup>2</sup> The Custody Rule requires that advisers to pooled investment vehicles that distribute the pool’s audited financial statements to investors under the rule’s annual audit provision must, in addition to obtaining an annual audit, obtain a final audit of the pool’s financial statements upon liquidation of the pool and distribute the financial statements to pool investors promptly after the completion of such final audit.

by the qualified custodian because of accounting procedures, reporting dates, or valuation methodologies used to value certain securities.

## **ITEM 16**

### **INVESTMENT DISCRETION**

At the outset of a discretionary advisory relationship, we generally receive discretionary authority from a client to select the identity and amount of securities to be purchased and sold by the client. For example, we have investment discretion to manage securities accounts on behalf of the Alto Funds, Argentina Funds and certain Managed Accounts. In all cases, we exercise this investment discretion in a manner consistent with the stated investment objectives of the particular client, which are contained in the applicable offering documents and/or investment advisory agreement.

When selecting securities and assessing potential investments, we observe the investment policies, limitations, and restrictions of the clients we advise, as stated in the applicable investment advisory agreement or other applicable agreements or offering documents. Our clients may, but do not customarily, place limitations on our investment authority, including, without limitation, designating types of permitted investments or prohibiting certain types of investments.

For a complete discussion of our advisory business and the services we provide to our clients, please see “Item 4 - Advisory Business.”

## ITEM 17

### VOTING CLIENT SECURITIES

We have, and in the future will continue to accept, the authority to vote our client's securities. As such, we have adopted policies and corresponding procedures to comply with Rule 206(4)-6 of the Advisers Act and with our fiduciary obligations (such policies and procedures, the "**Proxy Voting Policies**"). We recognize that the act of managing assets of clients consisting of common stock includes the voting of proxies related to the stock. For our discretionary accounts, clients associated with such accounts may not direct our vote on a particular solicitation.

The Proxy Voting Policies are designed to ensure that in cases where we vote proxies with respect to client securities or other instruments, such proxies are voted in the best interests of our clients. Our proxy voting process is the same for all of our client accounts where the client has given us proxy voting authority. Our general policy is to vote proxy proposals in a manner that serves the best interests of our clients, as determined by us in our discretion, taking into account relevant factors, including, but not limited to:

- the impact on the value of the securities;
- the anticipated costs and benefits associated with the proposal;
- the effect on liquidity; and
- customary industry and business practices.

We generally expect to vote proxies in accordance with the recommendations of company management, as we believe that management usually knows more about the company than passive shareholders. However, we realize that there are many complexities to proxy votes and we will vote against a proposal or recommendation of management if we determine that such a vote is in the best interests of our clients. Generally, proxy votes will be cast in favor of proposals that:

- maintain or strengthen the shared interests of shareholders and management;
- increase shareholder value;
- maintain or increase shareholder influence over the issuer's board of directors and management;

- maintain or enhance the independence of the board of directors; and
- maintain or increase the rights of shareholders.

Proxy votes generally will be cast against proposals having the opposite effect of those items listed above, particularly where we believe that a proposal will have a dilutive effect on the value of the underlying security.

These voting guidelines are just that – guidelines. The guidelines are not exhaustive and do not include all potential voting issues. Because proxy issues and the circumstances of individual companies are so varied, there may be instances when we may not vote at all on a presented proposal or may not vote in strict adherence to these guidelines.

In exercising our voting discretion, our personnel shall avoid any direct or indirect conflict of interest raised by such voting decision. Our Proxy Voting Policies contain detailed policies and procedures addressing such potential conflicts, which include retaining the services of a reputable non-interested party to independently review our vote recommendation and to confirm that our vote recommendation is in the best interest of our clients under the circumstances. With respect to the Alto Funds, an advisory committee may serve in the capacity as the reputable non-interested party and conduct the review described above, so long as no member of the advisory committee that participates in such review is subject to the actual or potential conflict.

Clients may obtain a copy of our current written proxy voting policies and procedures, and/or a copy of the voting activity report generated by their account, by contacting the Chief Compliance Officer, Martin Guyot, at 786-220-0330 or [mguyot@noctuapartners.com](mailto:mguyot@noctuapartners.com).

**ITEM 18**  
**FINANCIAL INFORMATION**

**A. Balance Sheet**

We are not required to attach a balance sheet because we do not require or solicit the payment of fees six months or more in advance.

**B. Contractual Commitments to Our Clients**

We have no financial condition that is reasonably likely to impair our ability to meet contractual and fiduciary commitments to our clients.

**C. Bankruptcy Petitions**

We have not been the subject of a bankruptcy petition at any time during the past ten years.