

# Amber Capital LP Part 2A of Form ADV The Brochure

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This brochure provides information about the qualifications and business practices of Amber Capital LP (the “Registrant”). If you have any questions about the contents of this brochure, please contact us at 212-340-7300. 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 the Registrant is also available on the SEC’s website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Material Changes

The Adviser last produced this brochure on March 30, 2016. Although the Adviser does not consider there to be any material updates since that date, additional enhancements have been made, for example, to the following sections: Fees and Compensation (including in relation to expenses), Methods of Analysis, Investment Strategies and Risk of Loss (to note, for example, risks related Brexit and risks arising from participation as directors on boards of portfolio companies), and Review of Accounts (to note additional regular reports). In addition, Rena Morjaria joined the Adviser in February 2017 as General Counsel and Chief Compliance Officer, overlapping for a transitional period with the incumbent General Counsel and Chief Compliance Officer- she will assume full responsibility as at the date of this brochure.

## Table of Contents

|   |    |
|---|----|
| Material Changes .....  | 2  |
| Table of Contents .....   | 2  |
| Advisory Business .....   | 3  |
| Fees and Compensation .....   | 4  |
| Performance Based Fees and Side-by-Side Management .....                                    | 6  |
| Types of Clients .....  | 6  |
| Methods of Analysis, Investment Strategies and Risk of Loss.....                            | 7  |
| Disciplinary Information.....   | 17 |
| Other Financial Industry Activities and Affiliations .....                                  | 17 |
| Code of Ethics, Participation or Interest in Client Transactions and Personal Trading ..... | 17 |
| Brokerage Practices .....   | 20 |
| Review of Accounts.....   | 23 |
| Client Referrals and Other Compensation .....   | 24 |
| Custody .....   | 24 |
| Investment Discretion .....   | 24 |
| Voting Client Securities.....   | 25 |
| Financial Information.....  | 25 |

## Advisory Business

Amber Capital LP (the “Registrant” or “Amber US”) has provided investment advice and investment management services to private investment funds since 2005. Employees and partners of the Registrant and its affiliates are based in offices located in New York, London and Milan.

- Amber US is an investment adviser established in the United States and has been registered with the Securities and Exchange Commission since 2005.
- Amber’s London-based affiliate, Amber Capital UK LLP (“Amber UK”), is an asset manager incorporated in the United Kingdom and has been authorized and regulated by the Financial Conduct Authority since 2007. Amber UK is included in this Form ADV as a Relying Adviser and is identified in Section 1.B of Schedule D of Form ADV Part 1.
- Amber’s Milan-based affiliate, Amber Capital Italia SGR S.p.A. (“Amber Italia”), is an asset manager incorporated in Italy and authorized and registered with the Bank of Italy since 2009.

Amber US and Amber UK are controlled by Amber Capital Management LP (“Amber Cayman”), which is incorporated in the Cayman Islands and, in its capacity as an investment manager, has registered with the Cayman Islands Monetary Authority. Amber Cayman is included in this Form ADV as a Relying Adviser and is identified in Section 1.B of Schedule D of Form ADV Part 1. Amber and its Relying Advisers (Amber UK and Amber Cayman) are collectively referred to as “the Adviser” herein. Joseph Oughourlian is the principal owner of, and ultimately controls, the Adviser and its affiliates.

As of December 31, 2016, the Adviser has approximately \$1,230,183,873 in net assets under management and \$1,642,920,637 in regulatory assets under management, all of which is managed on a discretionary basis.

The Adviser serves as investment manager to several investment vehicles organized to invest in securities and other financial instruments (each a “Fund” and, collectively, the “Funds”). In its role as investment manager, the Adviser is responsible for all trading and other investment decisions of each Fund. Investment advice is provided directly to each Fund and not individually to the investors of such Funds.

The Registrant serves as sub-advisor to several Funds in order to comply with the indicia of ownership rule set forth in Section 404(b) of ERISA. In its role as sub-advisor, the Registrant is responsible for reviewing each securities transaction effected by Amber UK after such transaction is effected and each Fund’s portfolio on a monthly basis. Investment advice is provided directly to each Fund and not individually to the investors of such Funds.

The Adviser is also affiliated with several other companies that serve as general partner or managing member to certain onshore-U.S. funds managed by the Adviser. Offshore-U.S. funds managed by the Adviser are governed by Boards of Directors comprised of a combination of Amber principals and independent members as detailed in each Fund’s governing documents.

The principal objective of each Fund is to attain superior long-term investment returns on its assets. In pursuit of this objective, the Adviser employs a variety of methods, specializing in fundamental value, event-driven, and activist strategies for long-only and hedged portfolios. To execute its strategies, the Adviser trades in a wide range of instruments, primarily utilizing equity and equity-related instruments. The Adviser manages the assets of each Fund in accordance with the terms of each Fund's governing documents and investment management agreement.

Offers to sell interests in the Funds are made only by means of a confidential offering memorandum (or its equivalent), which contains information concerning an investment in the Fund, including a description of the material terms, conflicts of interest, and risks associated with an investment.

## **Fees and Compensation**

### Asset-Based and Performance-Based Compensation

Compensation received by the Adviser from its Funds is generally comprised of a management fee based on a percentage of assets under management (the "Management Fee") and an incentive allocation or fee based upon investment performance (the "Incentive Allocation"). A brief summary of the Adviser's fees is provided below. Details of applicable fees are set forth in each Fund's governing documents, and investors should refer to these governing documents for a complete understanding of how the Adviser is compensated for its advisory services.

Management Fees range up to 2% per annum of a Fund's net asset value. Management Fees are directly deducted from the Fund quarterly in advance or in arrears depending on the Fund, and charged to each investor's account monthly or upon redemption. Management Fees are prorated for any period that is less than a full fiscal quarter and adjusted for subscriptions and redemptions occurring during the period. With respect to certain closed-end Funds with private equity-like terms, Management Fees are based on aggregate capital contributions.

The Incentive Allocation ranges up to 20% of a Fund's net realized and unrealized profits each calendar year, generally calculated as of the end of each calendar year, subject to a loss carryforward and/or a hurdle, as applicable and accrued monthly in each investor's account. The Incentive Allocation is directly deducted from each investor's account annually and upon any redemption or distribution. With respect to certain closed-end Funds with private equity-like terms, the Incentive Allocation is due upon a realization and/or distribution event.

The Adviser compensates affiliates for all intra-group services in accordance with OECD transfer pricing principles, and has entered into agreements with third parties entitling such third parties to share in the revenue of Funds for their services.

With respect to certain Funds or classes formed for particular investors, the Management Fee and Incentive Allocation differ from the typical ranges and payment cycles described above. In addition, the Management Fee and Incentive Allocation rates differ from Fund to Fund and, at times, from share class to share class or among investors within a Fund. All or a portion of the Management Fee and/or the Incentive Allocation may be waived for certain investors. Investors

who are principals, employees or affiliates of the Adviser or relatives of such persons do not generally pay a Management Fee and/or the Incentive Allocation.

A third-party Administrator calculates and arranges payment of the Management Fee and, if applicable, the Incentive Allocation to the Adviser for Funds utilizing third-party Administrators. If a third-party Administrator is not employed by a Fund, the Adviser calculates and arranges payment of the Management Fee and, if applicable, the Incentive Allocation in accordance with the Adviser's written policies and procedures.

### Expenses

In addition to the Adviser's fees, investors will bear indirectly the fees and expenses charged to the Funds. Complete information regarding each Fund's expenses is provided in the respective Fund's governing documents. Investors should review the governing documents of the Fund in which they are invested to fully understand the types of fees and expenses paid by the Fund.

A non-exhaustive summary of expenses that are generally borne by the Funds is provided below:

- Fees and expenses of the auditors, accountants, tax, compliance and legal advisors
- Organizational and start-up expenses of Funds and Fund subsidiaries
- Insurance expenses, including Directors and Officers and Errors and Omissions insurance expenses (to the extent permitted by ERISA, if applicable)
- Investment fees and expenses (such as third-party sourcing fees or commissions, fees and expenses of legal and other professionals, due diligence expenses, expenses and costs associated with pending or threatened litigation, and expenses related to the conduct of an activist campaign, proxy contest and/or tender offer and associated media, public relations and other specialists costs)
- Costs and expenses related to the analysis, purchase or sale of investments (including costs associated with systems and software used in connection with investment-related or risk-management-related activities such as Bloomberg subscriptions for investment team members)
- Middle and back office system expenses and software costs (e.g., Advent Geneva license)
- Order management expenses (e.g., Bloomberg AIM license)
- Depositary, custodial, and/or prime brokerage fees and expenses
- Clearing and settlement fees and expenses
- Brokerage commissions
- Financing costs
- Expenses related to short sales
- Research and market data expenses
- Administrator fees and expenses
- Directors fees and expenses (including those of any Fund subsidiaries or special purpose vehicles)
- Third-party alternative investment fund manager fees and expenses
- Taxes and stamp duty

If fees or expenses are incurred jointly for the account of more than one Fund serviced by the Adviser, such expenses will be allocated among the Funds to which the expense relates pro rata

based upon the most recent month's ending net asset value adjusted for subscriptions that is available on the date the Funds are invoiced, or in such other manner as the Adviser considers fair and reasonable under the circumstances.

## **Performance Based Fees and Side-by-Side Management**

As discussed above, the Adviser generally receives a performance-based fee or allocation from investors in the Funds. In addition, the Adviser's investment personnel are typically compensated on a basis that includes a performance-based component. Performance-based compensation may give rise to potential conflicts of interest.

Performance-based compensation is not received from all Funds or investors, and compensation rates differ among Funds and investors. The variation of performance-based compensation structures among Funds and investors may create an incentive for the Adviser to direct the best investment ideas to, or to allocate or sequence trades in favor of, Funds that pay or allocate performance-based compensation or pay or allocate greater performance-based compensation. The Adviser seeks to allocate investment opportunities fairly, to the extent practical and in accordance with its policies and procedures and each Fund's investment strategy, over a period of time.

Performance-based compensation may also create an incentive for the Adviser to provide biased valuations, especially with respect to less liquid financial instruments, and to time investments, and the realization of investments, so as to maximize performance-based compensation rather than the returns of a Fund.

Moreover, since performance-based compensation is calculated for certain Funds on a basis which includes unrealized profits, performance-based compensation may create an incentive for the Adviser to make investments that are riskier or more speculative than would be the case if this compensation were not available.

The Adviser has offered and may from time to time offer one or more investors or third parties the opportunity to co-invest with a Fund in particular investments or to invest in particular investments that are not suitable, practicable or desirable for a Fund. Co-investment vehicles are likely to have investments that overlap with those of the Funds, but transparency, liquidity and fee terms that are different from those of the Funds.

In addition, the Adviser has allowed and may allow an investor to open a separately managed account. Separately managed accounts are likely to have investments that overlap with those of the Funds, but transparency, liquidity and fee terms that are different from those of the Funds.

The Adviser strives to identify potential conflicts of interest and address them in a fair and consistent manner.

## **Types of Clients**

The Adviser provides advisory services to Funds. Underlying investors in the Funds include financial institutions, foundations, family offices, pension funds, and high net worth individuals.

Details concerning each Fund's suitability criteria are set forth in the Fund's governing documents.

Initial and additional subscription minimums, if any, are disclosed in each Fund's governing documents. Such minimums may be waived at the discretion of the Fund's directors or in some cases, the Adviser, subject to applicable law. The Adviser does not have any standard requirements for opening or maintaining an account or "fund of one" but may, in its discretion, impose investment minimums or other conditions for starting or maintaining such an account or fund.

## **Methods of Analysis, Investment Strategies and Risk of Loss**

The Adviser relies on a fundamental method of analysis in pursuing the investment objective of the Funds. The Adviser specializes in fundamental value, event-driven, and activist strategies for long-only and hedged portfolios. The Adviser's event-driven strategy seeks to invest in companies that currently are, or that the Adviser believes will be, subject to changes in corporate structure or control such as tender offers, rights offers, mergers, spin-offs, operational restructurings, corporate restructurings, recapitalizations, or proxy contests. The event-driven strategy focuses on catalyst-driven opportunities and special situations, and often involves taking directional positions or acquiring pairs with a catalyst; relative-value and fundamental-value trading; or pursuing capital structure, risk, merger and share class arbitrage. The Adviser's activist strategy seeks to invest in companies where the Adviser believes shareholder activism can unlock value.

All investment team members are responsible for idea generation in their respective sectoral or regional coverage areas, meeting with companies' executive officers and management teams and conducting their own research and analysis. Though the investment approach is fundamentally bottom-up in nature (that is, focusing on the analysis of companies individually), the investment team is tasked with appreciating political, statutory, and economic matters that may influence investment behavior.

Investment team members work side-by-side with portfolio managers to identify opportunities (and, where applicable, those securities in the capital structure) that are most compelling from a risk-reward standpoint. They employ an active shareholder philosophy, engaging with companies to identify, evaluate and, where appropriate, promote value-enhancing themes. The Adviser's investment approach often results in relatively concentrated portfolios.

In addition to the meetings and in-house research and analysis noted above, main sources of information include: company news and press releases; financial statements, annual reports, prospectuses, and other filings with the Securities and Exchange Commission and similar regulators; company and analyst conference calls; and research prepared by third parties, including, among others, sell-side research analysts, attorneys, and industry or regional consultants.

The majority of capital managed by the Adviser is allocated to European investments, particularly companies having their principal places of business or a majority of their operations in Southern Europe, with the balance of capital allocated to Latin American and North American investments. The Adviser focuses on industrials, building materials, real estate, consumer goods,

financials, media, natural resources, telecom and utilities sectors. In general, the Adviser is not restricted as to the proportion of Fund assets it may allocate to companies in any particular region, economic sector, or level of market capitalization.

To execute its strategies, the Adviser trades in a wide range of instruments, primarily utilizing equity and equity-related instruments (including, but not limited to, common stock, warrants, convertible securities, rights, participation notes and preferred stock). Unless otherwise indicated in a Fund's governing documents, the Adviser retains broad flexibility to invest in any type of security, including exchange-traded or over-the-counter derivatives (including, but not limited to, futures, forwards, swaps, options on equities, indices or currencies, and other derivative instruments); public and private debt (including, but not limited to, fixed or floating rate, investment grade or below investment grade, rated or unrated, secured or unsecured, convertible or subordinated debt); receivables, claims, and asset-backed securities; cash, cash equivalents and money market instruments (including, but not limited to, fixed/time deposits, commercial paper, certificates of deposit and short-term securities, which may be rated or unrated and listed or unlisted); and may take both long and short positions.

Investments in the Funds are speculative and suitable only for investors who can tolerate substantial risk. An investor may lose some or all of its investment. There is no assurance that the Adviser's investment strategies will be successful, or that a Fund will achieve its investment objective. Details regarding the risks inherent to the strategies employed by the Adviser are set forth in detail in each Fund's governing documents, and investors should review the governing documents of the Fund in which they are invested to fully understand these risks. Material risks associated with the Adviser's primary investment strategies include:

*Risk of Loss.* No guarantee or representation is made that a Fund's investment program, including, without limitation, a Fund's investment objective, diversification strategies or risk monitoring goals, will be successful. Investment results may vary substantially over time. No assurance can be made that profits will be achieved or that substantial or complete losses will not be incurred. Past investment results are not necessarily indicative of future performance.

*Volatility Risk.* A Fund's investment program may involve the purchase and sale of relatively volatile securities and/or investments in volatile markets. Fluctuations or prolonged changes in the volatility of such securities and/or markets can adversely affect the value of investments held by a Fund.

*Diversification and Concentration.* The Adviser may select investments that are concentrated in a limited number or types of securities (*i.e.*, equities). In addition, a Fund's portfolio may become significantly concentrated in securities related to a single or a limited number of issuers, industries, sectors, strategies, countries or geographic regions. This limited diversification may result in the concentration of risk, which, in turn, could expose a Fund to losses disproportionate to market movements in general if there are disproportionately greater adverse price movements in such securities.

*Significant Positions in Securities; Regulatory Requirements.* In the event a Fund acquires a significant stake in certain issuers of securities and such stake exceeds certain percentage or value limits, a Fund may be subject to regulation and regulatory oversight that may impose



notification and filing requirements or other administrative burdens on the Fund and the Adviser. Any such requirements may impose additional costs and may delay the acquisition or disposition of the securities or a Fund's ability to respond in a timely manner to changes in the markets with respect to such securities.

*European Economic Risks.* Member States, European businesses, financial institutions and counterparties are currently being affected, some adversely, by political and economic difficulties and concerns, including in relation to Brexit and sovereign and non-sovereign funding and debt. European, IMF and bilateral emergency funding arrangements have already been extended and/or are contemplated in respect of Member States and European based financial institutions. In addition, the United Kingdom voted in a referendum to leave the European Union and the formal process is expected to be triggered by the end of March 2017 beginning a two year period of negotiation for withdrawal ("Brexit"). The future relationship of the UK and the EU is uncertain and creates significant political, legal and economic risk.

These developments have had a negative effect in political terms and also in economic terms. Financial markets, investor sentiment and credit ratings of institutions and Member States have already been adversely affected and may continue to do so. In addition, investment activity has been affected, as has the willingness of financial institutions to extend credit and to obtain funding.

Member States within the Eurozone, and certain other Member States, are in on-going discussions with a view to agreeing stricter financial disciplines. However, it remains unclear whether agreement on these matters will be reached, and even if reached, whether adequate measures will be adopted in the short to medium term. The depressed economic environment and cost of funding may cause short and medium term budget deficits to expand in these economies, further increasing the risk of default.

A sovereign default is likely to have adverse consequences for the economy of the Member State and that of Europe and the wider world economy. The effect on creditors of a sovereign default is likely to be adverse.

The possibility of Member States that have adopted the Euro abandoning or being forced to withdraw from the Euro remains. It is difficult to predict the precise nature of the consequences of a Member State leaving the Euro as there has been no well-defined legal framework put in place in preparation for such an event. However, it is likely that any Euro-denominated assets or obligations that a Fund acquired that are converted into a new national currency would suffer a significant reduction in value if the new national currency falls in value against the Euro or other currencies.

These economic developments and their consequences both in Europe and the wider world economy, have significantly increased the risk of market disruption and governmental intervention in markets. Such disruption and intervention may result in unfavorable currency exchange rate fluctuations, restrictions on foreign investment, imposition of exchange control regulation by governments, trade balances and imbalances and social, economic or political instability.

Predicting the consequences of developments of this kind is difficult. Events affecting the Euro could result in either separate new national currencies, or a new single European currency, and consequently the redenomination of assets and liabilities currently denominated in Euro. In such circumstances, there would be a definite risk of a Fund's Euro-denominated investments becoming difficult to value, which, coupled with the base currency of the Fund being the Euro, could potentially result in negative consequences for a Fund including suspension of net asset value valuations and consequently of redemptions. If the redenomination of accounts, contracts and obligations becomes litigious, difficult conflict of laws questions are likely to arise.

Adverse developments of this nature may significantly affect the value of a Fund's investments. They may also affect the ability of a Fund to transact business including with financial counterparties, to manage investment risk and to hedge currency and other risks affecting a Fund's portfolio and individual Classes. Fluctuations in the exchange rate between the Euro and the U.S. dollar or other currencies could have a negative effect on the performance of investments.

*Emerging Markets Risk.* Where a Fund invests in equities or securities of companies incorporated in or whose principal operations are in emerging markets, additional risks may be encountered. These include:

Accounting Standards: in emerging markets there is an absence of uniform accounting, auditing and financial reporting standards and practices.

Business Risks: in some emerging markets, crime and corruption, including extortion and fraud, pose a risk to businesses. Property and employees of underlying investments may become targets of theft, violence and/or extortion.

Currency Risk: the currencies in which investments are denominated may be unstable, may be subject to significant depreciation and may not be freely convertible.

Country Risk: the value of a Fund's assets may be affected by political, legal, economic and fiscal uncertainties. Existing laws and regulations may not be consistently applied.

Disclosure: less complete and reliable fiscal and other information may be available to investors.

Legal: the legal infrastructure and accounting, auditing and reporting standards in certain countries in which investment may be made may not provide the same degree of investor protection or information to investors as would generally apply in major securities markets. Risks associated with many emerging market legal systems include (i) the untested nature of the independence of the judiciary and its immunity from economic, political or nationalistic influences; (ii) inconsistencies among laws, presidential decrees and governmental and ministerial orders and resolutions; (iii) the lack of judicial and administrative guidance on interpreting applicable laws; (iv) a high degree of discretion on the part of government authorities; (v) conflicting local, regional and federal laws and regulations; (vi) the relative inexperience of judges and courts in interpreting new legal norms; and (vii) the unpredictability of enforcement of foreign judgements and foreign arbitration awards. There is no guarantee that further judicial reform aimed at balancing the rights of private and governmental authorities in

courts and reducing grounds for re-litigation of decided cases will be implemented and succeed in building a reliable and independent judicial system.

**Market Characteristics/ Liquidity and Settlement Risks:** in general, emerging markets are still in the early stages of their development, have less volume, are less liquid and experience greater volatility than more established markets and many emerging markets are not highly regulated. When seeking to sell emerging market securities, little or no market may exist for the securities. The combination of price volatility and the less liquid nature of securities markets in emerging markets may, in certain cases, affect a Fund's ability to acquire or dispose of securities at the price and time it wishes to do so and consequently may have an adverse impact on the investment performance of the Fund. Settlement of transactions may be subject to delay and administrative uncertainties.

**Political Risk:** the risk of government intervention is particularly high in the emerging markets because of both the political climate in many of these countries and the less developed character of their markets and economies. Government actions in the future could have a significant effect on economic conditions in such countries, which could affect private sector companies and the value of securities in a Fund's portfolio.

**Tax:** the taxation system in some emerging market countries is subject to varying interpretations, frequent changes and inconsistent enforcement at the federal, regional and local levels. Tax laws and practices in some emerging market countries are at an initial stage of development and are not as clearly established as in more developed countries.

*Availability of Credit.* Borrowings and/or the employment of other means of obtaining leverage, may be an integral part of a Fund's strategies and may include the use of margin financing arrangements, involving the provision of cash, securities or other forms of margin, in connection with, among other things, OTC derivatives, exchange-traded futures and options, repurchase agreements, stock loan agreements, credit lines made available by banks, brokers or other dealers (each a "Broker"), some of which may themselves include embedded leverage. There can be no assurance that a Fund will be able to maintain adequate financing arrangements under all market circumstances.

The use of such arrangements will result in certain additional risks to a Fund. A Fund could be subject to a "margin call", pursuant to which it must either deposit with the Broker additional collateral, in the form of cash or other assets, or risk being subject to liquidation of some or all collateral. A "margin call" may usually be made at the discretion of the relevant Broker, even if collateral previously provided has not declined in value, or the risk characteristics of the relevant positions have not changed. In the event of a large margin call, the Adviser might not be able to liquidate assets quickly enough to meet the margin requirement. In such a case, the relevant Broker may be entitled to liquidate assets, or otherwise terminate positions, of a Fund, in its sole discretion, in order to satisfy such margin requirement or reduce its exposure to the Fund or the underlying fund.

As a general matter, Brokers that provide financing to a Fund usually have wide discretion as to such matters as margin requirements, "haircuts", the provision and continued provision of financing and collateral valuation policies. Brokers could, therefore, change their approaches in

these and other respects, either generally, or in respect of one or more Funds or underlying funds, at any time, and for any reason, including a change in market circumstances, government, regulatory or judicial action or simply a change in the risk-appetite or business priorities. Such changes of approach by Brokers could result in large margin calls, loss of financing, and forced liquidations of positions, including derivatives positions, at disadvantageous prices. Any such adverse effects may be exacerbated in the event that such limitations or restrictions are imposed suddenly and/or by multiple market participants concurrently. A failure of a Fund to comply with changed Broker requirements can, of itself, amount to a default (cross-default) under its arrangements with other Brokers, which may, in turn result in forced liquidation of positions held with or through those other Brokers.

*Leverage, Interest Rates and Margin.* A Fund may directly or indirectly borrow funds from brokerage firms and banks. In addition, a Fund may "leverage" its investment return with options, swaps, forwards and other derivative instruments. A Fund may borrow in order to fund redemptions, to enhance investment leverage and to accomplish other purposes. The amount of borrowings that any Fund may have outstanding at any time may be large in comparison to its assets. A Fund may pledge any or all of its assets to secure such borrowings. A Fund may not have any borrowing limits except for limitations imposed by lenders and any applicable credit regulations. While leverage presents opportunities for increasing total returns, it has the effect of potentially increasing losses as well. Accordingly, any event that adversely affects the value of an investment, either directly or indirectly, in respect of a Fund would be magnified to the extent that leverage is employed by such Fund. The cumulative effect of the use of leverage in respect of a Fund, directly or indirectly, in a market that moves adversely to the investments of the entity employing the leverage could result in a loss to the Fund that would be greater than if leverage were not employed in respect of the relevant Fund. In addition, to the extent that a Fund borrows, the rates at which it can borrow will affect the operating results of the Fund.

*Market Capitalization Risk.* The securities of small-to-medium-sized (by market capitalization) companies, or financial instruments related to such securities, may have a more limited market than the securities of larger companies and may involve greater risks and volatility than investments in larger companies. Accordingly, it may be more difficult to effect sales of such securities at an advantageous time or without a substantial drop in price than securities of a Fund with a large market capitalization and broad trading market. In addition, securities of small-to-medium-sized companies may have greater price volatility as they are generally more vulnerable to adverse market factors such as unfavorable economic reports.

Companies with smaller market capitalizations may be at an earlier stage of development, may be subject to greater business risks, may have limited product lines, limited financial resources and less depth in management than more established companies. In addition, these companies may have difficulty withstanding competition from larger more established companies in their industries. The securities of companies with smaller market capitalizations may be thinly traded (and therefore have to be sold at a discount from current market prices or sold in small lots over an extended period of time), may be followed by fewer investment research analysts and may be subject to wider price swings and thus may create a greater chance of loss than investing in securities of larger capitalization companies. In addition, transaction costs in smaller capitalization stocks may be higher than those of larger capitalization companies.

*Illiquid Securities.* Certain securities may be illiquid because, for example, they are subject to legal or other restrictions on transfer or there is no liquid market for such securities. Valuation of such securities may be difficult or uncertain because there may be limited information available about the issuers of such securities. The market prices, if any, for such securities tend to be volatile and may not be readily ascertainable and a Fund may not be able to sell them when it desires to do so or to realize what it perceives to be their fair value in the event of a sale. The sale of restricted and illiquid securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets. A Fund may not be able to readily dispose of such illiquid investments and, in some cases, may be contractually prohibited from disposing of such investments for a specified period of time. As a result, a Fund may be required to hold such securities despite adverse price movements. Even those markets which the Adviser expects to be liquid can experience periods, possibly extended periods, of illiquidity. Occasions have arisen in the past where previously liquid investments have rapidly become illiquid.

*Exposure to Material Non-Public Information.* From time to time, the Adviser may receive material non-public information with respect to an issuer of publicly traded securities. In such circumstances, the Funds may be prohibited, by law, policy or contract, for a period of time from (i) unwinding a position in such issuer, (ii) establishing an initial position or taking any greater position in such issuer, and (iii) pursuing other investment opportunities related to such issuer.

*Directorships on Boards of Portfolio Companies.* In situations where a member of the Adviser or a related party is on the board of directors of an issuer, restrictions on a Fund's trading activities in such issuer may be imposed, such as by limiting trading to periods when the issuer's officers and directors are free to trade (i.e., during the issuer's "trading windows" and/or outside of the issuer's "blackout periods"). In addition, regardless of whether or not the Adviser or any related person is actually in possession of material non-public information with respect to such issuers, by virtue of a relevant directorship, any Fund managed by the Adviser may become subject to trading restrictions pursuant to the internal trading policies of such issuers or as a result of applicable law or regulations or contractual prohibitions, resulting in a Fund being prohibited for a period of time from purchasing or selling the securities of such issuers as described above. In addition, as a member of the board of directors of such issuers, fiduciary duties to such issuers and to the other shareholders of such issuers in the course of their dealings with such issuers may be acquired. Accordingly, there may be a conflict of interest between the fiduciary duties (if any) that the member of the Adviser or related party owes to such issuers, the shareholders of such issuers and/or third party constituents, on the one hand, and those that it owes to the investors in a Fund, on the other hand. The Adviser does not intend to share with any investors of the Funds it manages any confidential information which such board member has learned in his/her capacity as a director or other fiduciary of such issuers.

Currently, personnel of the Adviser serve on the board of directors of several public companies whose securities are owned by one or more Funds. Such personnel and/or a Fund may be significant shareholders of a number of such companies.

*Litigation Risk.* Some of the tactics that the Adviser may use involve litigation. A Fund could be a party to lawsuits either initiated by it, or by a company in which a Fund invests, other shareholders

or state, federal and foreign governmental bodies. For example, a Fund may accumulate substantial positions in the securities of a specific company and engage in a proxy fight, become involved in litigation or attempt to gain control of the company. There can be no assurance that any such litigation, once begun, would be resolved in favor of a Fund.

*Activist Investing.* A Fund's investment strategy may involve activism. The success of such a strategy depends upon, among other things: (i) the Adviser's ability to properly identify portfolio companies whose securities prices can be improved through corporate and/or strategic action; (ii) a Fund's ability to acquire sufficient securities of such portfolio companies at a sufficiently attractive price; (iii) the Adviser's ability to avoid triggering anti-takeover and regulatory obstacles while aggregating its position; (iv) the willingness of the management of such portfolio companies and other security holders to respond positively to the Adviser's proposals; and (v) favorable movements in the market price of any such portfolio company's securities in response to any actions taken by such portfolio company. There can be no assurance that any of the foregoing will occur.

Activist strategies may prove ineffective for a variety of reasons, including: (i) opposition of the management or investors of the subject company, which may result in litigation and may erode, rather than increase, the value of the subject company; (ii) intervention of a governmental agency; (iii) efforts by the subject company to pursue a "defensive" strategy, including a merger with, or a friendly tender offer by, a company other than the offeror; (iv) market conditions resulting in material changes in the prices of securities; (v) the presence of corporate governance mechanisms such as staggered boards, poison pills and classes of stock with increased voting rights; and (vi) the necessity for compliance with applicable securities laws. In addition, opponents of a proposed corporate governance change may seek to involve regulatory agencies in investigating the transaction or a Fund and such regulatory agencies may independently investigate the participants in a transaction, including a Fund, as to compliance with securities or other law. Furthermore, successful execution of a corporate governance strategy may depend on the active cooperation of investors and others with an interest in the subject company. Some investors may have interests which diverge significantly from those of a Fund, and some of those parties may be indifferent to the proposed changes. Moreover, securities that the Adviser believes are fundamentally undervalued or incorrectly valued may not ultimately be valued in the capital markets at prices and/or within the timeframe the Adviser anticipates, even if a corporate governance strategy is successfully implemented. Even if the prices for a portfolio company's securities have increased, no guarantee can be made that there will be sufficient liquidity in the markets to allow a Fund to dispose of all or any of their securities therein or to realize any increase in the price of such securities.

*Event-Driven.* The success of a Fund's event-driven investment strategy depends upon the Adviser's ability to make predictions about (i) the likelihood that an event will occur and (ii) the impact such event will have on the value of a company's securities. If the event fails to occur or it does not have the effect foreseen, losses can result. For example, the adoption of new business strategies or completion of asset dispositions or debt reduction programs by a company may not be valued as highly by the market as the Adviser had anticipated, resulting in losses. In addition, a company may announce a plan of restructuring which promises to enhance value, but fail to implement it, which can result in losses to investors. In liquidations and other forms of corporate reorganization, the risk exists that the reorganization either will be unsuccessful, will be delayed

or will result in a distribution of cash or a new security, the value of which will be less than the purchase price to a Fund of the security in respect of which such distribution was made. The consummation of mergers and tender and exchange offers can be prevented or delayed by a variety of factors, including: (i) opposition of the management or stockholders of the target company, which will often result in litigation to enjoin the proposed transaction; (ii) intervention of a federal or state regulatory agency; (iii) efforts by the target company to pursue a “defensive” strategy, including a merger 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 federal or state securities laws; and (vii) inability to obtain adequate financing. Because of the inherently speculative nature of event-driven investing, the results of a Fund’s operations may be expected to fluctuate from period to period. Accordingly, investors should understand that the results of a particular period will not necessarily be indicative of results that may be expected in future periods.

*Special Situations.* A Fund may invest in companies involved in (or the target of) acquisition attempts or tender offers and in companies involved in or undergoing work-outs, liquidations, spin-offs, proxy contests, reorganizations, bankruptcies or other fundamental changes or similar transactions. 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 of cash or new securities, the value of which will be less than the purchase price to a Fund of the securities or other financial instruments in respect of which such distribution is received. Similarly, if an anticipated transaction does not in fact occur, a Fund may be required to sell its investment at a loss. Because there is substantial uncertainty concerning the outcome of transactions involving financially troubled companies in which a Fund may invest, there is a potential risk of loss by a Fund of its entire investment in such companies. In connection with such transactions (or otherwise), a Fund may purchase securities on a when-issued basis, which means that delivery and payment take place sometime after the date of the commitment to purchase and is often conditioned upon the occurrence of a subsequent event, such as approval and consummation of a merger, reorganization or debt restructuring. The purchase price or interest rate receivable with respect to a when-issued security can be fixed when a Fund enters into the commitment. Such securities are subject to changes in market value prior to their delivery.

*Short Selling.* Short selling involves trading on margin and, accordingly, can involve greater risk than investments based on a long position. A short sale of a security involves the risk of a theoretically unlimited increase in the market price of the security, which could result in an inability to cover the short position and a theoretically unlimited loss. There can be no absolute guarantee that securities and/or currencies necessary to cover a short position will be available for purchase. Purchasing securities to close out a short position can itself cause the price of the relevant securities to rise further, thereby exacerbating the loss.

There is also a risk that the securities borrowed in connection with a short sale must be returned to the lender of such securities on short notice. If a request for the return of borrowed securities occurs at a time when other short sellers of the securities are receiving similar requests, a short squeeze can occur, and it may be necessary to replace borrowed securities previously sold short

with purchases on the open market at the most disadvantageous time, possibly at prices significantly in excess of the proceeds received from originally selling the securities short.

*Relative Value Strategy Risk.* The success of a Fund's relative value investment strategy depends upon the Adviser's ability to identify and exploit perceived inefficiencies in the pricing of securities, financial products or markets. Identification and exploitation of such inefficiencies involve uncertainty. There can be no assurance that the Adviser will be able to locate investment opportunities or to exploit pricing inefficiencies in the securities markets. Mispricings, even if correctly identified, may not be corrected by the market, at least within a timeframe over which it is feasible for the Adviser to maintain a position. Even pure arbitrage positions can result in significant losses if the Adviser is not able to maintain both sides of the position until expiration/maturity. A reduction in the pricing inefficiency of the markets in which the Adviser seeks to invest will reduce the scope for a Fund's investment strategies. In the event that the perceived mispricings underlying a Fund's positions were to fail to converge toward, or were to diverge further from, relationships expected by the Adviser, a Fund may incur losses. Even if a Fund's relative value investment strategy is successful, it may result in high portfolio turnover and, consequently, high transaction costs.

*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 and share class 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 which can be magnified to the extent a Fund is employing leverage. Moreover, arbitrage strategies often depend upon identifying favorable "spreads", which can also be identified, reduced or eliminated by other market participants.

There can be no assurances that arbitrage strategies will be profitable in either up or down markets, and various market conditions may be materially less favorable to certain strategies than others. Mispricings, even if correctly identified, may not be corrected by the market, at least within a time frame over which it is feasible for a Fund to maintain a position. Even pure arbitrage positions can result in significant losses if a Fund is not able to maintain both sides of the position until expiration. A Fund will trade at a high degree of leverage and could be forced to liquidate positions prematurely in order to meet margin calls, causing an otherwise "pure" arbitrage position to result in major losses.

*Capital Structure Arbitrage.* The success of a Fund's capital structure arbitrage strategy depends upon the Adviser's ability to identify and exploit the relationships between movements in different securities within an issuer's capital structure (including, bank debt, convertible and non-convertible senior and subordinated debt and preferred and common stock). Identification and exploitation of these opportunities involve uncertainty. There can be no assurance that the Adviser will be able to locate investment opportunities or to correctly exploit price discrepancies. A reduction in the pricing inefficiency of the markets in which a Fund will seek to invest will reduce the scope for a Fund's investment strategies. In the event that the perceived mispricings underlying a Fund's positions fail to materialize, these investment strategies could be unsuccessful or result in losses.



*Merger Arbitrage.* The success of a Fund's merger or "risk" arbitrage strategy depends upon the Adviser's ability to identify and exploit merger activity to capture (or sell short) the spread between current market values of securities and their values after successful completion of a merger, restructuring or similar corporate transaction. Merger arbitrage investments often incur significant losses when anticipated merger or acquisition transactions are not consummated. The consummation of mergers, tender offers and exchange offers can be prevented or delayed by a variety of factors, including: (i) regulatory and antitrust restrictions; (ii) political factors; (iii) industry weakness; (iv) stock-specific events; and (v) failed financings. Merger arbitrage positions also are subject to the risk of overall market movements. To the extent that a general increase or decline in equity values affects the stocks involved in a merger arbitrage position differently, the position may be exposed to loss. Merger arbitrage strategies also depend for success on the overall volume of merger activity, which historically has been cyclical in nature.

Details regarding the risks inherent to the strategies employed by the Adviser are set forth in detail in each Fund's governing documents, and investors should review the governing documents of the Fund in which they are invested to fully understand these risks.

Additional information regarding the investment objectives, trading strategies, and risks inherent in investing in each Fund are available in the respective Fund's governing documents. Such risks should not be discounted.

## **Disciplinary Information**

To the best of the Adviser's knowledge, there are no legal or disciplinary events that the Adviser believes would be material to a client's or prospective client's evaluation of the Adviser's advisory business or the integrity of its management.

## **Other Financial Industry Activities and Affiliations**

Amber's London-based affiliate, Amber UK, is an asset manager incorporated in the United Kingdom and has been authorized and regulated by the Financial Conduct Authority since 2007. Amber's Milan-based affiliate, Amber Italia, is an asset manager incorporated in Italy and authorized and registered with the Bank of Italy since 2009. Amber US and Amber UK are controlled by Amber Cayman, which is incorporated in the Cayman Islands and, in its capacity as an investment manager, has registered with the Cayman Islands Monetary Authority. Joseph Oughourlian is the principal owner of, and ultimately controls, the Adviser and its affiliates.

Affiliates of the Registrant principally owned and controlled by Mr. Oughourlian include the following entities, which serve as general partners or managing members to certain onshore-U.S. funds managed by the Adviser: Amber Capital US GP LLC, Amber Capital US GP II LLC, and San Lazzaro GP LP.

## **Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

### Code of Ethics

To avoid any potential conflicts of interest, prevent the misuse of material, nonpublic information and avoid improper personal trading for the benefit of the Adviser or its principals

and employees, the Adviser has adopted a written Code of Ethics. The Adviser's Code of Ethics requires, among other things, that the Adviser, and its Employees:

- Conduct business with integrity;
- Conduct business with due skill, care and diligence;
- Take reasonable care to organize and control its affairs responsibly and effectively, with adequate risk management systems;
- Maintain adequate financial resources;
- Observe proper standards of market conduct;
- Pay due regard to the interest of clients and treat them fairly;
- Pay due regard to the information needs of clients, and communicate information to them in a way which is clear, fair and not misleading;
- Manage conflicts of interest fairly, both between its clients and itself and between clients themselves;
- Take reasonable care to ensure the suitability of its advice and discretionary decisions for any client who is entitled to rely upon its judgment;
- Arrange adequate protection for clients' assets when it is responsible for them;
- Deal with regulators in an open and cooperative way, and disclose to regulators appropriately anything relating to it of which regulators would reasonably expect notice; and
- Maintain full compliance with applicable federal, state and other securities laws.

A copy of the Adviser's Code of Ethics shall be provided to any investor or prospective investor upon request.

#### Participation or Interest in Client Transactions

The Adviser or its affiliates act as investment manager, general partner, managing member or sub-advisor to the Funds. The Adviser and its affiliates or related persons buy and sell the same securities as recommended to the Funds or have an interest in the Funds. Additionally, the Adviser invests the assets of the Funds in securities and other investment products in which the Adviser or a related person has some financial interest. The Adviser seeks to ensure that all investments are made in the best interests of the Funds and in compliance with its policies and procedures.

Conflicts of interest may arise from the fact that the Adviser and its affiliates provide services to multiple Funds. These Funds may have similar, competing or, at times, conflicting investment objectives, strategies and positions. Such conflicts could affect the prices and availability of financial instruments in which the other Funds invest. Even if the Funds have similar investment objectives, strategies or positions, the Adviser may give advice or take action with respect to the investments held by, and transactions of, the Funds that may differ due to a variety of reasons, including, without limitation, differences between investment strategies, capacity constraints, risk profiles, liquidity terms, financing terms, regulatory treatment and tax treatment. As a result, the Funds may have substantially different portfolios and investment returns. Conflicts of interest may also arise when the Adviser makes decisions on behalf of a Fund with respect to matters where the interests of the Adviser or one or more other Funds differ.

The Adviser, its affiliates and personnel will devote as much of their time to the activities of the Funds as they deem necessary and appropriate. The Adviser, its affiliates and personnel will not be restricted from forming additional investment funds or vehicles, from entering into other investment advisory relationships or from engaging in other business activities, even if such activities may be in competition with an existing Fund and/or may involve substantial time and resources of the Adviser, its affiliates or personnel. These activities could be viewed as creating a conflict of interest in that the time and effort of the Adviser, its affiliates and personnel will not be devoted exclusively to the business of the Funds.

Senior management and key employees of the Adviser serve as directors, advisory board members or consultants of certain portfolio companies or other entities. In connection with these services, such persons may receive directors' fees or other similar compensation attributable to, or reimbursement for expenses connected with, such employees' services. These participations, at times, preclude the Adviser from transacting in the securities of such companies.

During periods in which the assets of any Fund are not treated as "plan assets" for purposes of ERISA, the Adviser may determine that it would be in the best interests of a Fund to transfer a security from one Fund to another (each such transfer, a "Cross Trade") for a variety of reasons, including, without limitation, tax purposes, liquidity purposes, to rebalance the portfolios of the Funds, or to reduce transaction costs that may arise in an open market transaction. If the Adviser decides to engage in a Cross Trade, the Adviser will determine that the trade is in the best interests of both of the Funds involved in it and take steps to ensure that the transaction is consistent with the duty to obtain best execution for each of those Funds. To the extent that Cross Trades may be viewed as principal transactions (as such term is used under the Advisers Act) due to the ownership interest in an Account by the Adviser or its personnel, the Adviser will comply with the requirements of Section 206(3) of the Advisers Act.

It is the policy of the Adviser to allocate investment opportunities fairly, to the extent practical and in accordance with the Funds' applicable investment strategies, over a period of time. The Adviser will exercise particular care in the allocation of limited investment opportunities. Investment opportunities will generally be allocated among Funds for which participation in the respective opportunity is considered appropriate, taking into account, among other considerations: (i) cash availability of the Fund for the proposed investment; (ii) the primary investment strategy pursued by each of the Fund; (iii) the liquidity profile of the investment and the Fund; (iv) the primary markets utilized by the Fund to implement its investment strategies; (v) the intention of holding the investment; (vi) the amount of assets, capacity constraints and liquidity profile of the Fund; and (vii) the eligibility of investors in the Fund. If, in the Adviser's opinion, an investment opportunity is not suitable, practicable or desirable for a Fund, that Fund will be excluded from the allocation. The Adviser has no obligation to purchase or sell a security for, enter into a transaction on behalf of, or provide an investment opportunity to a Fund solely because the Adviser purchases or sells the same security for, enters into a transaction on behalf of, or provides an opportunity to another Fund.

The Adviser has offered and may, from time to time, offer one or more investors or third parties the opportunity to co-invest with a Fund in particular investments or to invest in particular investments that are not suitable, practicable or desirable for a Fund. The Adviser has sole

discretion as to the amount (if any) of a co-investment or other opportunity that will be allocated to a particular investor and may allocate co-investment or other opportunities instead to third parties. If the Adviser determines that there is available capacity after offering the opportunity to Funds, the Adviser, its affiliates or its personnel have made and may, but will not be obligated to, make proprietary or personal investments to an opportunity. The Adviser receives fees and/or allocations from Funds created for co-investors that differ as among co-investors and from the fees and/or allocations borne by the Funds.

Subject to applicable restrictions, senior management and key employees of the Adviser may choose to personally invest, directly and/or indirectly, in a Fund. Such investors are likely to be in possession of information relating to the Fund and the portfolio not available to other investors or prospective investors. Senior management and key employees are not required to keep any minimum investment in the Funds. It is expected that, if such investments are made, the size and nature of these investments will change over time without notice to a Fund's investors. Investments by the senior management and key employees in the Funds could incentivize the senior management and key employees to increase or decrease the risk profile of the Fund.

#### Personal Trading

Among other things, the Adviser's Code of Ethics generally prohibits employees from purchasing, or otherwise acquiring direct or indirect beneficial ownership of, securities of individual companies for any of their personal accounts, with the exceptions noted above in the Participation or Interest in Client Transactions section. Although certain exceptions are made to this policy, employees must receive clearance (and in some cases pre-approval) to engage in personal securities transactions of any securities other than exempt securities (such as mutual funds and U.S. Treasury securities) and exchange traded funds. Additionally, the Adviser requires all employees to provide an accounting of their personal account holdings at least annually.

### **Brokerage Practices**

The Adviser has complete discretion in deciding which financial instruments are bought and sold, the amount and price of those financial instruments, the brokers or dealers to be used for a particular transaction, and commissions or markups and markdowns paid.

Portfolio transactions for clients are allocated to brokers and dealers on the basis of numerous factors and not necessarily lowest pricing. Brokers and dealers may provide other services that are beneficial to the Adviser and/or certain Funds, but not beneficial to all Funds. Subject to best execution, in selecting brokers and dealers (including prime brokers) to execute transactions, provide financing and securities on loan, hold cash and short balances and provide other services, the Adviser may consider, among other factors that are deemed appropriate to consider under the circumstances, the following: ability to effect the transaction; past performance (promptness of execution, accountability and responsiveness); expertise in certain securities; expertise in effecting difficult transactions in less liquid, smaller capitalized, and more closely held issues; ability to maintain confidentiality; quality, comprehensiveness and frequency of available research or other services considered of value; facilities, reliability and financial responsibility; access to markets, offerings, new issues, and secondary market trades; and provision of capital

introduction, talent introduction, marketing assistance, consulting with respect to technology, operations and equipment and commitment of capital.

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

If the Adviser decides, based on the factors set forth above, to execute over-the-counter transactions on an agency basis through Electronic Communications Networks (“ECNs”), it will also consider the following factors when choosing to use one ECN over another: the ease of use; the flexibility of the ECN compared to other ECNs; and the level of care and attention that will be given to smaller orders.

The Adviser maintains policies and procedures to review the quality of executions, including periodic reviews by its investment professionals.

#### Soft Dollar Practices

The Adviser is authorized to pay a broker-dealer commissions (or markups or markdowns with respect to certain types of riskless principal transactions) for effecting client transactions in excess of that which another broker-dealer might have charged for effecting the transaction in recognition of the value of the brokerage and research services provided by the broker-dealer. The Adviser will effect such transactions, and receive such brokerage and research services, only to the extent that they fall within the safe harbor provided by Section 28(e) of the Exchange Act and subject to prevailing guidance provided by the SEC regarding Section 28(e). The Adviser believes it is important to its investment decision-making processes to have access to independent research.<sup>1</sup>

It is not the Adviser’s practice to negotiate “execution only” commission rates; thus, the Funds may be deemed to be paying through the use of “soft dollars” for brokerage and research services provided or paid for by brokers which are included in the commission rates. Consistent with Section 28(e), research products or services obtained with “soft dollars” from a Fund may be used by the Adviser to service one or more other Funds, including Funds that may not have paid for the benefits. The Adviser does not seek to allocate soft dollar benefits to Funds in proportion to the soft dollar credits the Funds generate. Where a product or service obtained with soft dollars provides both research and non-research assistance to the Adviser (i.e., a “mixed use” item), the Adviser will make a good faith allocation of the cost which may be paid for with soft dollars. In making good faith allocations of costs between administrative benefits and research and brokerage services, a conflict of interest may exist by reason of the Adviser’s allocation of

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<sup>1</sup> To the extent that the Adviser authorizing the payment of broker-dealer commissions is Amber UK (known in the UK as “dealing commission”), transactions will be effected in such a manner that brokerage and research services will only be received where they have been determined by the Adviser to fall within the rules set forth by the UK Financial Conduct Authority in Chapter 11.6 of its Conduct of Business Rules (“COBS 11.6”). COBS 11.6 is more restrictive than Section 28(e) of the Exchange Act and the Adviser is mindful at all times that the more restrictive rules must prevail in case of a conflict.

the costs of such benefits and services between those that primarily benefit the Adviser and those that primarily benefit the Funds.

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

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

Brokers (including the prime brokers) assist the Adviser in raising additional funds from investors. Additionally, brokers provide capital introduction and marketing assistance services, and representatives of the Adviser speak at conferences and programs sponsored by the brokers, for investors interested in investing in private investment funds. Through such events, prospective investors may encounter representatives of the Adviser. Brokers may also provide other services, including, without limitation, consulting services relating to technology and office space. Although the Adviser does not compensate brokers for such assistance, events or services, or for any investments ultimately made by prospective investors attending such events, such activities may influence the Adviser in deciding whether to use such broker in connection with brokerage, financing and other activities of the clients.

The Adviser currently leases office space from one of the prime brokers to the Funds. The Adviser pays a market-based fee for this lease and does not direct brokerage based upon the existence of this lease.

The Adviser may effect transactions through, or otherwise utilize broker-dealers that have, or whose affiliates have, referred or recommended investors or investment opportunities to it, its affiliates and/or its related persons, broker-dealers or registered representatives of broker-dealers that personally, or through related persons or family members, have investments in the Funds, broker-dealers employing or owned by family members of the Adviser, and broker-dealers that provide the Adviser with pricing information. Although the Adviser seeks, at all times, to obtain the best execution in directing brokerage for its clients, these practices may create an incentive for the Adviser to direct more business to these broker-dealers in order to generate future referrals or additional affiliated investment.

At times, the Adviser may invest client assets in securities issued by investors in the Funds, entities related to investors in the Funds, or other entities with whom the Adviser may have business relationships. The Adviser seeks to ensure that all investments are made in the best interest of clients and in compliance with its policies and procedures.

#### Trade Aggregation

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

## **Review of Accounts**

Accounts are reviewed on a continuous basis by the Portfolio Manager, the Risk Manager, and the members of the investment team in accordance with the regions/sectors/positions for which they are responsible. Accounts are monitored for market swings, economic conditions, performance and other factors. Factors triggering reviews, and perhaps triggering buy or sell recommendations, include the evolving investment case, capital inflows and outflows in client accounts, "events" occurring in the economy and/or capital markets and changes in the investment strategy and/or securities held in client accounts.

#### Regular Reports

Investors in the Funds receive in writing, at a minimum, annual audited financial statements and annual reports containing information that is necessary for U.S. tax purposes. In addition, investors in certain Funds may also receive, in writing: (i) monthly net asset value figures; (ii) a monthly or quarterly letter providing an overview of the economic environment, a performance matrix and historical performance on a month-to-month basis; (iii) a monthly or quarterly position-level transparency report; (iv) monthly or quarterly account statements; (v) administrator transparency reports; and/or (vi) Open Protocol reporting. At the request of certain investors, the Adviser provides summary level exposure information (absent portfolio level transparency) to third-party risk vendors, who produce certain reports in connection therewith. The Adviser, in its sole discretion, may provide additional information to certain investors or prospective investors in response to questions and requests and in connection with due diligence

meetings and other communications that is not distributed to other investors and prospective investors unless specifically requested. Each investor or prospective investor is encouraged to ask such questions as it believes are necessary in order to make its own investment decisions.

## **Client Referrals and Other Compensation**

The Adviser has entered into agreements with placement agents in connection with the offering of certain Funds. Any fees paid to placement agents are borne by the Funds, the Adviser or, in certain cases, on a fully disclosed basis, by the investor introduced to the Funds by a placement agent. To the extent that the Adviser compensates the placement agent for referrals, compensation is typically based upon a percentage of management and/or incentive fees. Placement agents that solicit investors on behalf of the Funds are subject to a conflict of interest because they are compensated in connection with their solicitation activities. An investor solicited by a placement agent is advised of any compensation arrangements relating to such solicitation.

## **Custody**

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

The Adviser is subject to Rule 206(4)-2 under the Advisers Act (the "Custody Rule"). However, it is deemed to comply with certain requirements of the Custody Rule with respect to the Funds because it complies with provisions which, among other things, require that each Fund (i) be subject to audit at least annually by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, and (ii) distribute its audited financial statements to all investors within 120 days of the end of its fiscal year. The Adviser urges investors to carefully review the audited financial statements of the Funds in which they are invested.

## **Investment Discretion**

The Adviser buys and sells securities and other instruments for the Funds on a discretionary basis in a manner consistent with each Fund's investment objectives and restrictions.

In general, pursuant to its investment management agreements with the Funds and subject to review, where applicable, by the boards of directors or general partners/ managing members for such Funds, the Adviser is authorized to exercise total investment discretion in accordance with each client's objectives and restrictions described in the respective Fund's governing documents without obtaining prior consent from any of the Funds or their investors. This includes the determination of: (i) which securities or instruments to buy or sell; (ii) the total amount of securities or instruments to buy or sell; (iii) the executing broker or dealer for any transaction; and (iv) the commission rates or commission equivalents charged for transactions. From time to time, separate account or "fund of one" clients have negotiated restrictions relevant to their particular circumstances.



## **Voting Client Securities**

It is the Adviser's policy to vote client securities in the interest of maximizing value for the Funds. Consideration is given to both the short and long term implications of the proposal to be voted on when determining the optimal vote.

From time to time, conflicts of interest may arise between the Adviser and its clients with respect to the voting of securities. Where material conflicts of interest are identified, the Adviser will analyze the conflict of interest, discuss potential remedial solutions, and determine how such proxy will be voted.

The Adviser's complete proxy voting policy and procedures are memorialized in writing. In addition, the Adviser keeps a record of all proxy votes. In certain circumstances, such as the lack of materiality of its voting position or other reasons, the Adviser may choose not to vote its shares. Please contact the Adviser if you have any questions or if you would like to review either of these documents.

## **Financial Information**

The Adviser has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.