

# **CAPEVIEW CAPITAL LLP**

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## **BROCHURE PART 2A OF FORM ADV**

**August 2018**

**This brochure provides information about the qualifications and business practices of CapeView Capital LLP. If you have any questions about the contents of this brochure, please contact us at [InvestorServices@capeviewcapital.com](mailto:InvestorServices@capeviewcapital.com) or +44-20-7563-9402.**

**The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.**

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

**While CapeView Capital LLP is registered as an investment adviser with the SEC pursuant to the Investment Advisers Act of 1940, as amended, it does not comply with the Advisers Act with regard to its non-US clients. Registration with the SEC does not imply a certain level of skill or training.**

**Item 2. MATERIAL CHANGES**

In August 2018, the Firm moved office locations from 55 Baker Street, London, W1U 8EW to Two London Bridge, London SE1 9RA. This brochure has been amended to reflect this change.

Other than the changes described above, there have been no material changes since the last brochure filed in March 2018.

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### ITEM 4: ADVISORY BUSINESS

**A. General Description of Advisory Firm -** CapeView Capital LLP (“CapeView”) is a limited liability partnership formed under the laws of England and Wales, (Partnership Number OC364354) on May 5, 2011. CapeView’s registered address and principal place of business is Two London Bridge, London, SE1 9RA, United Kingdom.

CapeView commenced business in November 2011 assuming certain investment advisory activities from Trafalgar Asset Managers Limited, previously registered with the SEC as an investment adviser, and operating since 2001. CapeView was registered with the Financial Conduct Authority in the United Kingdom (“FCA”) (previously Financial Services Authority) on November 14, 2011. CapeView was registered by the SEC as a registered investment adviser in June 5, 2013. CapeView is exempt from registration with the U.S. Commodity Futures Trading Commission as a commodity pool operator.

**B.** The founder of CapeView, Theophanis Phanos, retired in December 2017 as described in the Material Changes section above. Day-to-day management is conducted in consultation with the Management Committee by Richard Haas, from April 1, 2017, CapeView’s Chief Executive Officer (“CEO”), who remains the Chief Operating Officer

(“COO”) and Chief Compliance Officer (“CCO”) from CapeView’s authorization by the FCA, and subsequent, registration by the SEC as a registered investment adviser in June 5, 2013.

**C. Description of Advisory Services** - CapeView’s advisory business primarily consists of a broad European equity long/short strategy which includes a levered version and a concentrated version.

Services are provided on a discretionary basis to private funds managed by CapeView and to separate managed accounts intended for professional and institutional investors. Details of the private funds and strategies employed are provided in Item 5.

**D. Availability of Tailored Services** – In providing its core investment strategies CapeView is able to tailor certain aspects of its discretionary advisory services to meet the individual needs of the private fund or its managed accounts. Where a client is subject to specific restrictions (e.g. portfolio diversification or regulatory requirements), CapeView will tailor its services in accordance with such restrictions on a case by case basis, if such restrictions will not materially alter its investment strategy and approach.

**E. Wrap Fee Programs** – CapeView does not participate in wrap fee programs.

**F. Client Assets Under Management** - As of December 31, 2017, CapeView managed the following client assets under management at market value, all on a discretionary basis, USD 1,413,752,610.

## ITEM 5: FEES AND COMPENSATION

**A. Advisory Fees and Compensation** - The fees charged to investors consist of an annual management fee as a percentage of net assets, payable monthly in arrears, and an annual performance fee based upon a percentage of the amount by which the net asset value, as of the end of each calendar year, exceeds the high water mark during the calendar year. The fees for the CapeView Azri Fund (“Azri Fund”) are 1.5% annual management, (or 1.35% in Class B or 1.25% in Class C), and 20% performance fees and for the CapeView Azri 2X Fund (“Azri 2X Fund”) Class A are 1.5% annual management fee and 20% performance fee and Class B are 2% annual management and 20% performance fee. Fees for the CapeView Azri Strategic Fund (“Azri Strategic Fund”), launched on 1 February 2016, are 1.75% annual management fee and 20% performance fee for Class A shares with quarterly redemptions, and 1.5% and 15% respectively for Class B shares with a two year redemption period. Azri Strategic Fund annual management fees are discounted to 1.4875% for Class A Founder shares and 1.275% for Class B Founder shares.

All investors should review the governing documents for each relevant private fund (all “CapeView Funds”) in conjunction with this brochure for more complete information on the fees and compensation payable with respect to a particular CapeView Fund.

The management fee is calculated by reference to the net asset value on the last valuation day of the month, before management or performance fees. Upon termination of any client account, all management fees accrued as of the date of termination will be payable.

The performance fee is calculated on a high watermark basis, after the annual management fee and expenses. It is not payable until all prior net losses for the series, as discounted for losses related to redeeming investors, are recouped. Investors redeeming during the calendar year are charged a performance fee payable on redemption based on the net asset value at the time of redemption.

Fees charged by CapeView for managed accounts are individually negotiated.

Client accounts may also invest in money market mutual funds or other registered investment companies and incur its pro rata share of the investment management fee and other fees and expenses of such an investment in addition to the investment management fee paid to CapeView.

**B. Payment of Fees** – CapeView receives the management fee monthly and the performance fee annually from CapeView Funds and managed accounts as calculated and instructed by the relevant administrator. CapeView has no authority to deduct its fee directly from the accounts of CapeView Funds or its managed accounts with management and performance fees being calculated by clients’ administrators or agents. The CapeView Funds pay CapeView out of their accounts following receipt of the administrator’s payment instruction. CapeView invoices the managed accounts who

arrange for payment to be made. The performance fee is payable as soon as practicable after it becomes due.

**C. Other Fees and Expenses** - In addition to paying investment management fees, client accounts will also be subject to other expenses incurred in the operation of their account. As described in the relevant Prospectus for the CapeView Funds, or as otherwise agreed with each segregated, managed account, this includes all transaction, clearing and borrowing costs and custodial fees. It also extends to research and data service fees, and other expenses connected to proposed transactions. Costs of all third party service providers engaged by or on behalf of the client account and related expenses, including, inter alia, directors, administrators, prime brokers, custodians, auditors, lawyers and insurers are also chargeable to the client account. Please refer to the Prospectus for a full description of Fees and Expenses.

CapeView shall be responsible for all customary expenses of an investment manager including, but not limited to, office lease payments, personnel salaries and other remuneration, and technology costs.

The section titled “Brokerage Practices” describes the factors CapeView considers in selecting or recommending broker-dealers and determining the reasonableness of their compensation.

**D.** CapeView’s clients do not pay fees in advance.

**E.** Neither CapeView nor any of its supervised persons accept any form of compensation for the sale of securities or other investment products.

#### **ITEM 6: PERFORMANCE BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

**A. Performance based fees** - CapeView ordinarily receives a performance-based fee from each of its clients (including the CapeView Funds) as described above under “Fees and Compensation.” Different client accounts may be subject to different performance-based compensation arrangements. The performance-based allocation arrangements discussed above comply with Rule 205-3 under the Investment Advisers Act of 1940 (the “Advisers Act”). Please refer to the governing documents of each CapeView Fund for more complete information on the “performance-based fee” arrangements of each CapeView Fund.

**B. Side-by-Side Management** - From time to time, CapeView may be entitled to receive higher investment management or performance fees from some CapeView Funds than from others, or from other share classes within the CapeView Funds or managed accounts. In addition, CapeView may provide concurrent advisory services to clients that are not charged a performance-based fee. As a result, the potential for CapeView to receive greater fees or allocations from performance-based accounts creates a conflict of interest with respect to the allocation of investment opportunities.

To alleviate potential conflicts of interest, the allocation of commitments and investment decisions are made in accordance with CapeView's Allocation Policy designed to allocate investment opportunities among its clients in a manner that it considers fair and equitable, considering all factors potentially applicable to each client. The basic policy is that, subject to specific investment restrictions agreed with the client, leverage or other factors, allocation of a pre-determined order is made pro-rata based on the original order size taking into account net asset value, and leverage, for any related or referenced clients. Among the factors that may be considered by CapeView in determining trading and allocations are: investment policies, any guidelines applicable to each specific client; liquidity requirements for payment of redemptions or other purposes; restrictions under the Employee Retirement Income Security Act 1974 ("ERISA") or other applicable laws or regulations; transaction lot sizes; available credit lines; counterparty arrangements; and hedging objectives and activity. Compliance with the Allocation Policy is regularly monitored under the supervision of CapeView's CCO.

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

CapeView's clients and investors consist of the CapeView Funds and separate managed accounts. Investors in the CapeView Funds include investment advisers, fund of fund managers, pension plans, endowments, foundations, trusts and high net worth individuals that are sophisticated and experienced investors. A US investor must be an "accredited investor" as defined in Regulation D under the Securities Act of 1933, as amended, and a "qualified purchaser" as defined in Section 2(a)(51) of the Investment Company Act of 1940, as amended.

**Minimum investment:** The base currency of the CapeView Funds is US Dollars ("USD"). The minimum investment is USD100,000, or, currency equivalent, where available. The Azri Fund and the Azri Strategic Fund offer equivalent Euro, Sterling or Yen denominated share classes. The Azri 2X Fund offers equivalent Euro or Sterling denominated share classes.

CapeView generally requires that a managed account client invests a minimum of USD 50,000,000 to open a separate account. However, CapeView may accept a lesser initial investment in its sole discretion.

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

##### **A. Investment Strategies**

CapeView Funds offered are private investment funds, consisting of the Azri Fund and the Azri 2X Fund ("together the Azri Funds") and the CapeView Azri Strategic Fund. All CapeView Funds are exempt companies incorporated in the Cayman Islands. They are all registered as regulated mutual funds by the Cayman Islands Monetary Authority (CIMA").

The Azri Funds' investment objective is to deliver a high capital return to their investors primarily by taking long and short positions in European equities. Growth at reasonable price (GARP) and return on equity employed strategies (ROCE) are employed to select long equity positions, with short equity investment decisions being based on indicators such as those suggesting potential management weakness. The Azri Funds may also invest in equity derivatives for investment or hedging purposes.

The Azri Strategic Fund's investment objective is to deliver a high capital return to its investors primarily by acquiring long and short positions in European equities. The Azri Strategic Fund may invest up to 20% of its assets in equities listed outside Europe, including, but not limited to, Australia, Brazil, Canada, Hong Kong, Japan, South Korea, Singapore, South Africa, Taiwan and United States. The Azri Strategic Fund may also invest in equity derivatives for investment or hedging purposes. The Fund may also invest in up to 10% non-equity instruments.

### **Investment Restrictions**

The CapeView Funds are not subject to any investment restrictions involving the maintenance of holding a proportion of its investments in any particular permissible investment.

However, the Azri Funds and Azri Strategic are subject to limits, at the time the investment is made, with a view to limiting their exposure. Such limits relate to ensuring that they do not take control of any securities in which they invest, limiting counterparty exposure (excluding prime brokers, member states of the OECD and their local authorities or any supra-national authority, and cash and cash equivalents) and issuer exposure (excluding securities issued or guaranteed by a member state of the OECD and their local authorities or by any supra-national authority, cash, cash equivalents, or money market funds) to under 20% of gross assets (10% for the Azri Fund), and limiting the investment in any single money market fund with a credit rating of AAA by a recognized credit agency to no more than 20% of gross assets. Other than in money market funds, no investments will be made in other private funds. Cash will only be invested with banks that have an investment grade credit rating by a recognised credit agency.

Investors and prospective investors in each CapeView Fund should refer to the relevant governing documents for complete information on the investment objectives and investment restrictions with respect to a particular CapeView Fund. There is no assurance that any of the CapeView Funds' investment objectives will be achieved.

### **B. Methods of Analysis**

CapeView's principal sources of information include fundamental analysis prepared by CapeView's internal analysts. The Portfolio Managers and analysts use information from a variety of sources for their research, including professional financial data sources, company reports and websites, third party and broker-dealer research and the press. These may be supplemented by meetings with directors and officers of portfolio



companies, attendance at analysts meetings, visits to portfolio companies, SEC and other public filings, general industry knowledge, and contacts with other participants in the relevant industry and financial markets.

### **C. Risk of Loss**

Although investments in the CapeView Funds and managed accounts may result in significant returns to the clients of CapeView, they may also involve a high degree of risk. There is no guarantee that the Company will achieve its investment objective. CapeView only accepts clients (or investors) that are able to bear the financial risk of the investment strategy for an indefinite period of time and are able to sustain the loss of all or a significant part of their investment.

Some key risks factors associated with investment in these strategies are listed below. This is merely a guide to some of the key strategy risks and is not intended to be exhaustive nor comprehensive. Prospective investors in the CapeView Funds, and other clients, should carefully review the risks described in the governing documents for the relevant CapeView Fund, and should evaluate the merits and risks of an investment in the context of their overall financial circumstances. Where reference is made to a “CapeView Fund” the same risks apply to each CapeView Fund.

#### **1. Principal Investment Risks for the CapeView Funds**

##### **Equity Securities**

Equity securities are a volatile asset class suitable only for clients with a tolerance for wide fluctuations in the market value of their investments. The market price of equity securities may be affected by general international economic and market conditions, such as a broad decline in stock market prices, or by conditions affecting specific issuers, such as changes in earnings forecasts.

##### **Contracts for Difference**

The CapeView Funds may enter into contracts for differences (CFD). CFDs are individually negotiated and structured agreements with selected credit-worthy counterparties through which the CapeView Funds may obtain exposure to particular investment positions or market factors. CFDs may be subject to various types of risk, including market risk, liquidity risk, counterparty credit risk, legal risk and operations risk.

##### **Debt securities (Bonds)**

The prices of debt securities are volatile. The traded price of a debt security may be more or less than its nominal value. A debt security may be at risk of being called by its issuer, or a debt security's issuer may be unable to pay the contractual interest or principal on the bond. Furthermore, the rate of price increases in the general economy may diminish the inflation-adjusted returns associated with a debt security. For some debt securities there may be a restricted market and it may be difficult to deal in them or to obtain reliable information about their value.

Debt securities may be rated or unrated by a recognised credit-rating agency, or rated below investment grade. Lower rated or unrated fixed income securities are subject to greater risk of loss of principal and/or interest than higher-rated debt securities. Where debt securities are unsecured and subordinated to substantial amounts of senior indebtedness, all or a significant portion of which may be secured, the issuer may be unable to pay some or all of the contractually due principal or interest.

### **Off-Exchange Transactions**

The CapeView Funds may enter into off-exchange transactions, including derivatives, such as CFDs, options, futures and spot and forward foreign exchange contracts. Off-exchange contracts, referred to as over-the-counter (OTC) transactions are not guaranteed by an exchange with the risk that a counterparty will default on an obligation.

### **Contingent Liability Transactions**

Contingent liability transactions which are typically margined will require the CapeView Fund to make a series of payments against the purchase price, instead of paying the whole of the purchase price of the derivatives contract immediately. Where the CapeView Fund invests in futures, contracts for differences or sells options it may sustain a total loss of the margin it deposits with a counterparty to establish and maintain a derivatives position if the market moves against the CapeView Fund and it fails to pay substantial additional margin at short notice within the time required.

### **Options Trading**

Buying options contracts involves less risk than selling options because, if the price of the underlying reference investment moves against the CapeView Fund the option can simply be allowed to lapse. The maximum loss is limited to the premium paid for the option contract, plus any commission or other transaction charges.

Where a CapeView Fund writes (or sells) an option contract, the risk involved is considerably greater as the CapeView Fund accepts a legal obligation to purchase or sell the underlying reference instrument if the option is exercised against it, however far the market price or the value thereof has moved away from the exercise price stated in the option contract. Where the CapeView Fund already owns the underlying reference asset which it has contracted to sell (known as covered call option) the risk is reduced. However, it is possible that the CapeView Fund will not own the underlying asset (known as uncovered call option) and therefore the risk may be unlimited.

Options traded are typically off-exchange and contingent liability transactions with risks as described above. In addition, options are frequently traded OTC and are therefore subject to counterparty and valuation risks.

### **Futures**

Transactions in futures contracts carry a high degree of risk. A futures contract is a leveraged instrument requiring a much smaller amount of margin to be provided in comparison to the economic exposure which the future contract provides to the relevant underlying investment, index, rates or currency. Consequently, a relatively small

movement in the underlying reference instrument can lead to a much longer proportional movement in the value, positive or negative, of the futures contract.

### **Short Sales**

CapeView Funds may sell securities they do not own in anticipation of a decline in the market price of such securities or in order to hedge portfolio positions. The relevant CapeView Fund will generally borrow the security sold in order to make delivery to the buyer. The borrow may be recallable by the lender at any time including where there is a market “squeeze” with the CapeView Fund being compelled to replace borrowed securities with purchases on the open market, possibly at prices significantly in excess of the proceeds received on the initial short sale.

Regulatory restrictions and requirements in respect of short sales, principally in Europe, and other jurisdictions, may significantly impact short selling activities and limit the ability of CapeView to implement its investment approach and fully express its negative views. Consequently the ability of CapeView to fulfil its investment objectives and hedging strategies may be constrained.

### **Currency Risk**

Assets of the CapeView Funds may be denominated in a currency other than the Base Currency of the relevant CapeView Fund. Changes in the exchange rates between the Base Currency and the currency of any asset may lead to a depreciation of the value of the relevant CapeView Fund’s assets as expressed in the Base Currency. A substantial portion of securities in CapeView Funds’ client accounts may be denominated in currencies other than the US dollar and notwithstanding hedging techniques employed, the value of the client account can be significantly affected by currency movements.

### **Limited Diversification**

The CapeView Fund’s portfolio may not be as diversified among a wide range of securities as other investment vehicles. Accordingly, the investment portfolio of the CapeView Fund may be subject to more rapid change in value than would be the case if the CapeView Fund were required to maintain a more widely diversified portfolio.

## **2. General risks**

All strategies are subject to a wide variety of risks arising from investing the financial markets including, inter alia, market, liquidity, prime broker, interest rate, governmental, taxation and regulatory risks. Please refer to the relevant CapeView Fund Prospectus.

## **3. Risks relating to CapeView Fund Shares**

There is no market for Shares in a CapeView Fund and no market is expected to develop. An investment in a CapeView Fund should be considered only by persons financially able to maintain their investment and who can afford a loss of all or a substantial part of such investment. An investment in a CapeView Fund should be considered as an illiquid investment that involves a high degree of risk.

#### **ITEM 9: DISCIPLINARY INFORMATION**

CapeView and its principals have not been the subject of any material legal proceedings or other reportable disciplinary matter.

Azri, Azri 2X Fund and two managed accounts managed by CapeView together with two managed accounts that have since been closed, have been fined by the Greek regulator, the Hellenic Capital Market Commission (“HCMC”), for what the regulator deemed were short selling violations of Regulation (EU) 236/2012 in relation to trades in the stock of Eurobank. CapeView will reimburse the funds and the managed accounts for these fines.

#### **ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

- A.** CapeView is not registered as a broker-dealer.
- B.** CapeView is not registered as a commodity pool operator or a commodity trading adviser.
- C. Material Relationships or Arrangements with Industry Participants** – Members and employees of CapeView may also from time to time serve on a creditors committee of a portfolio company for which no compensation is payable, or be given access for investment purposes to confidential information relating to companies in which the CapeView Funds invest. As a result, CapeView and its clients may, under certain circumstances, be prohibited for a period of time from engaging in transactions with respect to the securities, or related securities, of such a portfolio company, which prohibition may have an adverse effect on the CapeView Funds or managed accounts.

Affiliated Managers Group, Inc. (“AMG”) holds an indirect minority stake in CapeView. AMG is not involved in day-to-day management but is entitled to a profit participation, and pursuant to the partnership agreement, has certain rights to protect its investment.

- D.** CapeView does not recommend or select other investment advisers for its clients.

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

- A. Code of Ethics** – CapeView has adopted a Code of Ethics (the “Code”) that sets out its policies in respect of personal securities transactions, gifts and business entertainment, outside affiliations and political and governmental activities of its employees<sup>1</sup>. The Code obligates CapeView and its employees to put the interests of

<sup>1</sup> The term “employees” includes “relevant persons” (i.e., any of the following (a) a director, partner or equivalent, manager, employee or appointed representative of CapeView, and (b) any other natural person, including persons operating under an outsourcing arrangement, whose services are placed at the disposal and under the control of CapeView and who is involved in the provision by CapeView of regulated activities as defined by the FCA) and “access persons” (i.e., a supervised person who has access to non-public information regarding a client’s purchase or

CapeView's clients before their own interests and to act honestly and in good faith in all respects in their dealings with clients. All of CapeView's personnel are also required to comply with applicable federal securities laws. In accordance with CapeView's Code, all supervised personnel must promptly report all potential conflicts of interest and violations of the Code to CapeView's CCO. All supervised personnel must acknowledge the terms of the Code of Ethics annually, or as amended. Any individual not in observance with the Code may be subject to discipline or termination.

Staff are not permitted to deal in securities held by the Azri Funds or the Azri Strategic Fund, other than to dispose of their existing holding in full, with approval from the CCO. Otherwise, the Code prohibits CapeView employees from buying or selling equities, bonds (excluding UK and US government bonds), warrants or derivatives on such securities, CapeView Funds, any unregulated fund e.g. a private or hedge fund, and any Initial Public Offering, without prior approval from the CCO, or his designee. Approval to deal will not be granted where the security is on the firm's Restricted List, inside information is held, a client order is pending or likely, a client has dealt that day or, for a sale, the security has not been held for at least 30 days.

All securities are Reportable Securities, excluding US mutual funds and US and UK government bonds, with a contract note or statement to be provided to the CCO. A quarterly certification of Reportable Transactions and annual disclosure of holdings are obtained for all staff.

Other than the purchase of management shares in the CapeView Funds, CapeView's members and employees are not permitted to buy securities from or sell securities to clients.

CapeView will provide a complete copy of its Code of Ethics to any person upon request.

CapeView, in the course of its investment management and other activities, may come into possession of confidential or material nonpublic information about issuers, including issuers in which CapeView has invested or seeks to invest on behalf of clients. CapeView is prohibited from improperly disclosing or using such information for its own benefit or for the benefit of any other person, regardless of whether such other person is a client. CapeView maintains and enforces written policies and procedures that prohibit the communication of such information to persons who do not have a legitimate need to know such information and to ensure that CapeView is meeting its obligations to clients and remains in compliance with applicable law. In certain circumstances, CapeView may possess certain confidential or material, nonpublic information that, if disclosed, might be material to a decision to buy, sell or hold a security, but CapeView will be prohibited from communicating such information to the client or using such information for the client's benefit. In such circumstances, CapeView will have no responsibility or liability to the client for not disclosing such information to the client (or the fact that CapeView

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sale of securities, who is involved in making securities recommendations to clients or who has access to such recommendations that are non-public; a "supervised person" means a director or officer (or other person occupying a similar status or performing similar functions), employee and any other person who provides advice on behalf of CapeView and is subject to CapeView's supervision and control.)

possesses such information), or not using such information for the client's benefit, as a result of following CapeView's policies and procedures designed to provide reasonable assurances that it is complying with applicable law.

**B. Transactions in Securities where Adviser has Material Financial Interest** - In accordance with relevant fund governing documents, CapeView permits its members, employees, immediate family members, trusts or other entities for their benefit, or other persons approved by the CapeView Fund directors, to invest in CapeView Fund management shares where no management or performance fee is chargeable. All such transactions are subject to compliance with CapeView's Code of Ethics, including prior approval, as described above. In the event that such holdings represent a principal transaction, as defined in the Adviser Act and related rules, the client consent and disclosure requirements in section 206(3) will be observed.

From time to time, CapeView may recommend that a separate managed account client close the separate account and invest in a CapeView Fund to the extent such account, as a result of market movements and/or withdrawals, becomes too small to manage separately. Alternatively, CapeView may recommend that an investor in a CapeView Fund transfer its investment to a separate managed account if such investment becomes large enough to merit a separate account.

### **Conflicts of Interest**

The Firm operates in accordance with its Conflict of Interest Policy, which identifies and describes the steps taken by the Firm to manage conflicts of interest identified. This policy is available upon request.

In addition to material conflicts and the Firm's policy and procedures designed to prevent conflicts of interest from giving rise to material risk of damage to the interests of the Firm's clients described elsewhere in this Brochure, the Firm has also addressed conflicts of interests in the following areas:

**Preferential terms to private fund investors.** "Preferential terms" refers to any special or favourable rights with respect to a private fund including without limitation, fee rebates and fee caps, redemption rights, minimum and additional subscription amounts, informational rights, capacity rights and other rights.

The Firm's aim is to ensure that all investors in its private funds receive the same terms. As a result, the Firm is reluctant to enter into side letters or any arrangements that contain "preferential terms" favouring certain investors. As far as possible, it is the approach of the Firm to provide the same terms contained in any side letter entered into to all investors.

In the event that a preferential term is provided, for example, for founder investors, for large investors regarding fees or the waiving of certain advance notice and lock-up requirements for certain investors in limited circumstances in order to avoid violations under ERISA or the Investment Company Act, the CCO ensures that a description of the

preferential benefit is disclosed in the relevant Prospectus or other documents distributed to investors and prospective investors.

**Managed Accounts.** Where investment advisory services are provided to managed accounts referenced to the CapeView Funds, there is a potential conflict arising from the heightened position transparency available to the managed account and, in some cases, the flexibility afforded to the managed account and its manager to reduce (or increase) risk.

The Firm has identified this as a conflict of interest and will endeavour to apply the same terms as for the CapeView Funds, but recognise that, ultimately, the Firm's investment managers may not have full control of the assets in the event of a crisis situation.

## **ITEM 12: BROKERAGE PRACTICES**

**A. Brokerage Selection** - Subject to the investment objectives, policies and restrictions of each client, CapeView has discretionary authority to determine the type, amount, and price of securities and investments to be bought and sold on behalf of each CapeView Fund or managed account client, including the selection of, and commissions paid to, brokers. CapeView may be restricted in its brokerage selection on behalf of managed accounts to counterparties where appropriate credit lines have been established for financial instruments requiring credit. In such a situation CapeView is restricted from taking steps that have been implemented to fulfill best execution obligations.

In seeking to obtain best execution from broker-dealers utilized to effect securities transactions, CapeView seeks to obtain best execution by considering factors including, but not limited to, price, commission cost, execution quality, the level of service offered, reliability, block trading capabilities, willingness to execute related or unrelated difficult transactions in the future, quotation services, custody, the availability of stocks to borrow for short trades, and such other factors as CapeView considers relevant and beneficial to obtaining the best execution for its clients. CapeView, as appropriate to the transaction type, may solicit competitive bids. However, in considering execution in the interests of its clients, CapeView does not have an obligation to obtain the lowest available price and/or commission cost.

## **B. Research**

To the extent that CapeView uses investment research, it will do so consistent with guidance from the SEC and the European Commission regarding acceptable methods to pay for investment research under legislation in the European Union known as the Markets in Financial Instruments Directive (MiFID II), which came into effect on January 3, 2018. In this regard, research will be received in return for payments from a separate research payment account ("RPA") controlled by CapeView on behalf of its clients.

**C. Brokerage Conflicts of Interest Management** - In order to manage the conflicts of interest inherent in its brokerage practices, CapeView has adopted the following policies:

- (i) CapeView has no arrangements in which “soft dollars” are generated on trades made on behalf of clients;
- (ii) CapeView’s brokerage policies are disclosed to clients in writing prior to the provision of CapeView’s services, generally as part of the Investment Management Agreement or the applicable CapeView Fund offering memorandum. In addition, CapeView provides to its clients at least annually a report on its use of broker commissions;
- (iii) CapeView may not consider referrals of clients or investors to the CapeView Funds or gifts and entertainment received by an employee in determining its selection of broker-dealers for securities transactions; and
- (iv) Broker-dealers are not permitted to assume responsibility for trading error losses caused by CapeView.

**D. Directed brokerage** - CapeView does not have directed brokerage arrangements with clients.

**E. Other dealings with brokers** - CapeView may have other business arrangements with brokers and dealers used to execute transactions for clients. Brokerage firms and their affiliates and representatives may invest in the CapeView Funds, and may provide financing or other services to CapeView or other accounts managed by CapeView. Entertainment and social events may be provided by brokers subject to disclosure to and prior approval by the CCO, other than for non-extravagant ordinary business entertainment, typically a meal. Staff are also required to declare quarterly details of all such gifts and entertainment received. It is CapeView’s policy that factors such as gifts and entertainment should not be considered when selecting brokers and counterparties to execute transactions for clients.

**F. Order and Trade Aggregation** - Where possible, CapeView will aggregate orders for clients for the purchase or sale of the same security using the same executing broker. Such aggregation may enable CapeView to obtain for clients a more favorable price or a better commission rate based upon the volume of a particular transaction. Nevertheless, there may be circumstances when aggregation works to the disadvantage of a client but is done to provide equitable treatment to all clients. CapeView aggregates client orders where it reasonably believes that this is in clients’ overall best interests or to provide equitable treatment. Where it is intended to aggregate orders for clients, this will be disclosed in the relevant client investment management agreements or offering memoranda.



CapeView has established allocation and aggregation procedures designed to ensure that each client is treated fairly and that transactions are allocated in a manner that is fair and equitable taking into account all relevant facts and circumstances. The general policy is that, subject to specific investment restrictions agreed with the client or other factors, allocation of the original order pre-determined by the Portfolio Managers is made pro-rata on the basis of the original order size which considers assets under management for related and referenced accounts, as adjusted by leverage. Adjustments or changes may be made under certain circumstances, such as to avoid odd lots, excessively small allocations or to adjust for new subscriptions or redemptions. If an order at a particular broker is filled at several different prices, through multiple trades, generally all participating clients will receive the volume-weighted average price and pay the average commission, subject to odd lots, rounding, and market practice.

The Portfolio Managers operating each strategy may make their trading decisions independently. As a result, it is possible that Portfolio Managers operating different strategies may on occasion be competing with each other for similar positions at the same time and may take opposite positions in the same or in a related security. Where different strategies wish to trade in the same financial instrument at the same time, orders may be aggregated across all clients with allocation being made pro-rata based on the original order size across all participating clients.

Compliance with the Allocation Policy is regularly monitored under the supervision of CapeView's CCO.

### **ITEM 13: REVIEW OF ACCOUNTS**

**A. Frequency and Nature of Review** – Each client account is generally reviewed daily by the Portfolio Managers and, at least weekly, by the Risk Manager for weightings of individual positions, performance and adherence to investment policies and restrictions.

Client accounts are reviewed at least monthly by the Risk Manager for adherence to investment restrictions.

**B. Content and Frequency of Regular Account Reports** – Investors receive a monthly written summary of performance and key highlights of trading activity, and a risk report showing fund exposure and sensitivities.

On a weekly basis CapeView provides a performance estimate for the CapeView Funds. The Fund's administrator provides monthly account statements and annual audited financial statements directly to fund investors. These reports may be delivered electronically.

Each managed account receives reports as specified in their individual investment management agreement.

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

**A. Economic Benefits Received from Non-Clients for Providing Services to Clients** - As discussed in **Item 12 – Brokerage Practices** CapeView has no current soft dollar arrangements.

CapeView does not receive any economic benefit from any person who is not a client for providing investment advice or other advisory services to CapeView’s clients, other than in respect of non-material gifts and entertainment and business related conferences, subject to CapeView’s Code.

**B. Third Party Compensation for Client Referrals** - CapeView may enter into cash compensation arrangements with unaffiliated placement agents or third parties for introducing investors to a CapeView Fund. Any sales charge associated therewith will ultimately be payable by CapeView, either directly or through an offset of the management fee payable by the relevant CapeView Fund to CapeView. An investor will not be charged any additional amount or bear any additional charges as a result. As relevant, such arrangements will be disclosed to CapeView’s clients and CapeView Fund investors in accordance with, and otherwise comply with, Rule 206(4)-3 under the Advisers Act.

#### **ITEM 15: CUSTODY**

CapeView will not have physical custody of any client assets. It does not have “deemed” custody as it has no authority over the assets of the CapeView Funds, other than the investment advisory authority pursuant to the relevant investment advisory agreement, and no authority to withdraw client assets on its own instruction.

#### **ITEM 16: INVESTMENT DISCRETION**

Subject to the investment objectives, policies and restrictions of each CapeView Fund as described in the governing documents of such CapeView Fund or the investment management agreement with each managed account, CapeView has discretionary authority to determine the type, amount and price of securities and investments to be bought and sold on behalf of each client account, including the selection of, and commissions paid to, broker-dealers.

Rebalancing transactions between client accounts adopting a related strategy are considered monthly to ensure that, after subscriptions or redemptions have occurred, the portfolio compositions of similarly managed client accounts remain substantially similar. In order to manage the potential conflict of interest arising between clients, CapeView transacts such rebalancing trades through the market at the current market price, with the intention of minimising the impact on the market price and commission costs for all

accounts. Applicable regulatory restrictions, including restrictions on principal trades<sup>2</sup> and ERISA restrictions are observed. CapeView receives no compensation for effecting these trades. Agency cross transactions are not conducted.

As a result of differences in client investment objectives, restrictions, the size of the account, size and average cost of the security in the client's account, account liquidity and timing of account cash flows, there may be differences among clients in invested positions and securities held.

Where, a discretionary investment management agreement for a managed account requires the consent of the client prior to certain portfolio thresholds or concentrations being exceeded, and this requirement delays the execution of a transaction for the client, clients should be aware that CapeView may place the trades subsequent to the trade for fully discretionary client trades, and therefore a disparity may exist in the share price and commission rate of the transaction between it and fully discretionary clients.

Allocations will be made among client accounts eligible to participate in initial public offerings (IPOs) and secondary offerings on a pro rata basis, except when CapeView determines in its discretion that a pro rata allocation is not appropriate, which may include a client's investment guidelines explicitly prohibiting participation in IPOs or secondary offerings and a client's or investor's status as a "restricted person" under applicable regulations.

CapeView maintains policies in respect of trading errors which require that, to the extent that trading errors occur, they are corrected as soon as practicable. As soon as a trading error is suspected, the CCO should be alerted immediately, who will review the facts and determine an appropriate course of action. The CCO has discretion to resolve a particular error in a manner other than specified in CapeView's procedures, subject to the restriction described above in Item 12.C (iv) preventing broker-dealers from assuming responsibility for an error caused by CapeView. Losses arising on individual trade errors for the Azri Funds and the Azri Strategic Fund up to USD50k will be assumed by CapeView. Otherwise, unless agreed between CapeView and the client, CapeView is generally not responsible for its own errors absent gross negligence, bad faith or wilful misconduct. CapeView is not responsible for the errors of other persons, including third party brokers and custodians, unless otherwise expressly agreed to by CapeView.

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

**A. Policies and Procedures Relating to Authority to Vote Client Securities** – To the extent CapeView has been delegated proxy voting authority on behalf of its clients, it complies with its Proxy Voting Policies and Procedures that are designed to ensure that it votes proxies with respect to client securities in the best interests of its clients. The

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<sup>2</sup> A private fund will not be viewed as a principal account of CapeView where CapeView and its control persons own, in the aggregate, less than 25% of the fund.

procedures also require that CapeView identify any conflicts of interest between CapeView and its clients. If a material conflict exists, CapeView will determine whether voting in accordance with the voting guidelines and factors described in the Procedures is in the best interests of the client or take some other appropriate action.

The Firm considers that generally it will serve the best interest of its clients by, absent unusual circumstances, neither supporting nor opposing a recommendation by a company's management and instead to affirmatively elect not to vote proxies (except for clients subject to ERISA as described below). Where CapeView considers that proposals that are put forward for proxy voting by an investee company indicate that management of that company no longer meets the criteria which CapeView considers appropriate for including that company's securities in its client portfolios, CapeView may decide to disinvest from that stock. However, CapeView may decide to vote a proxy in certain circumstances where it considers this course of action to be in the best interests of its clients. Such proxies shall be voted on a case-by-case basis, taking into account all relevant facts and circumstances at the time of the vote.

For clients whose assets are plan assets subject to the requirements of ERISA, CapeView will consider each proxy and determine its voting decision, either to vote or not to vote, in the interest of each client. Votes shall only be cast in accordance with each plan's economic interests, including consideration of any costs associated with the voting decision.

CapeView will promptly deliver to each client upon written request a complete copy of its Proxy Voting Policies and Procedures and/or information on how it voted proxies for that client.

**B.** CapeView has been delegated authority to vote all client securities, subject to any restriction agreed with the client.

#### **ITEM 18: FINANCIAL INFORMATION**

This Item is not applicable.