

## **Part 2A of Form ADV Firm Brochure**

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This brochure provides information about the qualifications and business practices of SouthOcean Investment Partners, LLC ("SOIP"). If you have any questions about the contents of this brochure, please contact the Chief Compliance Officer at 724.935.6771 or [mhardin@hardincompliance.com](mailto:mhardin@hardincompliance.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority.

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

Any reference to SOIP as a "registered investment adviser" or as being "registered" does not imply any level of skill or training.

This document is not an advertisement for the advisory services of SOIP, nor an offer to sell, or the solicitation of an offer to purchase interests in any private investment fund managed by SOIP.

**Item 2: Material Changes**

Since this brochure was updated on March 28, 2018, SOIP has decided to wind down its investment management business by 12/31/18, the details of which are more fully explained in Item 4 below.

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#### **Item 4: Advisory Business**

SouthOcean Investment Partners, LLC ("SOIP") was formed in October 2016 and is organized as a Delaware limited liability company. Effective July 10, 2018 SOIP is wholly owned and controlled by HRC Investments, LLC, a Delaware limited liability company.

As disclosed in previous brochures, SOIP was a spin-off of SouthOcean Capital Partners, LLC ("SOCP") and was originally established to provide discretionary investment advisory services to privately offered pooled investment vehicles exempt from registration under the Investment Company Act of 1940, as amended, organized by SOIP or its affiliates (collectively, the "SOIP Funds" or the "Funds"). SOIP has recently made the decision to wind down its investment management business by year end 2018. Effective July 10, 2018, Richard Johns is no longer with the Firm and SOIP has entered into a Services Agreement with SOCP whereby SOCP will provide SOIP with supervisory and monitoring services during the wind-down phase. SouthOcean Multi-Strategy Alternatives Fund, LP is no longer accepting new investors and is not making new investments; all other funds listed below are closed and fully committed.

SouthOcean Private Credit Partners, LP  
SouthOcean Private Equity Partners, LP  
SouthOcean Multi-Strategy Alternatives Fund, LP  
Las Olas Private Equity VI, LLC ("LOPE VI")

LOPE VI is a friends and family investment vehicle and is not open to outside/new investors. Therefore, the primary focus of this brochure pertains to the Funds other than LOPE VI (the "SouthOcean Investment Funds").

SOIP does not provide investment advice to individual investors in the Funds. Therefore, it generally does not permit investors to impose limitations on the investment activities described in the offering documents.

SOIP does not participate in wrap fee programs.

As of June 30, 2018, SOIP's regulatory assets under management were \$362,201,350 all of which are managed on a discretionary basis.

#### **Item 5: Fees and Compensation**

The fees for the SouthOcean Investment Funds are as follows:

##### **SouthOcean Private Credit Partners, LP**

SouthOcean receives a quarterly management fee, payable in advance, on a sliding scale which starts at 0.25% per quarter for the first two years, after which point it is reduced to 0.125% per quarter for the next two years after which point it is reduced to 0.0625% per quarter, of each investors' interest in all investments then held by the Fund as of the end of the preceding calendar quarter.

##### **SouthOcean Private Equity Partners, LP**

SouthOcean receives a quarterly management fee, payable in advance, on a sliding scale which starts at 0.1875% per quarter for the first two years, after which point it is reduced to 0.125% per quarter for the next two years after which point it is reduced to 0.0625% per quarter, of each investors' interest in all investments then held by the Fund as of the end of the preceding calendar quarter.

**SouthOcean Multi-Strategy Alternatives Fund, LP (“SOMA”)**

SOIP receives a quarterly management fee in advance computed at a rate of 0.1875% (i.e., 0.75% per annum) of the value of each Limited Partner's capital account as of the beginning of each fiscal quarter.

The management fee for the Funds is generally not negotiable, although SOIP retains the discretion to waive fees for one or more investors, in whole or in part, without notification to other investors. In the future, SOIP may enter into arrangements with clients on different terms than those outlined above.

**Operating Expenses**

In addition to the management fee, each investor in the Funds bears its allocable share of expenses associated with the operations of the applicable Fund as outlined in detail in the respective Funds PPM. Such expenses include, but are not limited to, the following:

- All expenses incurred in connection with the investigation, acquisition, development, financing, management, operation and disposition of any investment, including without limitation: property manager, leasing agent, sales agent, construction manager and trustee fees and expenses; appraisal, engineering, architectural and environmental expenses; real estate commissions; development and capital expenditures; expenses relating to the restoration, repair and improvement of property; taxes; all travel expenses, long distance telephone expenses, accounting expenses, legal fees and disbursements; transfer agent fees and expenses; and expenses of other service providers, advisers and consultants;
- All costs incurred in connection with the preparation or delivery of or otherwise relating to reports made to the Partners, including, without limitation, audit costs;
- All costs related to litigation involving the Funds or any investment, including, without limitation, attorneys' fees incurred in connection therewith;
- All costs related to the Funds' indemnification or contribution obligations set forth in the Partnership Agreement;
- Interest on and fees and expenses arising out of all permitted borrowings made by the Funds;
- The costs of any litigation, director and officer liability or other insurance (including allocated costs thereof incurred by SOIP) and indemnification or extraordinary expense or liability relating to the affairs of the Funds;
- All unreimbursed out-of-pocket expenses relating to transactions that are not consummated, including legal, accounting, investment banking, advisory, financing and consulting fees;
- All extraordinary professional fees incurred in connection with the business or management of the Funds;
- Any taxes, fees or other governmental charges levied against the Funds and all expenses incurred in connection with any tax audit, investigation, settlement or review of the Funds; and
- All expenses of liquidating and winding-up the Funds.

Neither SOIP nor any of its supervised persons accepts compensation for the sale of securities or other investment products.

## Item 6: Performance-Based Fees and Side-By-Side Management

SOIP does not currently charge performance-based fees.

## Item 7: Types of Clients

SOIP provides discretionary investment advice to privately offered investment vehicles. The minimum capital commitment or investment for the privately offered investment vehicles is \$1 million, subject to reduction at the discretion of SOIP, which also has discretion to reject in whole or in part the offer of a subscription for any reason.

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

### SouthOcean Private Credit Partners, LP

#### Investment Strategy and Methods of Analysis

The Fund targets investments that generate consistent absolute returns in diverse market conditions, offer attractive current cash yields, and have strong downside protection. The Fund seeks to pursue opportunities in niche areas that are controlled by a small number of investors with high barriers to entry due to the highly-specialized nature of the underwriting process and expertise required in each sub strategy which results in a favorable supply/demand mismatch.

The Fund represents an alternative approach which is designed to take the place of some portion of an investor's bond allocation. The Fund invests in underlying funds that may include, but are not limited to investments in the following investment opportunities:

- **Midmarket Lending:** Opportunity created when private equity sponsors purchase mid-market companies, which are too small to access the high yield markets.
- **Pharmaceutical Royalties:** Healthcare companies often look to borrow against their royalty streams to fund further development but these are difficult assets for a conventional lender to assess.
- **Credit-Oriented Natural Resource Strategies:** Primarily debt financing solutions for energy, resource and related infrastructure projects. Focus on investments underpinned by physical assets with long useful life and strong cash flow.
- **Venture Lending:** Loans to venture capital backed companies shortly after a round of equity financing occurs, often times with the purpose of acting as a bridge financing tool to extend the company's runway until the next round of financing is raised.

#### Risks

*Investing is speculative and involves significant risks, including the risk of total loss of invested capital. The following information is not intended to be a summary of all the risks associated with an investment in SouthOcean Private Credit Partners, LP, but rather some specific risks associated with our strategy and the securities in which we typically invest which we believe are important for investors to consider. Investors should carefully review the expanded summary of risks in the Fund's PPM as well as certain additional risks set forth under "Risks Related to Business, Structure and Operations Applicable to all SouthOcean Investment Funds."*

*The Fund's investment strategy may evolve in light of existing market conditions and investment opportunities, and this evolution may involve additional risks depending upon the nature of the assets in which it invests and its ability to finance such assets on a short or long-term basis.*

**Nature of Investments.** The underlying managers have broad discretion in making investments for the underlying fund. Investments will generally consist of various instruments and other assets that may be affected by business, financial market or legal uncertainties. There can be no assurance that the underlying managers will correctly evaluate the nature and magnitude of the various factors that could affect the value of and return on investments.

**Foreign Securities and Foreign Currencies.** The Fund may invest a portion of its assets in underlying funds which invest in securities of non-United States issuers. These types of investments entail risks in addition to those involved in investments in securities of domestic issuers.

**Debt Securities.** The underlying managers may invest in corporate debt obligations, including commercial paper. Corporate debt obligations are subject to the risk of an issuer's inability to meet principal and interest payments on the obligations (credit risk). The underlying managers may invest in unrated or low-grade debt securities which are subject to greater risk of loss of principal and interest than higher-rated debt securities. The underlying managers may also invest in debt securities which rank junior to other outstanding securities and obligations of the issuer, all or a significant portion of which may be secured on substantially all of that issuer's assets.

**Special Situations.** The underlying fund may invest in companies involved in (or the target of) acquisition attempts or tender offers or in companies involved in or undergoing work-outs, liquidations, spin-offs, reorganizations, bankruptcies or other catalytic changes or similar transactions.

**Bankruptcy of Portfolio Companies.** The underlying fund may make investments in privately-held borrowers ("Portfolio Companies") that become subject to severe financial difficulties.

**General Risks of Lending.** The value of investments by underlying fund in debt instruments may be detrimentally affected to the extent a borrower defaults on its obligations, there is insufficient collateral and/or there are extensive legal and other costs incurred in collecting on a defaulted instrument.

**Lower Rated Debt and Preferred Securities.** The underlying fund may invest in debt instruments and preferred securities which are rated in the lower rating categories by the various credit rating agencies or, more commonly, in comparable non-rated debt instruments and securities. Debt instruments and securities in the lower rating categories and comparable non-rated debt instruments and securities are subject to greater risk of loss of principal and interest than higher-rated and comparable non-rated debt instruments and securities and are generally considered to be predominantly speculative with respect to the issuer's capacity to pay dividends and interest and repay principal.

**Valuation of Investments.** The investments of the underlying fund may include investments which are illiquid or very thinly traded. It is noted that these investments may be extremely difficult to value accurately.

**Limited Number of Investments.** It is expected that the Fund will invest in a limited number of underlying fund. A consequence of a limited number of investments is that the aggregate returns realized by the partners may be substantially adversely affected by the unfavorable performance of a small number of such investments. Furthermore, the Fund does not have fixed guidelines for diversification, and investments may be concentrated in only a few industries.

**Lack of Liquidity of Investments.** The underlying managers may invest in non-publicly traded securities and private debt instruments for which the number of potential purchasers and sellers, if any, is very limited. The Fund's interests in the underlying fund generally will be illiquid and the Fund's ability to withdraw from the underlying fund may be adversely affected by the liquidity terms of the underlying fund.

**Investments Longer than Term.** The Fund may make investments which may not be advantageously disposed of prior to the date the Fund is dissolved, either by expiration of the Fund's term or otherwise. Although the Fund expects that investments will be disposed of prior to the Fund's dissolution and the General Partner has a limited ability to extend the term, the Fund may have to sell, distribute or otherwise dispose of investments at a disadvantageous time as a result of dissolution.

### **SouthOcean Private Equity Partners, LP**

#### **Investment Strategy and Methods of Analysis**

The Fund seeks to deliver high returns on a risk adjusted basis by opportunistically making investments in various limited partnerships, limited liability companies, separately managed accounts and other structures run by what SouthOcean believes to be top tier, best in class private equity managers as well as co-investments offered by these managers and other managers. SouthOcean seeks to invest in underlying fund with underlying managers that have a high degree of differentiation from their competitors, and have a strong track record of investing. The Fund may pursue investments in a variety of private equity strategies including: Venture Capital, Growth Capital, Natural Resources, Buyout Strategies, and Distressed Funds. Through these strategies, the Fund intends to build a diversified portfolio of investments.

The Fund's investment strategy includes investing in (i) underlying fund with focused strategies typically with a size less than \$1 billion, (ii) underlying managers with a high level of expertise and specialization resulting in that manager achieving the status as the "go-to" capital provider in its industry, (iii) underlying managers with deep networks and industry relationships resulting in superior sourcing capabilities.

SouthOcean has a comprehensive due diligence process in place for private equity which covers both potential and existing investments and is carried out by the investment team. The specific methods of the due diligence process may vary based upon the type of fund, strategy, and the investment team's relationship with the Underlying Manager.

Potential investments are evaluated through a screening and assessment process that includes a program of qualitative and quantitative analysis which frequently includes manager visits and interviews, reference calls, analysis of return drivers in previous investments and understanding how the particular fund impacts the portfolio as a whole. This phase of the process also includes a review of the underlying fund's offering documents.

For ongoing investments, the investment team reviews periodic information that the Underlying Manager provides (i.e., performance updates, investor letters, financial statements, capital accounts). If necessary, a more detailed review is carried out that involves phone calls or meetings with the Underlying Manager. In most cases, members of the investment team attend the underlying funds' annual meetings. The ongoing due diligence conducted is discretionary, depending upon factors such as the level of transparency and underlying nature of the investments.

#### **Risks**

*Investing is speculative and involves significant risks, including the risk of total loss of invested capital. The following information is not intended to be a summary of all the risks associated with an investment in SouthOcean Private Equity Partners, LP, but rather some specific risks associated with our strategy and the securities in which we typically invest which we believe are important for investors to consider. Investors should carefully review the expanded summary of risks in the Fund's PPM as well as certain additional risks set forth under Risks Related to Business, Structure and Operations Applicable to all SouthOcean Investment Funds."*



*The Fund's investment strategy may evolve in light of existing market conditions and investment opportunities, and this evolution may involve additional risks depending upon the nature of the assets in which it invests and its ability to finance such assets on a short or long-term basis.*

**Nature of Investments.** The underlying managers have broad discretion in making investments for the underlying fund. Investments will generally consist of various instruments and other assets that may be affected by business, financial market or legal uncertainties. There can be no assurance that the underlying managers will correctly evaluate the nature and magnitude of the various factors that could affect the value of and return on investments.

**Foreign Securities and Foreign Currencies.** The Fund may invest a portion of its assets in underlying fund which invest in securities of non-United States issuers. These types of investments entail risks in addition to those involved in investments in securities of domestic issuers.

**Private Investments.** Investments in the private equity of companies at various stages in their development involves a high degree of business and financial risk. The Fund will have exposure to and invest in underlying funds which invest in private companies.

**Internet Companies.** The Fund may invest in underlying funds which have investments in "Internet" companies, including companies focused on e-commerce and financial services. The securities of such companies can be volatile and the marketplace in which these companies operate is extremely competitive, particularly since this sector may not present the capital-intensive barriers to entry that may exist in a more traditional retail commerce company.

**High Growth Industry Related Risks.** The Fund may invest in underlying funds which have investments in the securities of high growth companies. These securities may be very volatile. In addition, these companies may face undeveloped or limited markets, have limited products, have no proven profit-making history, may operate at a loss or with substantial variations in operating results from period to period, have limited access to capital and/or be in the developmental stages of their businesses, have limited ability to protect their rights to certain patents, copyrights, trademarks and other trade secrets, or be otherwise adversely affected by the extremely competitive markets in which many of their competitors operate.

**Illiquid and Long-Term Investments.** Investment in the Fund and the underlying funds requires a long-term commitment with no certainty of return. Many of the underlying funds' investments will be highly illiquid, and there can be no assurance that the underlying funds will be able to realize on such investments in a timely manner.

**Uncertainty of Financial Projections.** The underlying managers will generally establish the pricing of transactions and the capital structure of companies in which the underlying funds invest on the basis of financial projections for such companies. Projected operating results will normally be based primarily on management judgments. In all cases, projections are only estimates of future results that are based upon assumptions made at the time that the projections are developed. There can be no assurance that the projected results will be obtained, and actual results may vary significantly from the projections. General economic, political and market conditions, which are not predictable, can have a material adverse impact on the reliability of such projections.

**Special Situations.** The underlying funds may invest in companies involved in (or the target of) acquisition attempts or tender offers or in companies involved in or undergoing work-outs, liquidations, spin-offs, reorganizations, bankruptcies or other catalytic 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 a new security the value of which will be less than the purchase price to the underlying fund of the security or other financial instrument in respect of which such distribution is received.

**Bankruptcy of Portfolio Companies.** The underlying funds in which the Fund invests may make investments in privately-held borrowers ("Portfolio Companies") that become subject to severe financial

difficulties. These severe financial difficulties may never be overcome and may cause such Portfolio Companies to become subject to bankruptcy proceedings. In such situations, the Fund's investment in the underlying funds will be subject to the risk that a bankruptcy filing may adversely and permanently impact the value of a Portfolio Company and that high administrative costs may impair the value of the Portfolio Company.

**Valuation of Investments.** The investments of the underlying fund may include investments which are illiquid or very thinly traded. It is noted that these investments may be extremely difficult to value accurately.

**Leverage.** Although the Fund does not intend to utilize leverage as part of its investment strategy, the Fund may utilize a credit facility as described in the PPM. Many of the underlying managers may utilize leverage by borrowing to the fullest extent allowable by law to finance the purchase of investments.

**Limited Number of Investments.** It is expected that the Fund will invest in a limited number of underlying funds. A consequence of a limited number of investments is that the aggregate returns realized by the partners may be substantially adversely affected by the unfavorable performance of a small number of such investments. Furthermore, the Fund does not have fixed guidelines for diversification, and investments may be concentrated in only a few industries.

**Investments Longer than Term.** The Fund may make investments which may not be advantageously disposed of prior to the date the Fund is dissolved, either by expiration of the Fund's term or otherwise. Although the Fund expects that investments will be disposed of prior to the Fund's dissolution and the General Partner has a limited ability to extend the term, the Fund may have to sell, distribute or otherwise dispose of investments at a disadvantageous time as a result of dissolution.

#### **SouthOcean Multi-Strategy Alternatives Fund, LP**

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

The portfolio may include investments in portfolio managers (also referred to as "fund managers" or "underlying funds") that generally employ one or more of the investment strategies described below (listed alphabetically). The following descriptions are summaries only and do not purport to be complete and the investment strategies may change over time.

- **Convertible Arbitrage:** Portfolio managers that build long positions of convertible securities and then seek to hedge a portion of the equity risk by selling short the underlying common stock or options on that stock.
- **Credit/Distressed:** Portfolio managers that invest in bank loans, trade claims, equity securities, debt securities and other indebtedness of financially distressed and/or highly leveraged companies.
- **Equity Arbitrage:** Portfolio managers that seek to profit from pricing inefficiencies between related equity securities while attempting to neutralize exposure to market risk with a combination of both long and short positions. Equity Arbitrage strategies may include Merger Arbitrage (or Risk Arbitrage) or Statistical Arbitrage.
- **Event Driven:** Event-driven strategies involve investments, long or short, in the securities of corporations undergoing significant change such as spin-offs, mergers, liquidations, bankruptcies.
- **Fixed Income – Arbitrage:** Portfolio managers that employ a variety of strategies involving the investment in both U.S. and non-U.S. fixed income securities across a broad range of maturities. Typically, managers seek to exploit pricing inefficiencies between related sets of fixed income investments by buying one security and simultaneously selling a similar security with the

expectation that the two security prices will converge to a similar value over the investment holding period.

- **Global Developed Equities:** Portfolio managers in this category implement a “long/short” approach to security selection across a range of market sectors and capitalizations. Opportunities are often evaluated using bottom-up, fundamental analysis in the developed U.S., European, and Asian markets.
- **Global Macro:** Portfolio managers that take a macroeconomic approach in their investment strategy. Generally based on the manager’s expectations for interest rates, currency changes, monetary policies, etc., capital is allocated opportunistically and traded globally across a diverse set of strategies and instruments in any of the world’s major capital or derivative markets.
- **Opportunistic Trading:** Strategies that use short-term trading in an effort to take advantage of opportunities where the manager believes securities are temporarily mispriced on an absolute basis or relative to similar investments.
- **Quantitative:** Quant strategies are typically employed by sophisticated managers with access to the most technically advanced computing resources. Investment opportunities are identified by thorough examination of extensive databases searching for repeating patterns-persistent occurrences of a phenomenon, correlations among liquid assets or price-movement patterns.
- **Strategic Block Investing:** Purchasing a significant percentage of the total outstanding class of a security with a view towards voting to influence management and/or the capital structure of the company.
- **Volatility Strategies:** Portfolio managers utilize strategies that seek investment securities, including derivative instruments that are mispriced relative to the underlying security, often due to dislocations in the markets. The strategy involves developing hedged positions with the related investments in an effort to isolate and profit from the mispriced element.

SOIP allocates assets among portfolio managers using its knowledge and experience to assess the capabilities of the portfolio managers and to determine its view as to the optimal mix of investment sectors and styles given the economic and investment environment. Once it determines the target strategy allocation, SOIP allocates assets among what it considers to be the best available portfolio managers in each strategy. Information regarding portfolio managers is received through personal contacts, referrals, recommendations, third-party marketing firms, and capital introduction teams within prime brokerage units of leading broker-dealers. SOIP believes that the quality of its proprietary network is a prime factor in its ability to identify and obtain investment capacity with Portfolio managers. To the extent possible, SOIP seeks to identify and allocate assets to portfolio managers within each strategy that utilize different investment approaches.

In order to mitigate the overall risk of the Fund, SOIP seeks to diversify the assets among portfolio funds that pursue different investment strategies and styles; to closely monitor the portfolio funds in which the Fund invests; and to reallocate the assets of the Fund as required. In addition, a portfolio manager’s expected risk characteristics and drawdown patterns are important criteria in considering whether a portfolio manager is selected as well as the relative size of an allocation. SOIP monitors the portfolio managers on an ongoing basis to seek to understand the sources of risk and return. In particular, SOIP seeks to have each portfolio manager regularly make available senior investment personnel to discuss the significant positions, investment results and outlook. In addition to these regular discussions throughout the year, SOIP seeks to formally meet with each portfolio manager no less frequently than annually. From time to time, SOIP may determine that it is necessary to rebalance the Fund’s assets.

SOIP considers numerous factors in determining whether to terminate a relationship with a portfolio manager, including, but not limited to, (i) poor or inconsistent performance, (ii) personnel changes or change in the organization or control of a portfolio fund, (iii) change to, or the failure to adhere to the stated investment strategy or risk characteristics of a portfolio fund, and (iv) reallocation based on changes to SOIP's strategy outlook.

## **Risks**

*Investing is speculative and involves significant risks, including the risk of total loss of invested capital. The following information is not intended to be a summary of all the risks associated with an investment in SouthOcean Multi-Strategy Alternatives Fund, LP, but rather some specific risks associated with our strategy and the securities in which we typically invest which we believe are important for investors to consider. Investors should carefully review the expanded summary of risks in the Fund's PPM as well as certain additional risks set forth under Risks Related to Business, Structure and Operations Applicable to all SouthOcean Investment Funds."*

*The Fund's investment strategy may evolve in light of existing market conditions and investment opportunities, and this evolution may involve additional risks depending upon the nature of the assets in which it invests and its ability to finance such assets on a short or long-term basis.*

### **Risks Associated with Portfolios of Underlying Portfolio Managers**

**Market Risk.** The profitability of a significant portion of the Fund's investment program depends to a great extent on correct assessments of the future course of price movements of securities and other investments. There can be no assurance that portfolio managers will be able to accurately predict these price movements. The securities markets have in recent years been characterized by great volatility and unpredictability. With respect to the investment strategies utilized by portfolio managers, there is always some, and occasionally a significant, degree of market risk.

**Leverage.** The portfolio managers may utilize a substantial degree of leverage, which may result in controlling substantially more assets than they have equity. Leverage increases returns to the investors if the portfolio manager earns a greater return on investments purchased with borrowed funds than the costs of borrowing such funds. However, the use of leverage exposes the Fund to additional levels of risk including (i) greater losses from investments than would otherwise have been the case had the portfolio manager not borrowed to make the investments, (ii) margin calls or interim margin requirements may force premature liquidations of investment positions, and (iii) losses on investments where the investment fails to earn a return that equals or exceeds the portfolio manager's cost of borrowing such funds.

**Arbitrage Transaction Risks.** Arbitrage strategies attempt to take advantage of perceived price discrepancies of identical or similar financial instruments, on different markets or in different forms. Examples of arbitrage strategies include event-driven arbitrage, merger arbitrage, capital structure arbitrage, convertible arbitrage, fixed income or interest rate arbitrage, statistical arbitrage, debt spread arbitrage and index arbitrage. The portfolio managers 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 the 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.

**Convertible Securities.** The portfolio managers may invest in convertible securities, securities that may be exchanged or converted into a predetermined number of the issuer's underlying shares or the shares of another company or that are indexed to an unmanaged market index at the option of the holder during a specified time period. Convertible securities may take the form of convertible preferred stock, convertible bonds or debentures, stock purchase warrants, zero-coupon bonds or liquid-yield option notes, stock index notes, mandatories, or a combination of the features of these securities. Prior to conversion, convertible securities have the same general characteristics as non-convertible debt securities. As with all debt securities, the market value of convertible securities tends to decline as interest rates increase and conversely, increase as interest rates decline. Convertible securities, however, also appreciate when the

underlying common stock appreciates, and conversely, depreciate when the underlying common stock depreciates.

**Convertible Arbitrage Risk.** Convertible arbitrage generally involves acquiring convertible securities and selling short a corresponding amount of the underlying equity security, although this relationship may be reversed. While this investment strategy is considered to be relatively "market neutral", there are many associated risks that can affect the results of this strategy. Such risks include, but are not limited to, the following: (i) dramatically rising interest rates or escalating market volatility may adversely affect the relationship between securities; (ii) convertible securities tend to be significantly less liquid and have wider bid/offer spreads making it more difficult to enter and profitably exit such trades; (iii) convertible arbitrage involves an inherently imperfect and dynamic hedging relationship and must be adjusted from time to time (the failure to make timely or appropriate adjustments may limit profitability or lead to losses); (iv) convertible arbitrage involves selling securities short (see "Short Sales" below); (v) a material change in the dividend policy of the underlying common equity may adversely affect the prices of the securities involved; (vi) changes in the issuer's credit rating may adversely affect the prices of the securities involved; and (vii) unexpected merger or other extraordinary transactions affecting the convertible security or common equity may adversely affect the prices of the securities involved.

**Fixed Income Securities.** The portfolio managers may invest in fixed income securities and other debt securities. Certain of these securities may be unrated by a recognized credit-rating agency or below investment grade, which are subject to greater risk of loss of principal and interest than higher-rated debt securities. Accordingly, these securities tend to be more sensitive to economic conditions and tend to reflect individual corporate developments to a greater extent than do higher-rated securities, which primarily react to fluctuations in the general level of interest rates. Issuers of lower-rated debt securities are often highly-leveraged and may not have access to more traditional methods of financing. Furthermore, trading in these types of securities may be limited or disrupted by an economic recession, resulting in an adverse impact on the value of such securities. Moreover, it is likely that an economic downturn could affect the ability of the issuers to repay principal and pay interest thereon resulting in a high potential of default.

Additionally, the portfolio managers may invest in debt securities that rank junior to other outstanding securities and obligations of the issuer, all or a significant portion of which may be secured on substantially all of that issuer's assets. The portfolio managers may invest in debt securities which are not protected by financial covenants or limitations on additional indebtedness. The Fund will therefore be subject to credit and liquidity risks. In addition, the market for credit spreads is often inefficient and illiquid, making it difficult to accurately calculate discounting spreads for valuing financial instruments. Investment in a debt instrument will normally involve the assumption of interest rate risk.

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

obligations against sovereign nations, which may be affected by world events, changes in U.S. foreign policy and other factors outside of the control of SOIP or the portfolio managers.

**Short Sales.** The portfolio managers may engage in a significant amount of short selling. Short selling, which involves selling securities not currently owned (i.e., selling borrowed securities), necessarily involves certain additional risks. These transactions expose a portfolio manager to the risk of loss in an amount greater than the initial investment, and the losses can increase rapidly and without effective limit. There is the risk that the securities borrowed in connection with a short sale must be returned to the securities lender on short notice. If a request for return of borrowed securities occurs at a time when other short sellers of the security are receiving similar requests, a "short squeeze" can occur, and the portfolio manager may be compelled 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 in originally selling the securities short.

**Options.** The portfolio managers may invest in options. Purchasing put and call options, as well as writing such options, are highly specialized activities and entail greater than ordinary investment risks. Because option premiums paid or received will be small in relation to the market value of the investments underlying the options, buying and selling put and call options can result in large amounts of leverage. As a result, the leverage offered by trading in options could cause a portfolio manager's asset value to be subject to more frequent and wider fluctuations.

**Non-U.S. Securities.** The portfolio managers may invest in securities of companies domiciled or operating in one or more non-U.S. countries. Investing in these securities involves considerations and possible risks not typically involved in investing in securities of companies domiciled and operating in the United States, including instability of some non-U.S. governments, the possibility of expropriation, limitations on the use or removal of funds or other assets, changes in governmental administration or economic or monetary policy (in the United States or abroad) or changed circumstances in dealings between nations. The application of non-U.S. tax laws (e.g., the imposition of withholding taxes on dividend, interest or other payments) or confiscatory taxation may also affect investment in non-U.S. securities. Higher expenses may result from investment in non-U.S. securities than would from investment in domestic securities because of the costs that must be incurred in connection with conversions between various currencies and non-U.S. brokerage commissions that may be higher than in the United States. Non-U.S. securities markets also may be less liquid, more volatile and less subject to governmental supervision than in the United States. Investments in non-U.S. countries could be affected by other factors not present in the United States, including lack of uniform accounting, auditing and financial reporting standards and potential difficulties in enforcing contractual obligations.

**Currency Risks.** The investments of portfolio managers that are denominated in non-U.S. currencies are subject to the risk that the value of a particular currency will change in relation to one or more other currencies. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments. The portfolio managers may try to hedge these risks by investing in non-U.S. currencies, non-U.S. currency futures contracts and options thereon, forward non-U.S. currency exchange contracts or similar instruments, or any combination thereof, but there can be no assurance that such strategies will be implemented, or if implemented, will be effective.

**High Yield Securities.** The portfolio managers may invest in "high yield" bonds and preferred securities which are rated in the lower rating categories by the various credit rating agencies (or in comparable non-rated securities). Securities in the lower rating categories are subject to greater risk of loss of principal and interest than higher-rated securities and are generally considered to be predominantly speculative with respect to the issuer's capacity to pay interest and repay principal. They are also generally considered to be subject to greater risk than securities with higher ratings in the case of deterioration of general economic conditions. Because investors generally perceive that there are greater risks associated with the lower-rated securities, the yields and prices of such securities may tend to fluctuate more than those for higher-rated securities. The market for lower-rated securities is thinner and less active than that for higher-rated securities, which can adversely affect the prices at which these securities can be sold. In addition, adverse

publicity and investor perceptions about lower-rated securities, whether or not based on fundamental analysis, may be a contributing factor in a decrease in the value and liquidity of such lower-rated securities.

**Special Situations and Distressed Securities.** The portfolio managers may invest in companies involved in (or the target of) acquisition attempts or tender offers or companies involved in work-outs, liquidations, spin-offs, reorganizations, bankruptcies and similar transactions. In any investment opportunity involving any such type of business enterprise, there exists the risk that the transaction in which such business enterprise is involved either will be unsuccessful, will take considerable time or will result in a distribution of cash or a new security the value of which will be less than the purchase price of the security or other financial instrument in respect of which such distribution is received. Similarly, if an anticipated transaction does not in fact occur, the portfolio manager 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 the portfolio managers may invest, there is a potential risk of loss by the Fund of its entire investment in such companies.

**Derivatives.** To the extent that the portfolio managers invest in swaps, derivative or synthetic instruments, repurchase agreements or other over-the-counter transactions or, in certain circumstances, non-U.S. securities, the portfolio funds may take a credit risk with regard to parties with whom they trade and may also bear the risk of settlement default. These risks may differ materially from those entailed in exchange-traded transactions that generally are backed by clearing organization guarantees, daily marking-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered directly between two counterparties generally do not benefit from such protections and expose the parties to the risk of counterparty default. It may not be possible that all securities and other assets deposited with custodians or brokers will be clearly identified as being assets (directly or indirectly) of the Fund, and there may be practical or time problems associated with enforcing rights to its assets in the case of an insolvency of any such party.

**Small Cap Stocks.** At any given time, the portfolio managers may have significant investments in smaller-to medium-sized companies of a less seasoned nature whose securities are traded in the over-the-counter market. These "secondary" securities often involve significantly greater risks than the securities of larger, better-known companies.

**Activist Strategies.** The portfolio managers' investment strategies may involve aggressive shareholder activism that will attempt to influence the destinies of target companies and there exists the risk that the intended strategy for a particular company will be unsuccessful. Further, when securities are purchased in anticipation of influencing the future direction of a company, a substantial period of time may elapse between the purchase of the securities and the anticipated results. During this period, a portion of such portfolio manager's capital would be committed to the securities purchased, and the portfolio manager typically might finance some portion of such purchases with borrowed funds on which it must pay interest. Additionally, if the anticipated results do not in fact occur, the portfolio manager may be required to sell its investment at a loss. Moreover, there may be instances where the portfolio manager will be restricted in transacting in or redeeming a particular investment as a result of the size of its investments or its activist investment strategy.

An activist portfolio manager may also attempt to build a strong relationship with company management. In certain cases, attempts to influence a company's management may result in the portfolio manager, or its designee, taking a seat on the company's board of directors. In such a case, there exists the risk that the portfolio manager will be restricted in transacting in or redeeming its investment in that company as a result of, among other things, legal restrictions on transactions by company directors or affiliates. Because there is substantial uncertainty concerning the outcome of transactions involving the target companies in which the portfolio managers may invest, there exists a potential risk of loss by a portfolio manager of its entire investment in such companies.

**Counterparty and Custody Risk.** To the extent that portfolio managers have utilized options, swaps, derivative or synthetic instruments, forward contracts, or other over-the-counter transactions (including certain equities), the portfolio managers may take a credit risk with regard to parties with whom they trade

and may also bear the risk of settlement default. These risks may differ materially from those entailed in exchange-traded transactions that generally are backed by clearing organization guarantees, daily marking-to-market and settlement and segregation and minimum capital requirements applicable to intermediaries. Transactions entered directly between two counterparties generally do not benefit from such protections and expose the parties to the risk of counterparty default.

In addition, there are risks involved in dealing with the custodians or brokers who settle trades, particularly with respect to non-U.S. investments. There is no guarantee that any custodian used will not become insolvent.

Furthermore, assets of portfolio funds may be held by sub-custodians in certain non-U.S. jurisdictions. The Fund may therefore have a potential indirect exposure on the default of any sub-custodian and, as a result, many of the protections that would normally be provided to a fund by a custodian will not be available.

### **Risks Related to Business, Structure and Operations Applicable to all SouthOcean Investment Funds**

**Illiquidity.** Investors generally will only be permitted to withdraw all or any part of its capital account only in accordance with the terms described within the offering documents. Transfers of the interests will be permitted only with the written consent of the General Partner. There is no market for the interests and none is ever expected to develop. Underlying portfolio managers may not permit withdrawals by the Fund for significant periods of time. Consequently, investors may not be able to liquidate their investments expeditiously in the event of an emergency or for any other reason. Withdrawals from the Fund are subject (directly or indirectly) to significant "lock-up" restrictions described within the offering documents.

**Fund operating history.** The Funds have a limited operating history. If they are unable to operate its business as currently expected, its operating results may be adversely affected, and the Funds may not be able to make distributions in the future.

**Investment adviser operating history.** SOIP was recently formed and has a limited operating history. If it is unable to operate the business as currently expected, the Funds' performance may be adversely affected. As a new company, it has only recently established operating procedures, implemented new systems and completed other tasks necessary to conduct the intended business activities. While SOIP has, an executive management team whose members are experienced in the industry, the experience and relationships in the industry may not be successfully transferred to the SOIP and/or the SouthOcean Funds.

**Dependence on Key Personnel.** The ability of SOIP to manage the Fund's affairs currently depends largely on its investment team. There can be no assurance that these individuals will remain throughout the term of the Fund or otherwise will be able to continue to carry on their current duties throughout such term. In addition, the ability of the underlying fund to meet their investment objectives may depend on their own respective key personnel.

**Other Obligations of the Principals of the General Partner and the Investment Manager.** Although the principals of SOIP will devote as much time as they believe is necessary to assist the Fund in achieving its investment objective, none of them will devote substantially all of their working time to the affairs of the Fund. The working time of the principals of SOIP will be subject to their prior commitments to previous investments, investment funds, and other business activities and potential future commitments to other business activities, investments and investment funds. It is possible that the SOIP will form other investment funds in the future, which may have the same or similar investment objectives as either the underlying fund or the Fund.

**"Fund-of-Funds" Structure.** Under certain circumstances, the Fund's "fund-of-funds" structure may be disadvantageous to partners as compared with maintaining investments directly. The Fund's operating expenses will be in addition to the Fund's pro rata share of the investment and other expenses of the underlying funds indirectly borne by the Fund. Strategies utilized by certain underlying managers may



require frequent trading and, as a result, portfolio turnover and brokerage commission expenses may significantly exceed those of other investment entities of comparable size. Moreover, such trading will be out of the direct control of the SOIP. Accordingly, the expenses of the Fund may be a higher percentage of net assets than in other investment entities.

**Importance of Portfolio Managers.** SOIP has little control over the activities of the portfolio managers. For example, portfolio managers may take undesirable tax positions, employ excessive leverage or otherwise manage an investment entity in a manner not anticipated by the Investment Manager. The operations of the portfolio managers are heavily dependent on their managers and if any such manager dies, resigns, becomes legally incompetent or insolvent, or if a portfolio manager experiences a significant change in staffing, the operations of that portfolio manager may be adversely affected.

**Multiple Portfolio Managers.** Because the Fund invests with underlying managers who make their trading decisions independently, it is theoretically possible that one or more of such underlying managers may, at any time, take investment positions that are opposite of positions taken by other underlying managers. It is also possible that the underlying managers retained by the Fund may on occasion be competing with each other for similar positions at the same time. Also, a particular underlying manager may take positions for its other clients that are opposite to positions taken for the Fund.

There can be no assurance that the use of multiple underlying managers will not effectively result in losses by certain of the underlying managers offsetting, or more than offsetting, any profits achieved by other underlying managers with whom the Fund invests. Furthermore, incentive compensation may be paid to those underlying managers that achieve profits irrespective of the losses incurred by other underlying managers. Therefore, profitable underlying fund and managed accounts will earn incentive, advisory and management fees, which may be substantial, regardless of whether or not the Fund has been profitable.

**Access to Information from Portfolio Managers.** Any returns achieved by the Fund will depend upon the efforts and performance results obtained by the portfolio funds in which the Fund invests. Accordingly, the success of the Fund will depend on the ability of SOIP to identify portfolio managers that produce superior returns. SOIP will request information from each portfolio manager regarding historical performance and investment strategy. SOIP will also request detailed portfolio information on a continuing basis from each portfolio manager retained on behalf of the Fund. However, SOIP may not always receive all the information it requests in each case because particular portfolio managers may consider the requested information proprietary information or otherwise refuse to disclose it. This lack of access to information may make it more difficult for SOIP to select, allocate assets among, and evaluate portfolio managers and, in certain circumstances, investments with portfolio managers may be made by SOIP without performing all of the assessments described herein. In addition, SOIP may not learn of significant structural events, such as personnel changes, major asset withdrawals or substantial capital growth, until after the fact.

**Performance-Based Compensation Arrangements with Portfolio Managers.** The Fund typically will enter into arrangements with portfolio managers which provide that portfolio managers (or their affiliates) will be compensated, in whole or in part, based on the appreciation in value (including unrealized appreciation) of the account during specific measuring periods. In certain infrequent cases, the portfolio managers may be paid a fee or allocation based on appreciation during the specific measuring period without taking into account losses occurring in prior measuring periods, although the Investment Manager anticipates that most, if not all, the portfolio managers who charge such amounts will take into account prior losses. These performance-based compensation arrangements may create an incentive for such portfolio managers to make investments that are riskier or more speculative than would be the case in the absence of such performance-based compensation arrangements.

**Activities of Portfolio Managers.** SOIP will have no control over the operations of any of the selected portfolio managers. As a result, there can be no assurance that every portfolio manager engaged by the Fund will invest on the basis expected SOIP. In particular, there is the risk that a portfolio manager may deviate from its stated or expected investment strategy over time ("style drift"). SOIP relies primarily on information provided by portfolio managers in assessing a defined investment strategy and in ultimately determining whether, and to what extent it will allocate the Fund's assets to particular portfolio funds.

Additionally, when the Fund allocates its assets to a portfolio manager, it does not have custody of such assets or control over their investment. Therefore, there is always the risk that the portfolio manager could divert or abscond with the assets, provide false reports of operations, or otherwise engage in misconduct. The portfolio managers with whom the Fund invests may be private and may not be required to register their investment advisory operations under federal or state laws.

**Nature of Investments.** The Portfolio Managers will have broad discretion in making investments for the Portfolio Funds. Investments will generally consist of various instruments and other assets that may be affected by business, financial market or legal uncertainties. There can be no assurance that the Portfolio Managers will correctly evaluate the nature and magnitude of the various factors that could affect the value of and return on investments.

**Lack of Operating History of Portfolio Managers.** The Fund may retain certain Portfolio Managers that are new Portfolio Managers with a limited performance history in operating their own management company (although the Portfolio Manager's key personnel typically will have significant prior experience in the securities industry). Therefore, such investments may involve greater risks than investment with more established Portfolio Managers.

**Importance and Experience of the Investment Manager.** SOIP has complete discretion in investing the Fund's assets. The Fund's success depends, to a great extent, on SOIP's ability to select portfolio managers and allocate assets. There can be no assurance that the Fund will realize its investment objectives.

**Diversification.** Although SOIP will seek to obtain diversification by investing with multiple portfolio managers, it is possible that several portfolio managers may take substantial positions in the same security or group of securities at the same time without SOIP's knowledge. Even if known, SOIP's ability to avoid such concentration depends on its ability to reallocate assets among existing or new portfolio managers, which might not be feasible for an extended period of time due to restrictions on withdrawals and contributions imposed by the portfolio managers. In addition, the diversification policies of the portfolio managers differ and vary from time to time and, consequently, they may not maintain the level of diversification anticipated by SOIP. Different portfolio managers could also take opposite positions in the same security. Moreover, there is no limit on the degree of concentration of investment imposed on SOIP so it is possible that a significant portion of the assets of the Fund could be invested with relatively few portfolio managers. This possible lack of diversification may subject the investments of the Fund to more rapid change in value than would be the case if the assets of the Fund were more widely diversified.

## **Item 9: Disciplinary Information**

Neither SOIP nor any of its supervised persons have been involved in a legal or disciplinary event that is material to a client's or investor's, or prospective client's or investor's, evaluation of our advisory business or the integrity of our management.

## **Item 10: Other Financial Industry Activities and Affiliations**

Neither SOIP nor any of its supervised persons is registered, or has an application pending to register, as a broker-dealer, registered representative of a broker-dealer, futures commission merchant, commodity pool operator, commodity trading advisor, or associated person of any of the foregoing.

SouthOcean Investment Partners GP, LLC is the General Partner of the Funds and is an affiliate and relying adviser of SOIP.

SOIP is under common control with SouthOcean Capital Partners, LLC ("SOCP"), an investment adviser registered with the SEC who provides discretionary investment advisory services to privately offered real estate funds. Both SOIP and SOCP operate as separate and distinct investment adviser entities and are

subject to their own compliance policies and procedures which have been designed to address potential conflicts.

SOIP does not recommend or select other investment advisers for the Funds in return for direct or indirect compensation, nor does SOIP have other business relationships with any investment adviser that creates a material conflict of interest.

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

### **Code of Ethics**

SOIP has adopted a Code of Ethics (the “Code”) for all supervised persons. The primary purpose of the Code is to (i) ensure that SOIP and its supervised persons meet their fiduciary obligations to clients and (ii) instill a strong culture of compliance within the firm. The Code describes SOIP’s policies and procedures surrounding confidentiality of client and firm information, insider trading and market manipulation, personal trading, and various other actual and potential conflicts of interest. All supervised persons must acknowledge receipt of the Code and any amendments.

SOIP’s personal trading policy permits supervised persons to make investments in their personal accounts, subject to certain pre-clearance and other restrictions as required by Rule 204A-1 of the Investment Advisers Act of 1940 (“Advisers Act”). All transactions in reportable securities are reported to the Chief Compliance Officer in accordance with the reporting requirements outlined in the Code. The Chief Compliance Officers continually monitors supervised persons’ personal trading in order to reasonably prevent conflicts of interest between SOIP and its clients and investors.

A copy of our Code of Ethics will be provided upon request.

### **Conflicts of Interest**

In the ordinary course of business, the interests of SOIP and its affiliates may conflict with those of the Funds.

Some of these potential conflicts, and our measures to address them, are outlined as follows:

**Affiliate Transactions.** It is expected that the supervised persons responsible for managing the Funds will also be responsible for the investment management of additional private investment funds advised by SOIP and/or its affiliates. Conflicts of interest may arise in allocating time, services or functions of these officers and supervised persons. When applicable, SOIP will develop and implement the appropriate policies and procedures to ensure appropriate allocation of time and resources among all private investment funds, and to address any other potential conflicts of interest that may arise.

## **Item 12: Brokerage Practices**

This item is generally not applicable to SOIP because the Fund does not conduct transactions in publicly-traded securities requiring the use of brokers. In limited instances, a Fund may receive shares of a securities in lieu of cash which are held by a broker. However, issues relating to (i) “soft dollars”, (ii) directed brokerage by clients, and (iii) block trades do not exist with respect to SOIP’s provision of investment advisory services to the Funds.

## **Item 13: Review of Accounts**

Regarding ongoing investments in the SOIP Funds, the investment team reviews periodic information provided by the underlying fund manager (i.e., performance updates, investor letters, financial statements, capital account statements). A more detailed review may be carried out if determined necessary by the

investment team (i.e. phone calls or meetings). In addition, whenever possible, members of the investment team attend the Funds' annual meetings. The ongoing due diligence conducted is discretionary, depending upon factors such as the level of transparency and underlying nature of the investments.

In addition to schedule K-1, members in the Funds are provided with annual audited financial statements within 180 days of the respective Fund's fiscal year end, as well as quarterly unaudited financial statements within 90 days after the end of each fiscal quarter (except the last).

#### **Item 14: Client Referrals and Other Compensation**

SOIP does not receive any economic benefit from anyone other than its clients for providing investment advice or other advisory services to its clients, nor do we compensate any person for client referrals. In addition, SOIP has not contracted with any third-party marketing firms to solicit Clients on behalf of the Firm. However, SOIP has entered into an agreement with a third-party marketer for soliciting investors for certain SOIP Funds. This firm is compensated with a portion of management fees and/or fixed fees as outlined in the agreement. No additional fees are charged to investors as a result of our participation in these arrangements.

#### **Item 15: Custody**

SOIP is deemed to have custody of the Funds' assets due to the access and authority that SOIP and/or its affiliates have over the Funds' assets. As a result of this access and authority, SOIP is deemed to have custody of client funds and securities within the meaning of the Advisers Act.

Consistent with the requirements for custody of client assets under the Advisers, the annual financial statements of the Funds are prepared in accordance with Generally Accepted Accounting Principles, audited by an independent accounting firm registered with the Public Company Accounting Oversight Board and distributed to all investors within 180 days of each Funds' fiscal year end, depending on the respective Fund.

#### **Item 16: Investment Discretion**

SOIP has full discretionary authority over all assets it manages, consistent with the investment objectives and strategies described in each Funds PPM and/or the terms of such Funds governing documents (e.g. operating agreement). This discretionary authority is conferred upon SOIP pursuant to investment management agreements with each respective manager. SOIP does not provide advisory services directly to members in the Funds.

#### **Item 17: Voting Client Securities**

At this time, the Funds managed by SOIP are focused on privately offered investment funds. Therefore, this item is not currently applicable.

#### **Item 18: Financial Information**

SOIP does not require or solicit prepayment of any fees six months or more in advance and is not aware of any financial condition that would impair its ability to meet contractual commitments to clients.