

# Modal Capital LP

New York, New York

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This brochure provides information about the qualifications and business practices of Modal Capital LP. If you have any questions about the contents of this brochure, please contact Amit Gupta, our Chief Compliance Officer (“**CCO**”) at (646)-692-4684 or at [amit@modalcapital.com](mailto:amit@modalcapital.com). 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 Modal Capital LP also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**An investment adviser’s registration with the SEC does not imply a certain level of skill or training.**

**Item 2: Material Changes**

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There have been no material changes to this brochure since Modal Capital LP's initial filing in December 2017.

**Item 3: Table of Contents**

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Item 1: Cover Page .....	1
Item 2: Material Changes.....	2
Item 3: Table of Contents .....	3
Item 4: Advisory Business .....	4
Item 5: Fees and Compensation .....	4
Item 6: Performance-Based Compensation and Side-By-Side Management.....	5
Item 7: Types of Clients.....	5
Item 8: Methods of Analysis, Investment Strategies and Risk of Loss .....	5
Item 9: Disciplinary Information .....	11
Item 10: Other Financial Industry Activities and Affiliations.....	11
Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	11
Item 12: Brokerage Practices .....	12
Item 13: Review of Accounts .....	13
Item 14: Client Referrals and Other Compensation .....	13
Item 15: Custody.....	14
Item 16: Investment Discretion .....	14
Item 17: Voting Client Securities.....	14
Item 18: Financial Information.....	14

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**Item 4: Advisory Business**

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Founded in November 2017, Modal Capital LP (“**Modal**,” “**Adviser**,” “**we**,” “**us**,” “**our**” or the “**firm**”), is a Delaware limited partnership, owned solely by Amit Gupta, its Founding Partner. The general partner of Modal is Modal Capital Advisors, Inc., a New York corporation, of which Mr. Gupta is its Chief Executive Officer. Mr. Gupta also serves as the Managing Member of the Firm’s affiliate, Modal Capital GP LLC. The firm’s principal place of business is in New York, New York.

Modal provides investment advisory services on a discretionary basis to its Clients, which consists of the Modal Capital Ionian Fund LP, a private pooled investment vehicle (the “**Fund**”) and holders of a separately managed account (the “**Managed Account**”).

The Fund is exempt from registration under the Investment Company Act of 1940, as amended (the “Investment Company Act”), pursuant to Section 3(c)(1) of the Investment Company Act. Interests in the Fund are privately offered only to qualified investors. Generally, the Fund’s investors are high net worth individuals or institutions, such as universities, trusts, family offices, and other professional investors. Modal Capital GP LLC, a Delaware limited liability company, is the Fund’s general partner.

Collectively, the Fund and Managed Account will be referred to herein as the firm’s “**Clients**.”

Client accounts are managed in accordance with the investment objectives, strategies, restrictions and guidelines, as described in the relevant offering documents and/or investment management agreements. Modal generally does not tailor its advisory services to the individual needs of those persons or entities that invest in the Fund, and investors in the Fund may not impose restrictions on investing in certain securities and other financial instruments.

As of March 29, 2018, the Adviser manages \$129,778,044 regulatory assets under management, all of which is managed on a discretionary basis.

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**Item 5: Fees and Compensation**

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Modal typically receives compensation from the Clients calculated as a percentage of the assets managed and on performance achieved with respect to each Client or specific interests therein, as provided in the governing documents of the relevant Client. The Fund is subject to a management fee of 2.0%, that is charged on a monthly basis, in arrears. Additionally, the Fund is subject to a performance allocation equal to 20% of the appreciation of the net asset value of the Fund on an annual basis, subject to a high water mark. Modal may agree to negotiate fees and other terms for certain Clients in accordance with the relevant governing documents.

Modal generally deducts the asset-based fee described above from the Client accounts monthly in arrears, as provided in the governing documents of the relevant Client. Because investors in the Fund generally may not make intra-month withdrawals of their capital and management fees are prorated for any periods shorter than a full payment period, investors do not pay a management fee in excess of what they owe for the entire period. Modal generally allocates a performance allocation from the Clients’ accounts at the end of each year, or a shorter period coinciding with an earlier date if an investor elects to have its interest in a Client liquidated with respect to the elected amount to the extent permitted by the governing documents of the relevant Client. The

Fund generally makes a performance allocation with respect to liquidating investors at the time distributions are made to such investors.

The Managed Account is subject to management fee and performance-based fee similar to those described above. These fees are negotiated on a case-by-case basis with each Managed Account client prior to commitment.

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**Item 6: Performance-Based Compensation and Side-By-Side Management**

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Modal and/or its affiliate(s) accepts performance-based compensation from certain of the Clients. Because Modal and its affiliates may manage more than one Client account, the potential exists for one Client to be favored over another Client. In particular, Modal, its affiliates, and their investment personnel have a greater incentive to favor Clients that pay Modal or its affiliates higher performance-based compensation. In addition, principals and certain employees of Modal may have personal investments in one or more of the Clients, and such investments will not be proportionate among the various Clients. Accordingly, Modal has an incentive to favor Clients in which its principals or employees have a greater interest.

Modal has adopted policies and procedures intended to address conflicts of interest relating to the management of multiple Client accounts and Clients in which Modal's principal or employees invest. In particular, Modal has adopted and will apply investment allocation policies designed to achieve equitable allocation among Clients over time. Specifically, the allocation policy prevents Modal from taking compensation into account when allocating investment opportunities.

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**Item 7: Types of Clients**

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The Adviser's clients consist of the Modal Capital Ionian Fund LP, which is intended for sophisticated investors. Investors of the Fund are not considered clients of Modal. Such investors may include, but are not limited to, pension plans (corporate, state and foreign), charitable foundations, endowments, fund of funds, sovereign wealth funds, private funds, investment companies, trusts, family offices, private banks, high net worth individuals and other entities and institutions. Investors in the Fund must meet certain suitability requirements as set forth in the Fund's offering documents. Any initial and additional subscription minimums are disclosed in the offering memoranda for the Fund.

In addition to the Fund, Modal also advises a Managed Account on behalf of certain investors.

Modal determines in its sole discretion any requirements for entering into an investment advisory contract with a Client fund or otherwise opening or maintaining an account, including whether a private fund is large enough to implement its desired investment program.

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

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***Investment Objective***

Modal Capital aims to provide superior risk-adjusted returns using a quantitative investment approach. The firm trades a "market-neutral" equity strategy using proprietary models developed by the firm. The models are created by analyzing large amounts of real-time and historical data with a view towards identifying pricing discrepancies, inefficiencies and/or anomalies. The trades

generated are executed by an automated trading system that uses proprietary trading algorithms along with at times certain third-party algorithms.

The firm closely monitors the market as well as its models and algorithms to ensure they are performing as expected, but in the case the firm detects abnormal market conditions or any behavior of the system that deviates from the expected, the firm may intervene and manually trade or adjust the system.

### **Risk Factors**

Opening an account with the firm involves substantial risks, and prospective Clients should carefully consider, among other factors, the risks described below. These risk factors are not intended to be an exhaustive listing of all potential risks associated with a Client account.

General Risk of Loss. There can be no assurance that a Client's investment objectives will be achieved or that a Client will receive a return of its capital.

Dependence Upon the Portfolio Manager. The success of the Client's critically depends upon the skills and efforts of Amit Gupta, the firm's Portfolio Manager. In the event that Mr. Gupta ceases to be responsible for the Client's investments for any reason, and although other investment personnel may be available to continue the operations, the operations of the Client could be adversely affected. The Portfolio Manager may have significant business responsibilities in addition to those of the Client including, without limitation, the management of other investment vehicles and accounts.

Alternative Investing Generally. The Client's investment strategies are designed for investors seeking potential long-term growth from alternative investments, who do not require regular current income and who can accept a high degree of risk in their investments. The strategies may be deemed speculative in nature and are not intended to be a comprehensive investment program. The strategies are intended for investment solely by sophisticated investors who are accustomed to and fully understand the risks of such investments.

Limitations as to Quantitative Investment Approach. The quantitative methodology reflected in the firm's investment strategy is based, to a substantial extent, upon the Portfolio Manager's analysis of historical securities market data. As with other quantitative trading systems, such historical analysis may indicate probabilities of price movements or relationships which are not necessary or inevitable or which may not necessarily recur in the future in a manner which will support a profitable trading strategy. Future market conditions may or may not be sufficiently similar to that of prior markets to render such a methodology effective. Stock prices in the future, as well as future contract prices, may reflect factors and considerations not present in prior markets. With a quantitative investment approach, individual positions may move against the overall portfolio, due to new information or factors not considered or duly weighted in the original system. Moreover, the firm's methodology also involves elements of subjective analysis and judgment on the part of the Portfolio Manager and therefore depends upon the Portfolio Manager's skill and judgment.

Achievement of truly market neutral investment performance, in which positive returns are obtained irrespective of the overall direction of the securities markets, is generally regarded as difficult and subject to numerous uncertainties. For example, success of most "market neutral" strategies, such as that contemplated for the Clients, depends upon the ability to balance the long and short sides of the portfolio, and to match the directional exposure of each side, with sufficient

accuracy such that any losses on one side of the portfolio are more than outweighed by gains on the other side. Failure of long and short sides to correlate sufficiently can prevent the realization of profits or cause losses. It is possible to experience investment losses on both the long and short sides of a portfolio. In addition, strategies involving numerous positions, such as that of the firm, will require timely and successful executions and favorable overall transaction costs in order to be optimally successful.

*Dependence on Algorithms.* The firm's strategy is heavily reliant on algorithms for investment selection and portfolio construction. There can be no assurance that such methods do not contain errors. The algorithms intended to implement both proprietary and standard mathematical methods may contain coding and/or data errors that could lead to results that are materially incorrect and therefore have material adverse consequences for the Clients.

*Frequent Trading.* The Client's strategy involves frequent trading of securities which results in significantly higher commissions and charges to Clients due to increased brokerage, which offset Client profits. A security position may be liquidated regardless of its holding period, whether the liquidation is at a gain or loss.

*Automated/Active Trading Risks.* The Client's active trading strategy presents the risk of large, immediate losses. The automated trading systems, no matter how convenient or efficient, do not reduce all risks associated with active trading. The software and automated trading systems being employed are relatively new and have been put to limited use to date in portfolio management activities. There can be no guarantee that the software and automated trading systems will achieve their intended objectives.

*Regulatory Risks Applicable to Algorithmic Trading Strategies.* A recent increase in governmental and regulatory scrutiny has focused on firms that operate automated or computer-based trading. Such scrutiny has and can in the future lead to costly investigations, litigation, legislative testimony, loss of reputation, fines and settlements, and could also result in additional severe consequences. The SEC has considered the imposition of mechanisms to eliminate "quote stuffing," whereby large numbers of stock orders are placed and cancelled almost immediately, such as by setting minimum amounts of time for which stock quotes must remain active. The implementation of new trading "circuit breakers" and additional trading limitations are also being considered by the SEC. These mechanisms would restrict programmatic trading in the event that a market moved up or down by more than a predetermined number of points on any trading day. The CFTC proposed Regulation Automated Trading ("Regulation AT") in November 2015, which would impose potentially burdensome risk and compliance controls on any person engaged in "algorithmic trading" on any U.S. designated contract market, including among other things, certain pre-trade risk controls, policies addressing controls around model development, testing and monitoring and algorithmic-focused training. In the event of their implementation, compliance with any one or more of the abovementioned proposed regulations may negatively impact the ability of the Portfolio Manager to effect his trading strategies, and may in turn have a negative effect on the Client's investments. Similar regulation of algorithmic trading is being considered by the CFTC and European and other global securities regulators.

*Financial Transaction Taxes (FTTs).* A number of European countries have adopted or proposed FTTs covering a wide variety of financial transactions, including transactions in equity and debt securities and derivatives and certain "high frequency" trading activity. The European Commission has proposed a pan-European FTT in at least 11 Member States that based on current proposals would levy the tax at a minimum level of 0.1% of the value of transactions in debt or equity

securities and 0.01% of the value of derivative transactions. There have also been discussions of proposing an FTT in the U.S. In the future, additional countries may adopt FTTs and countries that have adopted FTTs may seek to expand the scope of transactions that are subject to FTTs. There are a number of uncertainties with respect to the calculation, remittance and enforcement of such FTTs. The FTTs that have been adopted increase the cost of trading affected financial instruments and in some instances contain measures designed to preclude avoidance of the tax by trading, for example, in derivative instruments. In some instances, such FTTs and administrative costs associated with them would make it prohibitive for the Client to engage in trading activity subject to the tax, and there may be no alternative means of trading in equivalent instruments. Any such measures are likely to increase the costs of the Client's business, reduce the trading opportunities open to the Client, or both, and their effect could be material.

Short Selling. Short selling is a significant part of the firm's investment strategy and is utilized both in situations where the firm believes the securities in question are overvalued, and therefore likely to experience significant price declines over time, or as a hedge or offset to related long positions. Short selling inherently involves certain additional risks. Selling securities short creates the risk of losing an amount greater than the initial investment in a relatively short period of time and the theoretically unlimited risk of an increase in the market price of the securities sold short. There is also the risk that the securities borrowed by the Client in connection with a short sale would need to be returned to the securities lender on short notice. If the request for return of securities occurs at a time when other short sellers of the security are receiving similar requests, a "short squeeze" can occur, and the Client might be compelled, at the most disadvantageous time, to replace borrowed securities previously sold short with purchases on the open market, possibly at prices significantly in excess of the proceeds received earlier. In addition, short selling can involve significant borrowing and other costs which can reduce the profit or create losses in particular positions.

There are other inherent difficulties and challenges in short selling. Management and other stakeholders of issuers may take legal action against short-sellers to prevent or discourage the legal short sales of the issuer's securities to avoid depressing the value of its securities. The Client and the firm could be subject to such private legal actions. The cost of, and management time committed to, defending any such action(s) could be substantial.

Leverage; Interest Rates; Margin. The firm utilizes a high degree of leverage on behalf of the Clients, in connection with the Client's short selling activities. The use of borrowings by the Client may result in certain risks to the Client. For example, should the securities that are pledged to brokers to secure the Client's borrowings decline in value, or should brokers from which the Client has borrowed increase their maintenance margin requirements (i.e., reduce the percentage of a position that can be financed), then the Client could be subject to a "margin call," pursuant to which the Client must either deposit additional funds with the broker or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. The broker will typically have the right to liquidate the Client's portfolio in certain circumstances. In the event of a precipitous drop in the value of the assets of the Client, the Client might not be able to liquidate assets quickly enough to pay off the margin debt and might suffer mandatory liquidation of positions in a declining market at relatively low prices.

The use of short-term margin borrowings by the Clients may result in certain additional risks to the Clients. For example, should the securities that are pledged to futures commission merchants or broker-dealers to secure the Client's margin accounts decline in value, or should brokers from which the Client has borrowed increase their maintenance margin requirements (i.e., reduce the percentage of a position that can be financed), then the Client could be subject to a "margin call,"



pursuant to which the Client must either deposit additional funds with the futures commission merchant or broker-dealer or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. The futures commission merchant or broker-dealer will typically have the right to liquidate the Client's portfolio in certain circumstances. In the event of a precipitous drop in the value of the assets of the Client, the Client might not be able to liquidate assets quickly enough to pay off the margin debt and might suffer mandatory liquidation of positions in a declining market at relatively low prices.

*Proprietary Investment Strategies.* The firm uses proprietary investment strategies that are based on considerations and factors that are not fully disclosed to the Clients. These strategies may involve risks under some market conditions that are not anticipated by the firm. The strategies employed by the firm may involve significantly more risk and higher transactions costs than more traditional investment methods. The firm generally uses investment strategies that are different than those typically employed by traditional managers of portfolios. Such strategies may not be, or may become less, profitable over time, if at all, as the firm and competing asset managers or investors manage a larger group of assets in the same or similar manner or market conditions change.

*Other Investment Vehicles or Clients.* The firm and its affiliates may participate in or sponsor other investment vehicles, and possibly have additional advisory accounts or clients, in the future. Such investment vehicles and accounts may employ investment strategies similar to, or different from, that of the Clients. The firm and its affiliates may also determine to engage in other businesses. The existence of such present and future multiple investment vehicles, accounts and/or clients, or other businesses, necessarily creates certain conflicts of interest.

The existence of multiple investment vehicles, accounts and/or clients may also create conflicts as to time and resource commitments on the part of the firm's personnel (including the Portfolio Manager). While the Portfolio Manager will devote such time to the business of the Clients as they deem necessary, they may have other ongoing investment and business responsibilities which could have the effect of reducing the time they devote to the investment activities of the Clients.

*Balancing Transactions.* Other investment vehicles, accounts and/or clients of the firm that employ similar or substantially similar investment strategies to those of the Clients may invest on a *pari passu* basis; however, certain differences in the specific investment strategies employed (including, applicable investment parameters, eligibility criteria with respect to various clients or investors, applicable expenses, available capital, the relative use of leverage and other factors (collectively, "**Client Differences**"), may result in non-*pari passu* treatment of specific clients with respect to some or all of their investment and trading activities.

The firm may, from time to time in its discretion, be expected to adjust (or "rebalance") the portfolio holdings of one or more of its clients so as to eliminate or minimize variations among the portfolio holdings of such clients that employ the same or similar investment strategies or otherwise to maintain, in the view of the firm, a desirable portfolio composition for each of such clients, subject to the applicable Client Differences. With respect to any rebalancing transactions, different broker-dealers may be used to effect buy orders, on one hand, and sell orders, on the other hand, in the same security.

*Time Commitments.* The Portfolio Manager devotes his primary efforts to management of the Clients and, possibly, other investment vehicles and accounts managed by the firm. If and to the extent that the Portfolio Manager has responsibilities with respect to additional clients or other business responsibilities in the future, such responsibilities may have the effect of reducing the

time the member devotes to the investment activities of the Clients. The firm may retain additional personnel as it deems necessary.

**Valuation Risk.** The net asset value of the Clients is calculated by the administrator based on prices obtained from the firm and/or independent third-party sources including exchanges. The fair market value of those assets of the Clients for which third-party prices are not available, or with respect to which the firm believes third-party pricing does not accurately reflect fair value, are valued based on other sources deemed reliable by the firm. In order to value the assets and liabilities of the Client, the firm or its designee may rely on information provided by employees of the firm or its affiliates or outside parties, and such persons may provide inaccurate, incomplete, outdated or otherwise unreliable information. In the case of employees of the firm who receive compensation based on the performance of certain investments, such employees may be motivated to provide incorrect valuation information in order to receive increased compensation. The firm may be unable to detect every error contained in the valuation information. To the extent the information received by the Client is inaccurate or unreliable, the valuation of the Client's assets and liabilities may be inaccurate.

There is a risk that an investor that effects a withdrawal from the Client may be paid an amount less or more than it would otherwise be paid if the actual value of such assets is higher or lower than the value calculated by the administrator. In addition, there is a risk that additional contributions could dilute the underlying value of such assets for the other investors if the actual value of such assets is higher than the value calculated by the administrator. There is also a risk that greater management fees and incentive allocations may be paid by the Client than would have been paid if the actual value of such assets or liabilities is lower or higher than the value determined for the purposes of calculating those fees.

The firm will not be liable to the Client if a price reasonably believed by it to be an accurate valuation of a particular asset of the Client is found to be misvalued and/or mispriced.

**Conflicts Regarding Advisory Fees.** The performance allocation payable to the firm is determined and paid annually, based upon the increase, if any, in the aggregate net asset value of an investor's interests during a calendar year, after reduction for any unrecovered prior period losses. Since the performance allocation is determined on both realized and unrealized gains, the firm may receive a fee reflecting unrealized gains at the end of a year that are not subsequently recognized by the Client. In general, the fact that an advisory fee is based on capital appreciation of the Client interests may create an incentive for the firm to make investments that are more speculative than would be the case in the absence of such a performance-based advisory fee.

**Possible Agreements with Certain Investors.** The Client and the firm may from time to time enter into agreements with one or more investors whereby such investors may be granted favorable rights not afforded to other investors, generally. Such rights may include one or more of the following: special rights to make future investments in the Client and/or other investment vehicles or managed accounts managed by the firm and its affiliates; special withdrawal rights relating to frequency, notice and/or other terms; rights to receive reports from the Client on a more frequent basis or that include information not provided to other investors (including, without limitation, more detailed information regarding investment transactions and positions); rights to receive reduced rates or amounts of the performance allocation and/or management fee; rights to receive a share of the performance allocation, management fee or other amounts earned by the firm or its affiliates; and such other rights as may be negotiated between the Client and such investors. The Client and the firm may enter into such agreements without the consent of or notice to the other investors.

In addition, the firm may from time to time enter into similar agreements with one or more managed account investors. It should be noted that, among other things, managed account investors will typically be provided with additional transparency with respect to the investment positions of the managed accounts and may be provided with real-time, direct access to the managed accounts portfolio positions, on a negotiated, case-by-case basis.

*Information Provided by the Firm.* Factual information contained in this brochure, including without limitation, the investment strategy and policies, biographical and certain other information, has been furnished largely by the firm and its affiliates and in general has not been independently confirmed or verified. Therefore, investors should seek to confirm such information, acquire additional information or conduct further investigation as they deem appropriate in connection with a decision to invest in the Clients.

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**Item 9: Disciplinary Information**

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Modal has not been subject to any disciplinary action, whether criminal, civil or administrative (including regulatory) in any jurisdiction. Likewise, no persons involved in the management of the firm have been subject to such action.

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

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As mentioned above, Amit Gupta is the sole owner and CEO of Modal Capital Advisors, Inc., an affiliate of Modal Capital LP.

The Fund, a Delaware limited partnership is an affiliate of the Firm as is Modal Capital GP LLC, the Fund's general partner. The general partner is wholly owned by Amit Gupta.

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

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***Participation or Interest in Client Transactions***

Employees, affiliates of the employees, and relatives of the employees may make investments in the Clients. Modal may or may not receive any compensation from such investments from employees.

Modal and Modal affiliates and employees may have a financial interest in the Clients through a performance allocation or a direct investment interest in the Clients. As such, Modal could be considered to have recommended to investors that they buy or sell securities or investments in which the applicant or a related person has some financial interest.

***Code of Ethics and Employee Investment Policy***

We have adopted a Code of Ethics and Employee Investment Policy that establish various procedures with respect to conflicts of interest including investment transactions in accounts in which employees of Modal or its related persons have a beneficial interest or accounts over which an employee has investment discretion.

In general, employees (and members of their immediate households) must obtain written pre-approval from the CCO prior to executing a personal transaction in equity securities, fixed income

products, ETFs, options, futures and most other securities and financial instruments other than money market funds, mutual funds, or certificates of deposit. In addition, employees may not acquire securities for their own account in an initial public offering without the consent of the CCO. Employees must also obtain pre-approval from both the CCO before engaging in any outside business activities or investing in private placements.

All Modal employees must direct their brokers to send duplicate copies of brokerage statements to the CCO. These records are used to monitor compliance with the foregoing policies.

Modal or its employees may invest in the same securities or other financial instruments in which Modal invests on behalf of its Clients. Such practices present a conflict when, because of the information Modal has, Modal or its covered persons are in a position to trade in a manner that could adversely affect Modal's Clients (e.g., place their own trades before or after trades for the Clients are executed in order to benefit from any price movements due to such trades). Modal's Code of Ethics and Employee Investment Policy contain policies and procedures designed to minimize any actual or potential conflicts.

## **Item 12: Brokerage Practices**

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In selecting brokers for execution, we assess the reasonableness of their compensation and commissions charged on the basis of certain considerations, which may include the amount of commission, quality of execution, the reputation, experience and financial stability of the broker-dealer involved and the quality of service, familiarity with the securities markets and investment techniques employed by the firm, research and analytic services, clearing and settlement capabilities, the availability of margin or other leverage, block positioning or other special execution capabilities or other services provided to the Clients. In allocating brokerage to the prime broker or such other broker-dealers, the commissions the Clients will pay to such broker-dealers will not necessarily represent the lowest commission rates available, but will reflect the firm's evaluation of the research and other brokerage-related services supplied by such broker-dealers and which benefit the Clients, either alone or together with the other clients of the firm or its affiliates. In each case, the firm will make a determination that the amount of any increased commission costs on account of such services is reasonable relative to the value of services so provided.

In selecting a broker-dealer to execute transactions and determining the reasonableness of the broker dealer's compensation, Modal need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost.

Modal does not currently maintain any soft dollar arrangements with brokers. Modal does not currently expect to use soft dollar but may determine to do so in the future. Any such arrangements would fall within the safe harbor to investment advisers who use soft dollars in accordance with Section 28(e) of the Securities Exchange Act of 1934.

We will aggregate trades for multiple Clients. Upon execution of an aggregated trade for multiple accounts, the shares of the trade are allocated amongst the multiple participating Client accounts at an average price to the extent appropriate or practicable. In determining the allocation of trades between Clients with investment objectives and policies that overlap (in whole or in part), Modal will take into account the following considerations:

- investment objectives,

- investment strategies,
- investment parameters and restrictions,
- portfolio management personnel,
- tax considerations,
- liquidity considerations,
- hedging considerations,
- legal and/or regulatory considerations,
- asset levels,
- timing and size of investor Capital Contributions and redemptions,
- cash flow considerations,
- market conditions,
- existing exposures to an investee company or security, and
- other criteria the Investment Adviser deems relevant (the nature and extent of the differences will vary from Client to Client).

It is the firm's general policy that no Client will receive inappropriate preferential treatment or otherwise be treated unfairly; and the firm will seek to uphold this policy when making decisions regarding investment allocations.

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

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The firm and its investment professionals will review underlying security positions in Client accounts on a continuous basis. Each Client's portfolio is reviewed in the context of each Client's stated investment objectives and guidelines.

A targeted review of a Client account may be triggered by material changes in key variables that may affect the performance of the Clients, including, without limitation, changes in the financial markets or activity, trends in the political, regulatory, or economic environment or revised Client objectives.

Clients receive monthly statements and confirmations of transactions by the Client's custodian or broker with the information made available to the firm. Additionally, the firm reports to the Clients informally on an ongoing basis regarding updates on the performance and status of the portfolio and to discuss economic developments, industry outlook and other issues that might impact them.

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

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The firm does not receive economic benefits from anyone who is not a Client for providing investment advice or other advisory services to the Clients.

The firm may enter into written arrangements with third party marketers for the referral of Clients. Pursuant to the terms of such arrangements, third party marketers may be engaged by the firm and typically may be entitled to a percentage of management fees earned by it on referred assets. All such compensation is fully disclosed to each Client consistent with applicable law. The Client will incur no additional costs or expenses as a result of any such compensation arrangement.

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**Item 15: Custody**

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The firm has custody, as defined in Rule 206(4)-2 under the Advisers Act, of the assets of the Fund as a result of our related person's role as the general partner of the Fund. As mentioned in Item 12, the assets of the Clients are held by qualified custodians/brokers, which provide periodic account statements to the firm and/or directly to the Client. In turn, the firm provides quarterly unaudited reports to its Clients relating to each Client account. The Fund is audited annually and the firm will deliver audited financial statements to the Fund's investors within 120 days of the Fund's fiscal year-end.

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**Item 16: Investment Discretion**

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The firm provides discretionary asset management services and the firm implements its strategy on behalf of the Clients through algorithmic trading (i.e., automated or "black box trading"). Accordingly, the firm does not (and cannot) contact each Client prior to each trade to obtain the Client's permission. The firm accepts full authority to manage securities accounts on behalf of its Clients and implements the strategy in a manner deemed by the firm in its sole discretion to be suitable for the Clients. Although all or a significant portion of the execution of Clients' investments is done through algorithms, the firm may exercise discretion in the execution of certain orders in an attempt to improve execution results and/or to achieve other specified objectives; in such instances, all investment decisions are subject to each Client's investment objectives and guidelines, as set forth fully in the Clients relevant governing documents. Clients are not able to place limitations on this authority.

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**Item 17: Voting Client Securities**

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***Proxy Voting Policy***

Modal Capital maintains a policy to generally not vote proxies due to the high turnover potential apparent to the firm's algorithmic investment strategy. This strategy makes it highly unlikely that Modal's Clients would receive any benefit from the voting of such proxies, and the Client's portfolio would likely be out of such positions by the time Modal receives any such proxies. From a cost-benefit analysis perspective, we believe that the cost of trying to vote proxies on a Client's behalf, which would be borne by the Clients, is outweighed by any potential benefits. In the event that Modal does participate in any proxy votes, such proxy votes would be thoroughly documented and communicated to Clients accordingly.

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**Item 18: Financial Information**

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Modal has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to Clients, and has not been the subject of a bankruptcy proceeding.