

## **Form ADV Part 2A**

### **Firm Brochure**

**Qsemble Capital Management, LP**

**3 Columbus Circle, 15<sup>th</sup> Floor**

**New York, NY 10019**

**May 11, 2018**

This brochure provides information about the qualifications and business practices of Qsemble Capital Management, LP. If you have any questions about the contents of this brochure (“Brochure”), please contact us at 646-813-3501. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Qsemble Capital Management, LP is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training.

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

## **ITEM 2 - MATERIAL CHANGES**

There are no material changes to report from the last brochure that was filed on December 4, 2017.

Qsemble Capital Management, LP will ensure that you receive a summary of any material changes to this and subsequent brochures within 120 days of the close of our fiscal year. Qsemble Capital Management, LP may also provide other ongoing disclosure information about material changes as necessary and provide you with a new brochure as necessary based on changes or new information, at any time, without charge.

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## **ITEM 4 – ADVISORY BUSINESS**

Qsemble Capital Management, LP (“Qsemble”, the “Firm”, “our” or “we”) is a limited partnership and has its principal place of business in New York City, New York. The Firm is owned and controlled by Steven Lin, the Firm’s Chief Executive Officer.

We use portfolio optimization techniques to construct a diversified portfolio strategy (the “Strategy”), which is long-short dollar neutral and that we believe minimizes exposure to common risk factors such as the market, sectors/industries, and value/growth.

The Strategy may engage in high frequency trading. Our systematic and quantitative model (“Model”) triggers the frequency of the trading activity. The Model utilizes publicly available data that we extract in order to build predictive models (e.g, predicted returns, volatility, liquidity). Positions will typically represent 1% or less of the portfolio and will be held between two to twenty days based on data driven through the Firm’s Model.

The Firm's quantitative analysis and trading activities are primarily applied to highly liquid, publicly traded instruments in U.S. equities and ETF’s.

The Firm provides discretionary investment advice to one or more portfolios (“Portfolio”) in a private investment fund (the “Fund”) pursuant to the terms, guidelines and restrictions provided in an investment management agreement (“IMA”) with the Fund. As of the date of this Brochure, Qsemble’s investment advisory services are provided exclusively to the Fund; the Firm is not currently seeking to raise additional capital or to obtain new clients.

As of May 9, 2018 the Firm had approximately \$32 million dollars of regulatory assets under management.

## **ITEM 5 - FEES AND COMPENSATION**

Management fees are negotiated between the Firm and the Fund’s general partner. Once fees are paid, they are non-refundable.

We are also entitled to receive an annual performance fee (subject to a hurdle rate and high water mark) calculated based on net trading profits (after the deduction of losses carried forward from the previous year, if any) as of the end of each calendar year. The performance fee is calculated by the Fund’s administrator and approved by the Fund’s general partner – we neither calculate the performance fee, nor authorize its payment.

Other fees and expenses borne by the Portfolio include a pro rata share of the Fund’s administration fees and expenses as well as any transaction or investment fees or expenses related to the Portfolio’s activities.

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

Performance-based fees can provide an incentive to take excessive risks. However, the Fund's general partner (who is not affiliated with Qsemble and does not receive a performance-based fee) is the Fund's risk manager and monitors the Portfolio's trading and investment activity daily. Per the IMA, the trading discretion granted to Qsemble is subject to general direction by the Fund's general partner concerning matters of risk and the Firm therefore cannot act independently with respect to decisions on the amount of investment risk taken in the Portfolio.

Performance-based fees can also create an incentive to overvalue assets, thereby inflating net trading profits through unrealized appreciation. However, Qsemble has no authority to value the Portfolio's assets; it is the Fund's general partner (who is not affiliated with the Firm and does not receive a performance-based fee) that is responsible for the final determinations on the valuation of the Portfolio's positions.

Our investment advisory services are provided exclusively to the Fund through the Portfolio, therefore we do not have any conflicts related to the receipt of performance-based fees among clients.

## **ITEM 7 - TYPES OF CLIENTS**

Qsemble provides investment advice exclusively to the Fund through the Portfolio.

Interests in the Fund, and the Fund itself, are not registered under the U.S. Securities Act of 1933, as amended and are excepted from the definition of an "investment company" under Section 3(c)(7) of the Investment Company Act of 1940, as amended. Accordingly, interests in the Fund are offered exclusively to investors satisfying the applicable eligibility and suitability requirements either in private placement transactions within the United States or in offshore transactions. Investors in the Fund are also Qualified Eligible Persons as defined in the Commodity Exchange Act.

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

We use portfolio optimization techniques to construct a diversified portfolio, which is long-short dollar neutral and that we believe minimizes exposure to common risk factors such as the market, sectors/industries, and value/growth.

The Strategy may engage in high frequency trading. Our Model triggers the frequency of the trading activity. The Model utilizes publicly available data that we extract in order to build predictive models (e.g., predicted returns, volatilities, liquidity). Positions will typically represent 1% or less of the portfolio and will be held for two to twenty days based on data driven by the Firm's Model.

The Firm's quantitative analysis and trading activities are primarily applied to highly liquid, publicly traded instruments in U.S. equities and ETF's.

Instruments traded may include but are not limited to the following: stocks, bonds, debt instruments (investment and non-investment grade), equity instruments (including listed and unlisted securities), exchange-traded funds, futures, derivatives, and warrants and other rights to purchase shares, or any other

types of financial instruments unless otherwise prohibited in the IMA. Derivative instruments may include the following: options, exchange-traded or over-the-counter derivatives, swaps (including basket swaps, equity swaps, credit default swaps, contracts for difference and total return swaps) as well as deliverable and non-deliverable forward contracts.

Alternative investment strategies are speculative and involve a high degree of risk, including, without limitation, risks associated with leverage, interest rates, currencies, volatility, tracking risks in hedged positions, security borrowing risks in short sales, credit deterioration or default risks, operational risks, counterparty risk and other risks inherent in the Portfolio's investment activities and financial instruments traded. The use of leverage can magnify the impact of adverse market moves to which the Portfolio may be subject. Investments may be materially affected by conditions in the financial markets and overall economic conditions occurring globally or in particular, countries or markets in which the Portfolio invests. There may be risks that are not monitored or controlled by us and risks that may be greater than forecasted, especially in unusual market conditions. Information used to manage risks may not be accurate, complete or current, or misinterpreted by us.

### ***Investment Risk***

Inherent in any alternative investment strategy is the risk of total loss of capital. We cannot predict, measure or hedge all market, or other risks inherent in our investment strategies. We may choose, or may determine that it is economically appropriate to not hedge certain risks. The profitability of our investment strategies depends to a great extent on our ability to correctly assess the future course of price movements of securities and other investments. There can be no assurance that we will be able to accurately predict price movements. The performance of any investment is subject to numerous factors that we cannot predict or control. These factors include a wide range of economic, political, competitive and other conditions (including acts of terrorism and war) that may affect investments in general or in specific industries or companies. Market volatility may cause performance to fluctuate substantially over time.

We may not accurately predict what the exit strategy will ultimately be for any given position. Exit strategies which appear to be viable when an investment is initiated may be precluded due to economic, legal, political or other factors.

### ***Competition***

There is currently, and will likely be, competition for investment opportunities with other investors having investment objectives and strategies like those of the Portfolio. Performance may be adversely impacted if competition prevents or hinders the Portfolio's ability to participate in certain investment opportunities.

### ***Execution, Market and Liquidity Risk***

We may trade in markets that are volatile and that may become less liquid. Closing positions may be difficult if there is a significant decrease in trading volume or increase in price volatility. Orders may not be executed timely or efficiently in periods of market volatility or distress due to various circumstances including liquidity and market restrictions.

The prices of securities can be highly volatile. Price movements are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events. Although market volatility can create trading opportunities, too much volatility may create additional risks that may impact our ability to put on and maintain effective hedges. It can cause the correlation between long positions and hedges to diverge, with the hedge having the opposite effect of that intended.

### ***Securities of Non-U.S. Companies***

Investments in securities of non-U.S. issuers have a range of risks, which may include expropriation, confiscatory taxation, imposition of withholding or other taxes on dividends, interest, capital gains or other income, political or social instability, illiquidity, price volatility and market manipulation. In addition, less information may be available regarding securities of non-U.S. issuers, and non-U.S. issuers may not be subject to accounting, auditing and financial reporting standards and requirements comparable to, or as uniform as, those of U.S. issuers. There may also be less government supervision and regulation of exchanges, brokers and issuers than there is in the U.S., and we may have greater difficulty taking appropriate legal action in non-U.S. courts. Non-U.S. markets also have different clearance and settlement procedures that in some markets have at times failed to keep pace with the volume of transactions, creating substantial delays and settlement failures that could adversely affect the Portfolio's performance. Transaction costs of investing in non-U.S. securities markets may be higher than in the U.S., and securities denominated or whose prices are quoted in non-U.S. currencies also pose currency exchange risks (including blockage, devaluation and non-exchangeability).

### ***Material Nonpublic Information***

We may come into possession of material nonpublic information that would limit our ability to buy and sell investments for the Portfolio. The Portfolio's investment flexibility may be constrained as a consequence of our inability to take certain actions because of such information. The Portfolio may experience losses if we are unable to sell an investment because we are in possession of material nonpublic information about the investment.

### ***Short Selling***

Short selling involves selling securities that are not owned and borrowing them for delivery to the purchaser with an obligation to replace borrowed securities at a later date. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could increase without limit, thus increasing the cost to the Portfolio of buying those securities to cover the short position. There is no assurance that a borrowed security will not be recalled and that the Portfolio will not be "bought in" (i.e. forced to repurchase securities in the open market to return them to the lender). Furthermore, the securities necessary to cover a short position may not be available for purchase, and purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss. The securities borrowed to effect the short sale may be recalled by the lender of those securities at any time, thus forcing the Portfolio to purchase the securities and close out the short position at a loss.

Short sale transactions have been subject to increased regulatory scrutiny including the imposition of restriction on short selling certain securities and reporting requirements. Our ability to execute a short sale may be materially adversely impacted by temporary and/or new permanent rules, interpretations, prohibitions and restrictions adopted in response to these adverse events. Temporary restrictions and/or prohibitions on short selling activity may be imposed by regulatory authorities with little or no advance notice and may impact prior, current and future trading activities.

Regulatory authorities may also impose restrictions that adversely affect our ability to borrow certain securities in connection with short sale transactions. In addition, traditional lenders of securities might be less likely to lend securities under certain market conditions. As a result, we may not be able to effectively pursue a short selling strategy due to the limited supply of securities available for borrowing.

### ***Derivatives***

Derivatives include futures, options, swaps, structured securities and other instruments and contracts that are derived from, or the value of which is related to one or more underlying securities, financial indexes, currencies or other underlying asset. Derivatives allow an investor to hedge or speculate upon the price movements of the underlying asset at a fraction of the cost of investing directly in the underlying asset. The value of a derivative therefore depends largely on the price movements in the underlying asset and many of the risks applicable to the underlying asset are also applicable to the derivatives of that asset. However, there are a number of other risks associated with derivatives trading. For example, because many derivatives are inherently leveraged and create significantly more market exposure than the money paid or deposited when the transaction is entered into, therefore a relatively small adverse market movement can cause a loss greater than the original amount invested. Derivatives also have liquidity risk because there may not be a liquid market in which to close or dispose of outstanding derivatives contracts. Derivatives also carry counterparty risk. In the event of default by a derivatives counterparty the Portfolio may lose all or a portion of the amount it is contractually entitled to receive.

The prices of derivatives can be highly volatile. Price movements of derivative contracts in which we may invest are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments and national and international political and economic events and policies. In addition, governments from time to time intervene, directly and by regulation, in certain markets, particularly those in currencies, financial instruments, futures and options. Such intervention often is intended to influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction because of among other things, interest rate fluctuations.

### ***Options***

We may buy or sell (write) call and put options. The purchase or sale of an option involves the payment or receipt of a premium and the corresponding right or obligation, as applicable, to either purchase or sell the underlying asset for at a specified price at, or by, a specified date or during a particular period. Purchasing options involves the risk that the underlying instrument will not change in price in the manner expected and the premium will be lost. Selling options involves greater risk because of the seller's exposure to the actual price movement in the underlying asset rather than only the premium payment, which could result in potentially unlimited loss.



### ***Swap Agreements***

Swap agreements are privately negotiated over-the-counter derivative products in which two parties agree to exchange actual or contingent payments that may be calculated in relation to a rate, index, instrument or certain securities and a particular “notional amount”. Swaps may be subject to risks including market risk, liquidity risk, structuring risk, tax risk and counterparty risk.

### ***Exchange Rate Fluctuations; Currency Considerations***

Changes in currency exchange rates (to the extent unhedged) will affect the value of the Portfolio and the unrealized appreciation or depreciation of investments.

### ***Hedging Transactions***

The success of hedging transactions strategy depend, in part, upon our ability to correctly assess the degree of correlation between the performance of the instruments used to hedge risks and the performance of the securities or risks being hedged. Since the characteristics of many securities change as markets change or time passes, the success of a hedge will also be subject to our ability to continually recalculate, readjust and execute hedges in an efficient and timely manner. While hedging transactions may be entered into with the intent to reduce risk, such transactions may result in poorer overall performance for the Portfolio than if such hedging transactions were not entered into. For a variety of reasons, we may not seek to establish a perfect correlation between the hedging instruments utilized and the securities being hedged. Such an imperfect correlation may prevent the Portfolio from achieving the intended hedge or expose the Portfolio to risk of loss.

### ***Highly Volatile Markets***

The prices of securities can be highly volatile. Price movements are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events. Although market volatility can create trading opportunities, too much volatility may create additional risks that affect our ability to put on and maintain effective hedges. It can cause the correlation between long positions and hedges to diverge, with the hedge having the opposite effect of that intended.

### ***Leverage and Financing Risk***

All leverage used by the Portfolio is controlled by the Fund’s general partner. The Portfolio, however, could experience losses due to its, or the Fund’s, use of leverage. While leverage presents opportunities for increasing the Portfolio’s total return, it has the effect of potentially increasing losses as well. Further, if the securities pledged to brokers to secure margin accounts decline in value, the Portfolio of Fund could be subject to a “margin call,” pursuant to which the Portfolio or Fund must either deposit additional funds or securities with the brokers, or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a sudden drop in the value of the Portfolio’s (or Fund’s) assets, we may be forced to liquidate the Portfolio to raise money to satisfy margin requirements. The forced

liquidation of all or a portion of the Portfolio at distressed prices could result in significant losses to the Portfolio.

### ***Counterparty Risk***

We may enter into transactions, including derivative and other over-the-counter transactions, with or through third parties in which the failure of the third party to perform its obligations could have a material adverse effect on the Portfolio. The counterparty risk is accentuated for contracts with longer maturities where events may intervene to prevent settlement. The Portfolio's assets are generally not segregated bankruptcy-remote accounts titled in the owner's name and therefore, a failure of any broker or market participant is likely to have a greater adverse impact than if the assets, or the accounts in which they are held, were registered in the name of the Fund. In addition, because the Portfolio's securities may be held in margin accounts, and the prime brokers have the ability to loan those securities to other persons, the Fund's ability to recover assets in the context of a bankruptcy or other failure of a prime broker may be further limited.

We may transact with counterparties (including prime brokers) located in various jurisdictions outside the United States. The local counterparties are subject to various laws and regulations in various jurisdictions that are designed to protect their customers in the event of their insolvency. However, the practical effect of these laws and their application to the Portfolio's assets are subject to substantial limitations and uncertainties. Because of the large number of entities and jurisdictions involved and the range of possible scenarios involving the insolvency of any counterparty, it is impossible to generalize about the effect of their insolvency on the Portfolio's assets. It should be assumed that the insolvency of any significant counterparty would result in a loss to the Portfolio, which could be material.

### ***Market Restrictions***

Restrictions on investment size or investment activities imposed by various regulators or self-regulatory organizations and exchanges may limit the Portfolio's ability to effect transactions. Position limits (*e.g.*, the maximum amounts of gross, net long or net short positions that any one person or entity may own or control in a particular financial instrument) and other market restrictions (*e.g.*, prohibitions on short sales) may require aggregation across the Fund (as opposed to the Portfolio), for purposes of determining whether the applicable position limits have been exceeded, or short sales may be executed and may restrict the Portfolio's investment activities. As a result of these restrictions, we may be prevented from executing a desired transaction and the Portfolio may therefore incur losses, which may be material.

### ***Trade Error Risk***

Occasionally, transactions may be executed erroneously on terms other than those intended. For example, a transaction may be executed in the wrong asset, for the wrong quantity or price, to buy when we intend to sell, to sell when we intend to buy, or by reason of a technology or administrative error. Except to the extent otherwise required by law, the Portfolio will generally bear the losses or costs of any such errors, unless it is determined that the error was caused by gross negligence.

### ***General Political, Economic, Legal, Tax, and other Regulatory Risks***

The Portfolio's investments may be adversely affected by changes in economic conditions or political events, such as a stock market break, acts of terrorism, the outbreak of hostilities involving the United

States, the death of a major political figure, a serious pandemic, or a natural disaster, among many others. Additional factors, such as changes in federal or state tax laws, federal or state securities laws, bank regulatory policies or accounting standards, may make certain investments less desirable or may make certain investment strategies less effective. Similarly, legislative acts, rulemaking, adjudicatory, or other activities of governmental or quasi-governmental bodies, agencies, and regulatory organizations may make the business of the Fund less attractive. Laws and regulations, particularly those involving taxation, investment and trade, applicable to the Fund's or Portfolio's activities can change quickly and unpredictably, and may at any time be amended, modified, repealed or replaced in a manner adverse to the interests of the Portfolio. In particular, in response to significant recent events in international financial markets, governmental intervention, and certain regulatory measures have been or may be adopted in certain jurisdictions, including restrictions on short selling of certain securities in certain jurisdictions. The extent to which the underlying causes of these recent events are pervasive throughout global financial markets and have the potential to cause further instability is not yet clear. These recent events, and their underlying causes, are likely to be the catalyst for changes in global financial regulation for some time, and may result in major and unavoidable losses to the Fund.

With respect to certain countries, there is a possibility of expropriation, confiscatory taxation, imposition of withholding or other taxes on dividends, interest, capital gains or other income, limitations on the removal of funds or other assets, political or social instability or diplomatic developments that could affect investments in those countries. An issuer of securities may be domiciled in a country other than the country in whose currency the instrument is denominated. The values and relative yields of investments in the securities markets of different countries, and their associated risks, are expected to change independently of each other.

### ***Cybersecurity Risk***

With the increased use of technologies such as the Internet to conduct business, the Portfolio is susceptible to operational, information security, and related risks. In general, cyber incidents can result from deliberate attacks or unintentional events. Cyber attacks include, but are not limited to, gaining unauthorized access to digital systems (e.g., through "hacking" or malicious software coding) for purposes of misappropriating assets or sensitive information, corrupting data, or causing operational disruption. Cyber attacks may also be carried out in a manner that does not require gaining unauthorized access, such as causing denial-of-service attacks on websites (i.e., efforts to make network services unavailable to intended users). Cyber incidents affecting the Portfolio or its service providers may cause disruptions and impact business operations, potentially resulting in financial losses, interference with the Portfolio's ability to trade, regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs. Similar adverse consequences could result from cyber incidents affecting issuers of securities in which the Portfolio invests, counterparties with which the Portfolio engages in transactions, governmental and other regulatory authorities, exchange and other financial market operators, banks, brokers, dealers, insurance companies and other financial institutions (including financial intermediaries and service providers for shareholders) and other parties. In addition, substantial costs may be incurred in order to prevent any cyber incidents in the future. While the Portfolio's service providers have established business continuity plans in the event of, and risk management systems to prevent, such cyber incidents, there are inherent limitations in such plans and systems including the possibility that certain risks have not been identified. Furthermore, the Portfolio

cannot control the cyber security plans and systems put in place by its service providers or any other third parties whose operations may affect the Portfolio. As a result, the Portfolio could be negatively impacted.

### ***Key Man Risk***

The success of Qsemble and its Client is largely dependent on the personal efforts of its principal. In the event Steven Lin is no longer able to participate in the management of the Firm or is no longer affiliated with Qsemble for any reason, and if no suitable substitutes were identified to replace them, interests of the Portfolio could be adversely affected.

## **DISCLAIMER**

The information included in this ITEM 8 does not include every potential risk associated with our investment strategy. Investing in securities involves risk of loss, possibly a total loss of invested capital that investors should be prepared to bear.

There is no guarantee that the Portfolio's investment program, including, without limitation, its investment objectives, strategies, or risk monitoring goals will be successful. Investment results may vary substantially over time. The Portfolio's investments are speculative and involve a high degree of risk. There may be risks, which cannot be monitored or controlled, and risks that may be greater than forecasted, especially in unusual market conditions. Qsemble cannot guarantee that any assumptions relied on herein will be true for all future events or that all assumptions have been considered or stated.

## **ITEM 9 - DISCIPLINARY INFORMATION**

This section is not applicable to Qsemble.

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

None.

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

We may engage directly or indirectly in any business or other activities, including exercising investment advisory and management responsibility and buying, selling, or otherwise dealing with securities for our own accounts or for the accounts of family members. These activities may conflict with our activities on behalf of the Portfolio.

These other activities may also affect the prices and availability of the securities and other financial instruments in which the Portfolio invests.

Pursuant to Rule 204A-1 under the Investment Advisers Act of 1940, as amended, we have adopted a Code of Ethics and an Employee Investment Policy that establishes various procedures with respect to investment transactions in accounts in which employees of Qsemble or related persons (such as members

of their immediate household) have a beneficial interest or accounts over which an employee has investment discretion.

The foundation of the Code of Ethics is based on the underlying principles that:

- Employees must at all times place the interests of our clients first;
- Employees must at all times comply with all applicable federal securities laws; and
- Employees should not take inappropriate advantage of their position at Qsemble.

Our Code of Ethics requires employees to provide the Chief Compliance Officer with initial and annual holdings reports (excluding accounts holding certain securities or discretionary accounts) and quarterly transactions reports. Employees are also generally prohibited from participating in initial public offerings and executing transactions in issuers included on the Restricted List, employees must also receive approval prior to investing in any private placement. The Chief Compliance Officer reviews violations of the Code of Ethics to determine appropriate remedial action, including, but not limited to, financial penalties, suspension or termination of employment, and reporting to appropriate regulatory authorities.

All of our employees must direct their brokers to send duplicate brokerage statements to the Chief Compliance Officer. These records are used to monitor compliance with the foregoing policies.

These policies apply to any personal transactions involving equity, debt, options, or futures. They do not apply to transactions involving government securities, open-end mutual funds, money market funds, or other instruments, which afford an investor no discretion over individual securities.

Qsemble's Code of Ethics is available to clients upon request.

## **ITEM 12 – BROKERAGE PRACTICES**

The Fund's general partner reviews, approves and monitors the prime brokers, executing brokers-dealers and counterparties used by Qsemble. Executing broker-dealers and counterparties are chosen from those that have been reviewed and approved by the Fund's general partner. In placing transactions for the Portfolio, we seek to obtain "best execution," meaning that we generally seek execution of securities transactions in such a manner that the Portfolio's total costs or proceeds are most favorable under the circumstances. Accordingly, in seeking best execution, we take into consideration the price of a security offered by the broker-dealer, as well as the broker-dealer's full range and quality of services including, among other things, its facilities, reliability and financial responsibility, execution capability, commission rates, responsiveness to us, brokerage and research services provided to us (e.g., research ideas, analysis, and investment strategies), special execution and block positioning capabilities, clearance, and settlement and custodial services.

We periodically review the broker-dealers used as well as the commissions paid to evaluate best execution.

### Soft Dollar Usage

In selecting brokers and dealers to effect portfolio transactions, we may consider factors as we deem appropriate (and consistent with our obligation to seek best execution) to consider under the circumstances, which may include one or more of the following:

- reliability;
- reputation;
- experience in the industry;
- financial stability;
- capital commitment;
- efficiency in executing and clearing transactions;
- confidentiality of trading activity;
- provision of Products and Services (defined below);
- idea generation;
- competitive rates; and
- general responsiveness.

Products and Services constituting “research” may be in any form (e.g., written, oral or on-line) and may include, without limitation:

- traditional research reports analyzing the performance of a particular company or stock, market, company and financial data;
- market, economic, political and financial information (including studies and forecasts);
- statistical information;
- data on the pricing and availability of securities; and
- seminars and conferences relating to the investment in securities or containing analyses of issuers, industries, securities, economic factors and trends and portfolio strategy.

Products and Services constituting “brokerage” may include, without limitation:

- clearance services;
- settlement services; and
- custody services.

To the extent that the Portfolio’s commissions are used to acquire Products and Services through the use of “soft dollars,” Products and Services received will be of the type contemplated by Section 28(e) of the U.S. Securities Exchange Act of 1934 (that is, “research” and “brokerage”), although transactions may or may not otherwise comply with the provisions of Section 28(e) (e.g., may relate to transactions in instruments other than securities).

Soft dollar arrangements generally arise when an investment adviser obtains products and services, other than securities execution, from a broker-dealer in return for directing client securities transactions to the broker-dealer. Soft dollar arrangements may pose a conflict of interest for Qsemble in that such arrangements allow Qsemble to pay with brokerage commissions, expenses that would otherwise be borne by Qsemble. In the event that Qsemble uses brokerage commissions (or markups or markdowns)

to obtain research or other products or services, Qsemble could receive a benefit because it would not have to produce or pay for the research, products or services.

It is currently Qsemble's policy not to use soft dollars. However, Qsemble enters into securities transactions with broker-dealers that provide, as part of their bundled services, Qsemble with access to research and research-related services. Qsemble may have an incentive to select a broker based on Qsemble's interest in receiving the research or other products or services offered by such broker.

#### Trade Errors

The Fund (and not Qsemble) will bear the cost of any losses (and reap the benefits of any gains) resulting from trading errors and similar human errors, absent gross negligence or intentional misconduct. Trade errors might include, for example, keystroke errors that occur when entering trades into an electronic trading system or typographical or drafting errors related to derivatives contracts or similar agreements.

### **ITEM 13 – REVIEW OF ACCOUNTS**

The Portfolio's transactions and positions are reviewed on a daily basis by Qsemble and the Fund's general partner.

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

Not applicable. We are not currently seeking new clients or to raise capital.

### **ITEM 15 - CUSTODY**

We do not exercise custody (and are prohibited under the IMA from exercising custody) over the Portfolio's assets.

### **ITEM 16 - INVESTMENT DISCRETION**

The IMA sets forth certain guidelines or restrictions related to our investment activities, which may be modified from time-to-time in consultation with the Fund's general partner. In addition, the Fund's general partner may impose restrictions on our ability to invest in certain securities or types of securities.

### **ITEM 17 - VOTING CLIENT SECURITIES**

Proxies are voted in the best interest of the Portfolio by the Fund's general partner.

### **ITEM 18 – FINANCIAL INFORMATION**

This section is not applicable to Qsemble.