

Malleus Capital LP

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This “**Brochure**” provides information about the qualifications and business practices of Malleus Capital LP. If you have any questions about the contents of this Brochure, please contact our Chief Compliance Officer (“**CCO**”), Darek Rybicki, at (203) 429-5106 or by email at darek@malleuscap.com. The information in this Brochure has not been approved or verified by the U.S. Securities and Exchange Commission (“**SEC**”) or by any state securities authority.

Malleus Capital LP has applied as an “Investment Adviser Expecting to be Eligible for Commission Registration within 120 Days” with the SEC. Registration as an investment adviser does not imply that Malleus Capital LP or any of its principals or employees possesses a particular level of skill or training in the investment advisory business or any other business.

Additional information about Malleus Capital LP is also available on the SEC's website at www.adviserinfo.sec.gov.

Item 2: Material Changes

This Brochure is our initial Form ADV Part 2A, which has been submitted with our application for registration with the SEC; therefore, there are no material changes to report. In the future, if the Brochure – when amended in conjunction with our initial launch and/or any necessary updates – contains material changes from our last update, we will identify and discuss those changes.

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Item 4: Advisory Business

Malleus Capital LP (hereinafter “**Malleus Capital**”, “**Investment Manager**”, “**we**”, “**us**”, “**our**” or the “**Firm**”), a Delaware limited Fund formed on May 3, 2018 with a principal place of business in Stamford, Connecticut.

Malleus serves as the investment adviser, with discretionary trading authority to the following private pooled vehicles: Malleus Capital Fund, LP, a Delaware limited partnership (the “**Onshore Fund**”); Malleus Capital Offshore Fund, Ltd., a Cayman Islands exempted company (the “**Offshore Fund**”); Malleus Capital Master Fund, LP, a Cayman Islands exempted limited partnership (the “**Master Fund**”); and Malleus Capital GP, LLC, a Delaware limited liability company (the “**General Partner**”), serves as the general partner of the Manager.

We serve as the investment adviser, with discretionary trading authority, to private, pooled investment vehicles, the securities of which are offered through a private placement memorandum to accredited investors, as defined under the Securities Act of 1933, as amended, and qualified purchasers, as defined under the Investment Company Act of 1940, as amended. We do not tailor our advisory services to the individual needs of any particular investor.

Following registration with the SEC, Malleus Capital intends to manage the following private, pooled investment vehicles:

- Malleus Capital Offshore Fund, Ltd., a Cayman Islands exempted company (the “**Offshore Fund**”);
- Malleus Capital Fund, LP, a Delaware limited partnership (the “**Onshore Fund**”); and
- Malleus Capital Master Fund, LP, a Cayman Islands exempted limited partnership (the “**Master Fund**”).

The Master Fund, the Onshore Fund and the Offshore Fund are herein each referred to as the “**Fund**” or “**Client**”, and collectively referred to as the “**Funds**” or the “**Clients**”.

Our investment decisions and advice with respect to the Funds are subject to each Fund’s investment objectives and guidelines, as set forth in its respective “**Offering Documents**.”

We do not currently participate in any Wrap Fee Programs.

We do not currently have any client assets under management, but we expect to have, within 120 days of the effective date of our initial registration, client assets under management sufficient to allow us to remain eligible for registration with the SEC.

Item 5: Fees and Compensation

The fees applicable to each of the Funds are set forth in detail in the corresponding Offering Documents. A brief summary of such fees is provided below.

Management Fee

Malleus Capital is paid an investment management fee (“**Management Fee**”) per annum of the net asset value of the applicable Funds. The Management Fee is normally charged on the first day of each quarter and is paid in advance based on the applicable Fund’s net asset value on the first day of such

quarter. The Fund will also pay Malleus Capital asset-based amounts (the “Asset-Based Amounts”) equal to 0.3125% (1.25% per annum) or 0.375% (1.5% per annum), depending on class share type.

Other Types of Fees and Expenses

Malleus Capital is authorized to incur and pay in the name and on behalf of the Funds all expenses which they deem necessary or advisable.

The Firm is responsible for and shall pay, or cause to be paid, all of their own ordinary administrative and overhead expenses, including, without limitation, all costs and expenses related to rent, furniture, fixtures, equipment, office supplies, clerical expenses and all salaries, bonuses and benefits paid to, or on behalf of, personnel of the Firm.

The Funds bear all other expenses, which include, without limitation, the following expenses incurred by or allocable to the Funds: (i) expenses related to the research, execution and monitoring of actual and prospective investments (whether or not consummated) and the consummation of investments, including, without limitation, the following: third-party investment sourcing fees; fees and expenses of and related to obtaining research and market data (including, without limitation, data subscriptions (such as Bloomberg) and any information technology hardware, software or other technology incorporated into the cost of obtaining such research and market data); due diligence expenses including, without limitation, consulting and appraisal fees; investment- and research-related travel expenses; outsourced trading provider fees; brokerage and prime brokerage fees, commissions and expenses (including the costs of negotiating, documenting and/or amending agreements with prime brokers, ISDAs and other agreements with trading and financing counterparties); expenses relating to borrowing securities to be sold short; clearing and settlement charges; custodial fees and expenses; bank service fees; interest expenses and other borrowing costs; fees and expenses of proxy research and voting services; broken deal expenses; and fees and expenses of third-party professionals, including, without limitation, consultants, investment bankers, attorneys and accountants; (ii) organizational and offering fees and expenses, including preparation and amendment of Fund documents; fees and expenses of the Investment Manager incurred in connection with “world sky” matters and private placement regimes, including the European Alternative Investment Fund Managers Directive, and Form D and blue sky and similar fees and expenses; expenses incurred in connection with negotiating, documenting and complying with provisions of any side letter agreement with investors; and all fees and expenses (including attorneys’ fees) incurred by the Investment Manager, the General Partner and their respective affiliates in connection with negotiating, documenting and implementing the Strategic Investor Agreement; (iii) operational expenses, including, without limitation, the following: fees and expenses relating to information technology hardware, software or other technology (including, without limitation, costs of software licensing, implementation, data management and recovery services and custom development) used to research investments, evaluate and manage risk, facilitate valuations, facilitate accounting functions, facilitate compliance with the rules of any self-regulatory organization or applicable law (including, without limitation, reporting obligations and obligations arising from laws and regulations applicable to the Investment Manager) in connection with the activities of the Funds, and facilitate and manage the execution of securities or otherwise manage the Funds (including, in each case, Bloomberg terminals, portfolio management and accounting systems and order management systems); fees and expenses of third-party risk management products, models and services; third-party administrative fees and expenses, including fees and expenses of the Administrator (as defined below) and any middle office and/or back office service provider; fees and expenses incurred by the Investment Manager in registering with the SEC as an investment adviser under the Advisers Act and the development, documentation, implementation, review and testing of related procedures as well as ongoing fees and expenses incurred in connection

therewith, including, without limitation, costs of consultants, valuation service providers, attorneys, accountants and tax preparers; third-party audit and tax preparation expenses; the Funds' allocable share of insurance expenses, including, without limitation, premiums for cybersecurity insurance and liability insurance (including directors and officers liability insurance and errors and omission insurance) covering the Funds, the General Partner, the Investment Manager and the members, partners, officers, employees and agents of any of them, and each member of the Governance Committee (even if such insurance covers conduct for which indemnity would not be available from the Funds); fees and expenses associated with Shareholder and Director meetings (including, without limitation, travel, lodging and meal-related expenses); Director fees (including registration fees); fees and expenses associated with the Governance Committee; costs of preparing and distributing reports and notices to investors (including the costs of building and maintaining a web-based or similar electronic investor reporting platform); entity-level taxes; fees and expenses related to compliance with applicable law and regulations in connection with the activities of the Funds, including, without limitation, any governmental, regulatory, licensing, filing or registration fees or taxes (including, without limitation, fees and expenses incurred in connection with filings for the Foreign Account Tax Compliance Act provisions of the United States Hiring Incentives to Restore Employment Act of 2010, filings pursuant to Automatic Exchange of Information and the preparation and filing of Form PF, Section 13 filings, Section 16 filings and other similar regulatory filings); and fees and expenses of third-party professionals and service providers related to the foregoing; and (iv) extraordinary expenses, including, without limitation, the following: litigation expenses (including attorney's fees and investigative fees and expenses), the cost of settlements and indemnification expenses (including advances thereof); fees and expenses incurred in connection with any tax audit by any U.S. federal, state or local authority, including, without limitation, any related administrative settlement and judicial review; and fees and expenses incurred in connection with the reorganization, dissolution, winding-up or termination of any of the Funds.

In general, each Investor will bear its proportionate share of the Fund expenses on a pro rata basis with respect to the size of such Investor's capital account(s) or with respect to the relative net asset value of the shares held by such Investor, as applicable.

Notwithstanding the foregoing, the Fund General Partner and/or the Firm, as applicable, may specially allocate the expenses described herein in any other manner, including by allocating certain expenses to certain (but not all) Investors, if the Fund General Partner and/or the Firm, as applicable, reasonably determines, in its discretion, that it is more equitable to do so.

To the extent that expenses to be borne by the Funds are paid by the Firm or its affiliates, the Funds will reimburse the Firm or its affiliates for such expenses. We may waive any such reimbursement with respect to any Fund expenses. Any waiver by us for reimbursement of any Fund expenses shall not serve as a waiver of reimbursement for any future Fund expenses to be paid by us or our affiliates.

Neither the Firm nor its employees accept compensation, including sales charges or service fees, from any person for the sale of securities or other investment products.

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

We and our affiliates are entitled to a performance-based compensation. As a result, we and our affiliates do not face certain conflicts of interest that may arise when an investment adviser accepts performance-based fees from some clients, but not from other clients.

Performance-based allocation arrangements may create an incentive for us to recommend investments which may be riskier or more speculative than those which we would recommend under a different arrangement.

Item 7: Types of Clients

Our clients are the Funds, as described in Item 4 above.

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

The descriptions set forth in this Brochure of specific advisory services that we offer to Clients, and investment strategies pursued and investments made by us on behalf of our Clients, should not be understood to limit in any way our investment activities. We may offer any advisory services, engage in any investment strategy, and make any investment, including any not described in this Brochure, that we consider appropriate, subject to each Client's investment objectives and guidelines as set forth in the Offering Documents. The investment strategies we pursue are speculative and entail substantial risks. Clients should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any Client will be achieved.

Investment Objective

Our investment objective is to generate consistently attractive risk-adjusted returns for its investors. In seeking to achieve the Firm's investment objective, we employ a fundamental, long/short equity strategy that currently is primarily focused on the healthcare and consumer sector and predominantly based in the United States. However, we may invest opportunistically in other sectors in our discretion and expects to review and invest in securities of both U.S. and non-U.S. issuers.

We believe that its deep industry experience and extensive relationships with management teams and industry participants position it well to identify investment opportunities in the healthcare, consumer and other sectors. We emphasize stock selection and seeks to generate returns on both the long and short side of the portfolio.

Investment Strategy

To implement its investment strategy, we employ a bottom-up fundamental analysis coupled with thematic and macro views that are supplemented with aggressive trading and tight risk controls. We use a broad research coverage model that actively diligences both holdings and non-holdings within a sector on an ongoing basis, seeking to detect positive and negative inflection points in the businesses and market misperceptions of the relevant companies' earnings and balance sheet prospects.

In addition to ongoing company-specific research, we recognize that top-down and macro themes such as interest rates, credit cycles, M&A cycles and regulatory change influence sectors. We seek to quickly recognize the emergence of new themes and screen sectors to identify the companies most affected. In this way, we attempt to combine a rigorous bottom-up fundamental analysis with top-down themes. We utilize technical analysis to optimize entry and exit points for positions as well as assist in sizing of investment ideas.

Risk Management

Prospective Shareholders should carefully consider the risks involved in an investment in the Fund, including, without limitation, those discussed below. Additional or new risks not addressed below may affect the Fund. The following list of risk factors cannot and is not intended to be exhaustive. Prospective Shareholders should consult their own legal, tax and financial advisers about the risks of an investment in the Fund. The following risk factors and other relevant risks could have a material adverse effect on the Fund and the Shareholders' investments therein.

Risk of Loss Factors

The following risk factors do not purport to be a complete list or explanation of the risks involved in an investment in the clients advised by us. These risk factors include only those risks we believe to be material, significant or unusual and relate to particular significant investment strategies or methods of analysis employed by us.

An investment involves significant risks and is suitable only for those persons who can bear the economic risk of the loss of their entire investment, who have limited need for liquidity in their investment, and who have met the conditions set forth in the Offering Documents. There can be no assurances that we will achieve our investment objectives. An investment carries with it the inherent risks associated with investments in publicly-traded stocks and bonds, options, and related instruments, including, without limitation, the risks described below. Each prospective investor should carefully review the Offering Documents and the documents referred to herein before deciding to invest with Malleus Capital.

No Operating History; Past Performance. The Firm and the Funds are newly formed entities and have no operating histories upon which investors can evaluate their likely performance. Past performance of the Firm, the Fund or any other entity or account managed by the Investment Manager, Dan Matviyenko or other personnel of the Investment Manager is not necessarily indicative of the Firm's or the Fund's future results.

Investment and Trading Risks. All securities investments risk the loss of capital. The Investment Manager believes that the Fund's trading program and the Investment Manager's research techniques will moderate this risk through a careful selection of securities and other financial instruments. However, no guarantee or representation is made that the Fund's trading program will be successful or that the Fund will not incur losses. The Fund's trading program may utilize trading techniques including, but not limited to, short selling and the use of leverage and derivatives, which in practice can, in certain circumstances, increase the adverse impact to which the Fund may be subject.

In certain transactions, the Fund may not be "hedged" against market fluctuations or, in reorganization or liquidation situations, may not accurately value the assets of the subject company or the degree of legal and regulatory risk associated with investments in the securities of companies in such situations. This can result in losses, even if the proposed transaction is consummated.

The Investment Manager will attempt to assess the foregoing risk factors, and others, in determining the extent of the position it will take in the relevant securities and the price it is willing to pay for such securities. However, such risks cannot be eliminated.

Concentration of Investments. Although there are no limitations on the sectors in which the Fund may invest, the Fund's assets will generally be concentrated in positions in companies in the consumer and healthcare sectors and related areas, and/or in certain geographic areas. Further, there is no limitation on the amount of the Fund's capital that may be invested in any security, company, sector or geographic area.

The concentration of the Fund's portfolio in consumer, healthcare and related sectors and/or in a relatively small number of securities, issuers and/or geographic areas, would subject the Fund to a greater degree of risk with respect to economic downturns in relation to the consumer and healthcare related sectors and/or geographic areas or the failure of one or a few issuers in which the Fund has significant investments. In particular, losses incurred in investments in the consumer and healthcare sectors and related areas could have a material adverse effect on the Fund's overall performance and could significantly reduce the Fund's capital.

Healthcare Sector Risks. Investing in securities and other instruments of healthcare companies involves substantial risks, including, but not limited to: certain companies in the portfolio of the Fund may have limited operating histories; scarcity of management and marketing personnel with appropriate scientific or medical training may slow or impede companies' growth; the possibility of lawsuits related to patents or products; obsolescence of products; change in government policies; changing investor sentiments and preferences with regard to healthcare sector investments (some of which are generally perceived as risky) may have an adverse effect on the price of underlying securities; volatility in the U.S. stock markets affecting the prices of healthcare company securities may cause the performance of the Fund to experience substantial volatility; and many companies in the healthcare sector are subject to extensive government regulation. The healthcare industry is heavily regulated by U.S. federal, state and local governmental bodies, and is directly affected by federal conditions of participation, state licensing requirements, facility inspections, state and federal reimbursement policies, regulations concerning capital and other expenditures, certification requirements and other such laws, regulations and rules. In addition, obtaining approval for new products from governmental agencies can be lengthy, expensive and uncertain. Finally, drug development is inherently risky and a substantial number of new products fail in clinical trials.

Consumer Sector Risks. The success of consumer product manufacturers and retailers is tied closely to the performance of domestic and international economies, interest rates, exchange rates, competition, consumer confidence, changes in demographics and consumer preferences.

Companies in the consumer discretionary sector depend heavily on disposable household income and consumer spending and may be strongly affected by social trends and marketing campaigns. These companies may be subject to severe competition, which may have an adverse impact on their profitability.

The consumer goods industry may be strongly affected by social trends, marketing campaigns and other factors affecting consumer demand. Governmental regulation affecting the use of various food additives may affect the profitability of certain consumer goods companies represented in the Underlying Index. The consumer goods industry is affected by the strength of the U.S. economy and factors out of the U.S. government's control, such as global oil prices. Many consumer goods in the U.S. may also be marketed globally, and such consumer goods companies may be affected by the demand and market conditions in non-U.S. countries.

The consumer staples sector may be affected by the regulation of various product components and production methods, marketing campaigns and changes in consumer demand. Tobacco companies, in particular, may be adversely affected by new laws, regulations and litigation. The consumer staples sector may also be adversely affected by changes or trends in commodity prices, which may be influenced by unpredictable factors.

Consumer cyclical companies include retail stores, auto and auto parts manufacturers, companies engaged in residential construction, lodging facilities, restaurants and entertainment companies, among others. Risks faced by companies in the consumer cyclical industry include adverse effects

from general domestic and international economic downturns, changes in interest rates, competition, consumer confidence and consumer tastes.

Investment Analysis. When assessing investment opportunities, the Investment Manager relies on resources that may have limited or incomplete information. In particular, the Investment Manager relies on publicly available information and data filed with various government regulators. Although the Investment Manager expects that it will evaluate information and data as it deems appropriate and will seek independent corroboration when reasonably available, the Investment Manager will not evaluate all publicly available information and data and is not in a position to confirm the completeness, genuineness or accuracy of the information and data that it evaluates.

As a result, there can be no assurance that the due diligence exercise carried out by the Investment Manager will reveal or highlight all relevant facts that may be necessary or helpful in evaluating investment opportunities. Any failure to have identified the relevant facts may result in an inappropriate investment decision, which may have a material adverse effect on the value of any investment in the Firm.

Equity Securities. The Fund will invest in equity and equity-related securities. Equity securities fluctuate in value in response to many factors, including the activities, results of operations and financial condition of individual companies, the business market in which individual companies compete, industry market conditions, interest rates and general economic environments. In addition, events such as political instability, terrorism and natural disasters may be unforeseeable and contribute to market volatility in ways that may adversely affect the Fund's positions.

Short Sales. A short sale involves the sale of a security that the Fund does not own in the expectation of purchasing the same security (or a security exchangeable therefor) at a later date at a lower price. To make delivery to the buyer, the Fund must borrow the security and the Fund is obligated to return the security to the lender, which is accomplished by a later purchase of the security by the Fund. When the Fund makes a short sale in the United States, it must leave the proceeds thereof with the broker and it must also deposit with the broker an amount of cash or U.S. government or other securities sufficient under current margin regulations to collateralize its obligation to replace the borrowed securities that have been sold. If short sales are effected on a foreign exchange, such transactions will be governed by local law. A short sale involves the risk of a theoretically unlimited increase in the market price of the security that would result in a theoretically unlimited loss to the Fund. The extent to which the Fund will engage in short sales will depend upon the Investment Manager's trading strategy and perception of market direction and the value of individual securities. The Investment Manager may engage in short sales on behalf of the Fund as a hedge against potential market declines and/or based on its analysis of the subject issuers.

Leverage and Borrowing Risks. The Investment Manager intends to use leverage as part of the Fund's trading program and the amount of leverage which the Fund may have outstanding at any time may be substantial in relation to its capital. Leverage may be obtained by borrowing funds to make trades or by purchasing or entering into derivative instruments that are inherently leveraged, such as swaps, options, futures and forward contracts.

If the interest expense on borrowings were to exceed the net return on the positions acquired with borrowed funds, the Fund's use of leverage would result in a lower rate of return than if the Fund were not leveraged. If the amount of borrowings which the Fund may have outstanding at any one time is large in relation to its capital, fluctuations in the market value of the Fund's portfolio will have a disproportionately large effect in relation to its capital and the possibilities for profit and the risk of loss will therefore be increased. Any gains made with the additional monies borrowed will generally

cause the value of the Fund's assets to rise more rapidly than would otherwise be the case. Conversely, if the investment performance of the additional monies fails to cover their cost to the Fund, the value of the Fund's assets will generally decline faster than would otherwise be the case. The amount of any borrowing may also be limited by regulations imposed by the Federal Reserve Board or by the availability and cost of credit, as well as due to overall market conditions. If, due to market fluctuations or other reasons, the value of the Fund's assets should fall below required regulatory or counterparty-imposed levels, the Fund will be required to reduce its debt by selling securities in its long portfolio. The Fund may also be unable to carry-out its trading program if it is not able to obtain leverage on reasonable terms.

In the case of derivative instruments, because many derivatives are "leveraged," such instruments provide significantly more market exposure than the money paid or deposited when the transaction is entered into and, thus, a relatively small adverse market movement can not only result in the loss of the entire investment, but may also expose the Fund to the possibility of a loss exceeding the original amount invested.

In addition, in transactions involving derivative instruments, counterparties and lenders will likely require the Fund to post collateral to support its obligations. Should the securities and other assets pledged as collateral decline in value, or should brokers increase their maintenance margin requirements (i.e., reduce the percentage of a position that can be financed), the Fund could be subject to a "margin call" pursuant to which it must either deposit additional funds with the broker or suffer mandatory liquidation of the pledged assets to compensate for the decline in value. In the event of a precipitous drop in the value of pledged securities, the Fund might not be able to liquidate assets quickly enough to pay off the margin debt or provide additional collateral and may suffer mandatory liquidation of positions in a declining market at relatively low prices, thereby incurring substantial losses. Furthermore, secured counterparties and lenders will generally have the right to sell, pledge, rehypothecate, assign, use or otherwise dispose of collateral posted by the Fund. This could increase exposure to the risk of a counterparty default since, under such circumstances, the Fund may be unable to recover the posted collateral promptly or may be unable to recover all of the posted collateral. The occurrence of defaults may trigger cross-defaults under the Fund's agreements with other brokers, lenders, clearing firms or other counterparties, creating or increasing a material adverse effect on the performance of the Fund.

Non-U.S. Investments. The Fund may trade non-U.S. securities and other instruments denominated in non-U.S. currencies and/or traded outside of the U.S. Investments in securities of non-U.S. issuers (including non-U.S. governments) and securities denominated in, or the prices of which are quoted in, non-U.S. currencies pose, to the extent not hedged, currency exchange risks (including blockage, devaluation and non-exchangeability), as well as a range of other potential risks not typically associated with trading in U.S. securities or other instruments. Such risks include unfavorable currency exchange rate developments, restrictions on repatriation of investment income and capital, imposition of exchange control regulation by the U.S. or foreign governments, confiscatory taxation and economic or political instability in foreign nations. In addition, there may be less publicly available information about certain non-U.S. companies than would be the case for comparable companies in the U.S., and certain non-U.S. companies may not be subject to accounting, auditing and financial reporting standards and requirements comparable to or as uniform as those of U.S. companies.

Transaction costs of investing in non-U.S. securities markets are generally higher than in the United States. There is generally less government supervision and regulation of exchanges, brokers and issuers outside the United States than there is in the United States. The Fund might have greater difficulty taking appropriate legal action in non-U.S. courts. Non-U.S. markets also have different clearance and settlement procedures which, in some markets, could at times fail to keep pace with

the volume of transactions, thereby creating substantial delays and settlement failures that could adversely affect the Fund's performance.

Currency Risks. The Fund may invest in securities and other instruments denominated or quoted in currencies other than the U.S. Dollar. In connection therewith, the Investment Manager may hedge against the resulting currency exposure wherever economically prudent. However, changes in currency exchange rates will affect the value of the Fund's portfolio and the unrealized appreciation or depreciation of investments. Further, the Fund may incur costs in connection with conversions between various currencies. Foreign currency exchange dealers realize a profit based on the difference between the prices at which they are buying and selling various currencies. Thus, a dealer normally will offer to sell currency to the Fund at one rate, while offering a lesser rate of exchange should the Fund desire immediately to resell that currency to the dealer. The Fund will conduct its currency exchange transactions either on a spot (i.e., cash) basis at the spot rate prevailing in the currency exchange market, or through entering into forward contracts to purchase or sell non-U.S. currencies.

Price Risk. For reasons not necessarily attributable to any of the risks set forth herein (for example, supply/demand imbalances or other market forces), the prices of the securities in which the Fund invests may decline or rise substantially. In particular, purchasing assets at prices that may appear to be "undervalued" is no guarantee that such assets will not be trading at even more "undervalued" levels at the time of valuation or at the time of sale. Similarly, shorting assets at prices that may appear to be "overvalued" is no guarantee that such assets will not be trading at even more "overvalued" levels at the time of valuation or at the time of sale.

Hedging Transactions. The Fund may utilize various financial instruments, both for trading purposes and for risk management purposes in order (i) to protect against possible changes in the market value of the Fund's portfolio resulting from fluctuations in the securities markets; (ii) to protect the Fund's unrealized gains in the value of the Fund's portfolio; (iii) to facilitate the sale of any such investments; (iv) to enhance or preserve returns, spreads or gains on any investment in the Fund's portfolio; (v) to hedge the currency exchange rate on any of the Fund's liabilities or assets; (vi) to protect against any increase in the price of any securities the Fund anticipates purchasing at a later date; or (vii) for any other reason that the Investment Manager deems appropriate in its discretion.

The success of the Fund's hedging strategy will depend, in part, upon the Investment Manager's ability to correctly assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the portfolio investments being hedged. Since the characteristics of many securities change as markets change or time passes, the success of the Fund's hedging strategy will also be subject to the Investment Manager's ability to continually recalculate, readjust and execute hedges in an efficient and timely manner. While the Fund may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for the Fund than if it had not engaged in such hedging transactions. For a variety of reasons, the Investment Manager may not seek to establish a perfect correlation between the hedging instruments utilized and the portfolio holdings being hedged. Such an imperfect correlation may prevent the Fund from achieving the intended hedge or expose the Fund to risk of loss. The Investment Manager may not hedge against a particular risk because it does not regard the probability of the risk occurring to be sufficiently high as to justify the cost of the hedge, or because it does not foresee the occurrence of the risk. The successful utilization of hedging and risk management transactions requires skills complementary to those needed in the selection of the Fund's portfolio holdings.

Derivatives Generally. Derivative instruments, or “derivatives,” include options, futures, 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 benchmarks, financial assets, currencies or indices. Derivatives allow an investor to hedge or speculate upon the price movements of a particular security, financial benchmark, financial asset, currency or index at a fraction of the cost of investing in the underlying asset. The Fund may seek to acquire derivatives for these or other reasons, however, there is no assurance that derivatives that the Fund wishes to acquire will be available at any particular times upon satisfactory terms or at all.

The value of a derivative is frequently difficult to determine and depends largely upon price movements in the underlying asset. Therefore, many of the risks applicable to trading the underlying asset are also applicable to derivatives of such asset. However, there are a number of other risks associated with derivatives trading. For example, because many derivatives are “leveraged,” and thus provide significantly more market exposure than the money paid or deposited when the transaction is entered into, a relatively small adverse market movement in the underlying asset can not only result in the loss of the entire investment but may also expose the Fund to the possibility of a loss exceeding the original amount invested. Over-the-counter (“**OTC**”) derivatives generally are not assignable except by agreement between the parties concerned, and no party or purchaser has any obligation to permit such assignments. The OTC market for derivatives is relatively illiquid. In the case of OTC derivatives contracts, the Fund is subject to the credit risk of the counterparty.

The Fund may take advantage of opportunities with respect to certain other derivative instruments that are not presently contemplated for use or that are currently not available, but that may be developed, to the extent such opportunities are both consistent with the trading objective of the Fund and legally permissible. Special risks may apply to instruments that are invested in by the Fund in the future that cannot be determined at this time or until such instruments are developed or invested in by the Fund.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the “**Dodd-Frank Act**”) enables the CFTC and the SEC to enact new regulations on certain OTC derivatives. Under the Dodd-Frank Act and rules promulgated thereunder, certain OTC derivatives contracts are required to be traded on regulated trading platforms (i.e., swap execution and facilities) and cleared through registered clearing organizations subject to regulation by the SEC and the CFTC. Such contracts are traded more like futures and options contracts, and parties to such transactions trade standardized contracts and will face clearing organizations as contractual counterparties, rather than facing the credit risk of counterparties under individually negotiated bilateral OTC agreements.

In addition, swap dealers and major swap participants (entities that are not swap dealers, but are subject to rules governing dealers due to their levels of activity and exposure) are subject to regulatory oversight and requirements with respect to OTC derivatives, which will include business conduct requirements, such as know-your-customer rules, increased risk disclosure and rules requiring trades to be documented and confirmed within certain timeframes. Derivative contracts, whether cleared or uncleared, will have to be reported to trade data repositories registered with the CFTC and/or the SEC.

While the CFTC has finalized the majority of its required rulemakings under the Dodd-Frank Act, there are still a number of rules that have not been finalized by the SEC. As a result, the effect that the foregoing regulatory changes will have on the price of derivative contracts, liquidity and administrative costs, among other things, still remains unclear. In addition, certain related provisions may be revised, repealed or amended. The impact of any such changes is unknown.

Call Options. The Fund may trade in call options as part of its investment strategy or for hedging purposes. There are risks associated with the sale and purchase of call options. The seller (writer) of a call option which is covered (e.g., the writer holds the underlying security) assumes the risk of a decline in the market price of the underlying security below the purchase price of the underlying security less the premium received and gives up the opportunity for gain on the underlying security above the exercise price of the option. If the seller of the call option owns a call option covering an equivalent number of shares with an exercise price equal to or less than the exercise price of the call written, the position is “fully hedged” if the option owned expires at the same time or later than the option written. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security above the exercise price of the option. The buyer of a call option assumes the risk of losing its entire investment in the call option.

Put Options. The Fund may trade in put options as part of its investment strategy or for hedging purposes. There are risks associated with the sale and purchase of put options. The seller (writer) of a put option which is covered (e.g., the writer has a short position in the underlying security) assumes the risk of an increase in the market price of the underlying security above the sales price (in establishing the short position) of the underlying security plus the premium received, and gives up the opportunity for gain on the underlying security below the exercise price of the option. If the seller of the put option owns a put option covering an equivalent number of shares with an exercise price equal to or greater than the exercise price of the put written, the position is “fully hedged” if the option owned expires at the same time or later than the option written. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying security below the exercise price of the option. The buyer of a put option assumes the risk of losing its entire investment in the put option.

Forward Trading. The Investment Manager may engage in forward trading on behalf of the Fund. Deliverable forward contracts (including certain foreign exchange contracts) and options thereon, unlike futures contracts, are not traded on exchanges and are not standardized; rather banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Such forward trading is largely unregulated and currently daily price movements are not limited and speculative position limits are not applicable. The principals who deal in such forward markets are not required to continue to make markets in the currencies or commodities they trade and these markets can experience periods of illiquidity, sometimes of significant duration, which could result in substantial losses to the Fund.

Foreign Exchange Contracts. Pursuant to rules promulgated under the Dodd-Frank Act, many foreign exchange contracts will be deemed “swaps” under the U.S. Commodity Exchange Act, as amended, and therefore will be subject to comprehensive regulation by the CFTC. CFTC rules will govern certain terms of such contracts, such as minimum margin requirements, among others, and dealers of such products will be subject to business conduct and reporting obligations. Foreign currency options (unless traded on a securities exchange), non-deliverable foreign exchange forwards, currency swaps and cross-currency swaps will be included in such regulation. The U.S. Treasury Department (the “**Treasury**”) has exercised its authority to exempt foreign exchange forwards and swaps from most CFTC regulation, although such transactions remain subject to certain CFTC reporting and business conduct requirements. As a result, foreign exchange forwards and swaps are not guaranteed by an exchange or clearing house and consequently, there are no requirements with respect to financial responsibility or segregation of customer funds or positions, which could expose the Fund to unanticipated losses.

Counterparty Risk. Some of the markets in which the Fund may effect transactions are “over-the-counter” or “interdealer” markets. The participants in such markets typically are not subject to the same credit evaluation and regulatory oversight as are members of “exchange-based” markets. In

addition, many of the protections afforded to participants on some organized exchanges, such as the performance guarantee of an exchange clearinghouse, might not be available in connection with such “over-the-counter” transactions. This exposes the Fund to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing the Fund to suffer a loss. Such “counterparty risk” is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the Fund has concentrated its transactions with a single or small group of counterparties. The Investment Manager is not restricted from dealing with any particular counterparty or from concentrating any or all of the Fund’s transactions with any one counterparty. The ability of the Fund to transact business with any one or number of counterparties, the lack of any meaningful and independent evaluation of such counterparties’ financial capabilities and the absence of a regulated market to facilitate settlement may increase the potential for losses by the Fund.

The Fund’s trading strategy may involve transactions that expose it to the credit of its counterparties, and vice versa. For example, the Fund may seek to borrow against long positions, to borrow securities intending to sell them short and to enter into long and short derivative positions. All of these transactions, and transactions similar to them, are governed by documents, industry standards, market customs and practices, the parties’ prior course of dealing and by the covenants of good faith and fair dealing. At times, and especially in times of market stress, these credit exposures may come under stress, normal business conduct may be interrupted and normal legal protections may prove inadequate or may fail to provide timely relief. Furthermore, the prime brokerage agreement between the Fund and its prime broker may be terminated at any time upon notice from the prime broker without penalty. Should it become necessary to remove or reduce credit exposure to a particular counterparty, or in the event that the prime broker elects to terminate the prime brokerage agreement, there can be no guarantee that a satisfactory alternative will be available, or even if one is available, that the Fund will be able to avail itself of that alternative. As a consequence, it is possible that positions may be unwound at a disadvantageous time and any unwinding and/or porting of positions to another counterparty may prove costly and thereby damage the Firm.

Competition; Availability of Investments. Certain markets in which the Fund may invest are extremely competitive for attractive investment opportunities and, as a result, there may be reduced expected investment returns. There can be no assurance that the Investment Manager will be able to identify or successfully pursue attractive investment opportunities in such environments. There has been significant growth in the number of firms organized to make such investments, which may result in increased competition to the Fund in obtaining suitable investments. Competition for suitable investments from other pooled investment vehicles, the public equity markets and other investors may reduce the availability of investment opportunities or alter the terms on which the Fund is able to invest. It may be difficult for the Fund to capitalize on investment opportunities or to purchase investments at the Fund’s initial desired price. There can be no assurance that the Investment Manager will be able to identify or successfully pursue attractive investment opportunities for the Fund.

Special Situations. The Fund may invest in companies involved in (or the target of) acquisition attempts or tender offers or in companies involved in work-outs, liquidations, spin-offs, reorganizations, bankruptcies and 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, take considerable time or result in a distribution of cash or a new security the value of which will be less than the purchase price to the Fund 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 Fund may be required to sell its investment at a loss. Because there is substantial

uncertainty concerning the outcome of transactions involving financially troubled companies in which the Fund may invest, there is a potential risk of loss by the Fund of its entire investment in such companies.

Futures Contracts. The Investment Manager does not at present contemplate doing so as part of its core strategy but may from time to time and in the future trade futures contracts for the account of the Fund for hedging and/or investment purposes. The value of futures contracts depends upon the price of the Securities, such as commodities, underlying them. The prices of futures contracts are highly volatile, and price movements of futures contracts can be influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, as well as national and international political and economic events and policies. In addition, investments in futures contracts are also subject to the risk of the failure of any of the exchanges on which the Fund's positions trade or of its clearing houses or counterparties. Futures positions may be illiquid because certain commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits." Under such daily limits, during a single trading day no trades may be executed at prices beyond the daily limits. Once the price of a particular futures contract has increased or decreased by an amount equal to the daily limit, positions in that contract can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. This could prevent the Fund from promptly liquidating unfavorable positions and subject the Fund to substantial losses or prevent it from entering into desired trades. Also, low margin or premiums normally required in such trading may provide a large amount of leverage, and a relatively small change in the price of a security or contract can produce a disproportionately larger profit or loss. In extraordinary circumstances, a futures exchange or the CFTC could suspend trading in a particular futures contract, or order liquidation or settlement of all open positions in such contract. See "—Derivatives Generally" for a description of the regulatory implications of the Dodd-Frank Act.

Exchange Traded Funds. The Fund may trade Exchange Traded Funds ("ETFs"). ETFs are publicly traded unit investment trusts, open-end funds or depository receipts that seek to track the performance and dividend yield of specific indexes or companies in related industries. These indexes may be either broad-based, sector, or international. However, ETF shareholders are generally subject to the same risk as holders of the underlying securities they are designed to track. ETFs are also subject to certain additional risks, including, without limitation, the risk that their prices may not correlate perfectly with changes in the prices of the underlying securities they are designed to track, and the risk of trading in an ETF halting due to market conditions or other reasons, based on the policies of the exchange upon which the ETF trades. Generally, each shareholder of an ETF bears a pro rata portion of the ETF's expenses, including management fees. Accordingly, in addition to bearing their proportionate share of the Funds' expenses (e.g., Management Fees and operating expenses), Shareholders may also indirectly bear similar expenses of an ETF.

Inside Information. From time to time, the Investment Manager and its affiliates may come into possession of inside information concerning specific companies. Under applicable securities laws, this may limit the Fund's ability to buy or sell securities issued by such companies. If the Fund holds the securities of a company with respect to which the Investment Manager is in possession of inside information, the Fund may be restricted from trading the securities of such company for an indefinite period of time, which could result in losses to the Fund.

Changes and Uncertainty in U.S. and International Regulation. The Company and/or the Fund may be adversely affected by uncertainties such as international and domestic political developments, changes in government policies, taxation, restrictions on foreign investment and currency repatriation, currency fluctuations and other developments in the laws and regulations of the

countries to which the Firm's and/or the Fund's assets are exposed through their portfolio or investor base. The tax and regulatory environment for hedge funds is evolving, and changes in the regulation or tax treatment of hedge funds and their investments may adversely affect the value of investments held by the Fund or the Fund's ability to pursue its trading strategy. During this period of uncertainty, market participants may react quickly to unconfirmed reports or information and as a result there may be increased market volatility. This unpredictability could cause the Investment Manager to alter trading plans, including the holding period of positions and the nature of instruments used to achieve the Fund's objective.

In the United States, the Firm, the Fund, the Investment Manager and the General Partner may be adversely affected as a result of new or revised legislation or regulations imposed by the SEC, the Financial Stability Oversight Council, and other U.S. governmental regulatory authorities or self-regulatory organizations that supervise the financial markets. In addition, the securities and futures markets are subject to comprehensive statutes and regulations, including margin requirements. Regulators and self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies. The Dodd-Frank Act and the rules promulgated thereunder could result in the Fund becoming subject to additional regulatory compliance burdens and trade reporting, which may add significant costs to the Fund.

Additionally, there is speculation that certain of the provisions of the Dodd-Frank Act impacting the Firm and rules and regulations promulgated thereunder may be revised, repealed or amended. The impact of any such review and potential changes is unknown. None of the Investment Manager, the General Partner, the Firm or the Fund undertakes to update Shareholders upon such changes or upon finalization of any such changes.

Item 9: Disciplinary Information

There are no legal or disciplinary events that are material to an Investor's or prospective investor's evaluation of our advisory business or the integrity of our management.

Item 10: Other Financial Industry Activities and Affiliations

Neither we nor our management persons are registered as broker-dealers, and neither of us has any application pending to register with the SEC as a broker-dealer or registered representative of a broker-dealer, respectively.

Malleus Capital meets the definition of an exempt commodity pool operator ("**CPO**"). The Firm will file for CFTC Rule 4.13(a)(3) exemptions for each of its Funds.

We do not recommend or select other investment advisers for our Clients.

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

Code of Ethics

Malleus Capital has adopted a "**Code of Ethics**" that establishes the high standard of conduct that we expect of our employees and procedures regarding our employees' personal trading of securities. Our employees are required to certify their adherence to the terms set forth in the Code of Ethics upon commencement of employment and annually thereafter. Employees also are required to provide quarterly certifications of compliance with certain Code of Ethics provisions.

The foundation of our Code of Ethics is based upon the following underlying fiduciary principles:

- Employees must at all times place the interests of the Funds and Investors first;
- Employees must ensure that all personal securities transactions are conducted consistent with the Code of Ethics' Employee Investment Policy (described below); and
- Employees should not take inappropriate advantage of their position at the Firm.

Personal Securities Trading

Employees, their spouses, immediate family members and other dependents are required to provide duplicate copies of personal discretionary brokerage account statements to the CCO. These records are used to monitor compliance with Malleus Capital's Personal Trading Policy. Employee personal trading is subject to pre-clearance by the CCO.

We will provide a copy of our Code of Ethics to our Investors, or any prospective Investor or Client, upon request, to be viewed on the premises.

Item 12: Brokerage Practices

Malleus Capital is authorized to determine the broker-dealer to be used for executing securities transaction for the Funds. In selecting broker-dealers to execute transactions, we do not need to solicit competitive bids and do not have an obligation to seek the lowest available commission cost. It is not our practice to negotiate "execution only" commission rates; therefore, the Funds may be deemed to be paying for research, brokerage or other services provided by the broker which are included in the commission rate.

We shall also have the authority to select and appoint custodians of the assets of the Funds. The Firm's authority is limited by its own internal policies and procedures and each Fund's investment guidelines.

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Best Execution

In selecting an appropriate broker-dealer to effect a client trade, we seek to obtain "**Best Execution**," meaning generally the execution of a securities transaction for a client in such a manner that a client's total costs or proceeds in the transaction are most favorable under the circumstances. Accordingly, in seeking Best Execution, we will take into consideration the price of a security offered by the broker-dealer, as well as a broker-dealers' full range and quality of their services including, among other things, their facilities, reliability and financial responsibility, execution capability, commission rates, responsiveness to us, brokerage and research services provided to us (for example, research ideas, analysis, and investment strategies), special execution and block positioning capabilities, clearance, and settlement and custodial services.

Soft Dollars

The Firm may use "**Soft Dollars**". In such cases, Soft Dollar credits, generated by the Fund's trading activities, would be used to purchase brokerage and research services or products that would otherwise have been Fund expense. We intend to keep any such arrangements within the parameters of the safe harbor of Section 28(e) of the Exchange Act.

Neither Malleus Capital nor any related person receives client referrals from any broker-dealer or third party. However, subject to best execution, we may consider, among other things, capital introduction and marketing assistance with respect to Investors in the Funds in selecting or recommending broker-dealers for the Funds.

The provision by a broker of research and other services and property to us creates an incentive for us to select such broker since we would not have to pay for such research and other services and property as opposed to solely seeking the most favorable execution for a client. Any research, services or property provided by a broker may benefit any client and such benefits may not be proportionate to commission dollars related to the provision of such research, services or property.

Item 13: Review of Accounts

Our portfolio manager and investment professionals continuously monitor and analyze the transactions, positions, and investment levels of the Funds to ensure that they conform with the investment objectives and guidelines that are stated in the Funds' offering documents. In these reviews, we pay particular attention to any changes in the investment's fundamentals, overall risk management and changes in the markets that may affect price levels.

Account Reporting

We perform various periodic reviews of each client's portfolio. Such reviews are conducted by our officers.

We will distribute annual audited financial statements with respect to the previous fiscal year to all Investors within 120 days of the relevant Fund's fiscal year end. We also may distribute other interim reports to Investors.

Item 14: Client Referrals and Other Compensation

We do not receive economic benefits from non-clients for providing investment advice and other advisory services. Neither we nor any of our related persons, directly or indirectly, compensate any person who is not a supervised person for client referrals.

Item 15: Custody

We will be deemed to have custody of Client funds and securities because we have the authority to obtain Client funds or securities, for example, by deducting advisory fees from a Client's account or otherwise withdrawing funds from a Client's account. Account statements related to the Clients are sent by qualified custodians to Malleus Capital.

We will comply with Rule 206(4)-2 of the Investment Advisers Act of 1940, as amended (the "**Advisers Act**") (i.e., the "custody rule") by meeting the conditions of the pooled vehicle annual audit approach. Upon completion of the relevant Fund's annual audit by an independent auditor that is registered with, and subject to inspection by, the Public Company Accounting Oversight Board (PCAOB), we will distribute the Fund's audited financials to Investors within 120 days of such Fund's fiscal year end.

Item 16: Investment Discretion

We will have full discretionary authority with respect to the funds including authority to make decisions with respect to which securities to be bought and sold, as well as the amount and price of those securities.

Item 17: Voting Client Securities

In compliance with the Advisers Act's Proxy Voting Rule, we have adopted proxy voting policies and procedures. The general policy is to vote proxy proposals, amendments, consents or resolutions (collectively, "**Proxies**") in a prudent and diligent manner that will serve the applicable client's best interests and is in line with each client's investment objectives.

We may take into account all relevant factors, as determined by us in our discretion, including, without limitation:

- the impact on the value of the securities or instruments owned by the relevant client and the returns on those securities;
- the anticipated associated costs and benefits;
- the continued or increased availability of portfolio information; and
- industry and business practices.

In limited circumstances, we may refrain from voting Proxies where we believe that voting would be inappropriate, taking into consideration the cost of voting the Proxies and the anticipated benefit to our clients. Generally, clients may not direct our vote in a particular solicitation.

Conflicts of interest may arise between the interests of the clients on the one hand and us or our affiliates on the other hand. If we determine that we may have, or be perceived to have, a conflict of interest when voting Proxies, we will vote in accordance with our Proxy voting policies and procedures.

Clients may obtain a copy of our Proxy voting policies and our Proxy voting record upon request.

Item 18: Financial Information

We are not required to include a balance sheet for our most recent fiscal year. In addition, we are not aware of any financial condition reasonably likely to impair our ability to meet contractual commitments to Clients and have not been the subject of a bankruptcy petition at any time during the past ten years.