

**CANNAE ADVISORS VIRGINIA, L.P.**

**Part 2A of Form ADV**

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**March 29, 2019**

This Brochure (the “Brochure”) provides information about the qualifications and business practices of Cannae Advisors Virginia, L.P. (“CAVLP”), a Delaware Limited Partnership, formed in January 2017 and registered with the SEC. If you have any questions about the contents of this Brochure, please contact CAVLP 434-244-7994 or by email at [psheeran@cavlp.com](mailto:psheeran@cavlp.com). Registration with the SEC does not imply a certain level of skill or training. The information in this Brochure has not been approved or verified by the SEC or by any state securities authority.

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

## **ITEM 2 – MATERIAL CHANGES AND GENERAL INFORMATION**

This brochure, dated March 29, 2019, amends the previous brochure dated March 22, 2018 and has been prepared according to the requirements and rules promulgated by the United States Securities and Exchange Commission (“SEC”).

The following is a summary of the material changes since the amendment of the brochure dated March 22, 2018:

Item 4, Advisory Business – The total assets under management was amended to \$692,103,582 as of December 31, 2018.

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#### **ITEM 4 – ADVISORY BUSINESS**

Cannae Advisors Virginia L.P. (hereinafter “CAVLP” is a limited partnership organized in the State of Delaware. CAVLP was formed in January 2017, and the principal owner is Peter Lydon Sheeran Jr.

CAVLP provides discretionary investment advice to one portfolio (“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, CAVLP’s investment advisory services are provided exclusively to the Fund. CAVLP is not currently seeking to raise additional capital or obtain new clients.

As of December 31, 2018 the Portfolio’s gross market value was approximately \$692,103,582.

#### **ITEM 5 – FEES AND COMPENSATION**

CAVLP is paid a management fee monthly in advance and is based on its annual operating expense budget determined through negotiations with the Fund’s general partner.

CAVLP is 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 general partner – CAVLP neither calculates the performance fee, nor authorizes 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 CAVLP 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 CAVLP is subject to the general partner’s general direction concerning matters of risk and CAVLP, 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, CAVLP has no authority to value the Portfolio’s assets; it is the Fund’s general partner that is responsible for the final determinations on the valuation of the Portfolio’s positions.

CAVLP's investment advisory services are provided exclusively to the Fund through the Portfolio. Therefore, CAVLP does not have any conflicts related to the receipt of performance-based fees among clients.

## **ITEM 7 – TYPES OF CLIENTS**

CAVLP 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**

CAVLP focuses on corporate and asset-backed securities and securitization investments with a deep value orientation across the capital structure. Through bottom-up analysis using fundamental research CAVLP seeks to identify and invest in the securities of companies that CAVLP believes exhibit significant valuation discrepancies between current trading prices and intrinsic business or net asset value, often with a catalyst for value recognition.

Instruments traded may include but are not limited to: stocks, bonds, debt instruments (investment and non-investment grade), high yield bonds, equity instruments (including listed and unlisted securities), exchange-traded funds, futures, derivatives, preferred securities, bank debt, floating rate notes, government bonds or any other types of financial instruments unless otherwise prohibited in the IMA. Derivative instruments may include: credit derivatives, 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.

If CAVLP cannot identify attractive investment opportunities because they are either not available or because CAVLP is wrong in its value assessment, the Portfolio's performance may be adversely impacted.

Alternative investment strategies are speculative and involve a high degree of risk, including, without limitation, risks associated with limited diversification, 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 CAVLP 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 CAVLP.

*Investment Risk:* Inherent in any alternative investment strategy is the risk of total loss of capital. CAVLP cannot predict, measure or hedge all market, or other risks inherent in its investment strategies. CAVLP may choose, or may determine that it is economically appropriate to not hedge certain risks. The profitability of its investment strategies depends to a great extent on its ability to correctly assess the future course of price movements of securities and other investments. There can be no assurance that CAVLP will be able to accurately predict price movements. The performance of any investment is subject to numerous factors which CAVLP 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.

CAVLP 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:* CAVLP may trade in markets that are volatile and which may become illiquid. 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 distress due to various circumstances including liquidity and market restrictions.

At times, the fixed income markets have experienced significant falloffs in liquidity. While such events may sometimes be attributable to changes in interest rates or other factors, the cause is not always apparent. During periods of market illiquidity, CAVLP may not be able to close out positions or may only be able to do so at unfavourable prices. This liquidity risk could adversely impact the performance of the Portfolio and may be difficult or impossible to hedge against. CAVLP may also invest in financial instruments that are not publicly traded and may not be able to readily dispose of such instruments and, in some cases, may be contractually prohibited from disposing of such securities for a specified period of time.

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 CAVLP's 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 CAVLP may 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 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).

*Developing or Emerging Markets:* Any of CAVLP's investment strategies may be executed in developing or emerging markets. In addition to the risks for securities of non-U.S. companies, developing or emerging markets may be more likely than developed markets to experience periods of illiquidity, market disruptions, political instability, economic distress, social instability, rule changes, restrictions on capital movement, etc.

*Material Non-public Information:* CAVLP may come into possession of material non-public information that would limit its ability to buy and sell investments for the Portfolio. The Portfolio's investment flexibility may be constrained as a consequence of CAVLP's inability to take certain actions because of such information. The Portfolio may experience losses if CAVLP is unable to sell an investment because it is in possession of material non-public 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. CAVLP's 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 CAVLP's 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, CAVLP may not be able to effectively pursue a short selling strategy due to the limited supply of securities available for borrowing.

*Debt Securities:* The Portfolio may invest in debt securities, bonds, asset-backed securities, or other fixed income securities and loan instruments of U.S. and non-U.S. sovereign and corporate issuers that pay fixed, variable, or floating rates of interest. The value of fixed income securities and loans in which the Portfolio may invest can change in response to fluctuations in interest rates and/or to perceptions of creditworthiness, underlying asset performance or security-specific credit events. These fluctuations may be more acute with respect to high yield and distressed issuers. The value of fixed income securities can also be impacted by dealer and market liquidity, particularly in periods of significant financial market stress.

*Distressed and High Yield Securities:* CAVLP may invest in "below investment grade" securities and obligations of issuers in weak financial condition, with high structural financial leverage (e.g., CLOs), experiencing poor operating results, having substantial capital needs or negative net worth, facing special competitive or product obsolescence problems, including companies/issuers/trusts involved in bankruptcy or other reorganization and liquidation proceedings. Among the risks inherent in investments in troubled issuers is the fact that it may be difficult to obtain information as to the true condition. These investments may also be adversely affected by laws relating to, among other things, fraudulent transfers and other voidable transfers or payments, lender liability and the bankruptcy court's power to disallow, reduce, subordinate or disenfranchise particular claims. Debt securities of troubled companies may not pay interest or dividends, whether inherently or by reason of default, whereas healthier issuers typically will pay interest or dividends on their debt securities. CAVLP may also invest in bonds or loans of issuers that do not have publicly traded equity securities, making it more difficult to hedge the risks associated with such investments.

*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:* CAVLP 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 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 depends, in part, upon CAVLP's 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 CAVLP's 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, CAVLP 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 CAVLP's 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.

*Change in Margin Terms:* In the absence of specific agreements, securities margin arrangements are generally subject to change or revocation by the lender upon very limited notice and for any or no reason. The lender may demand an increase in the collateral, including requiring collateral equal to the full amount of the borrowings, and, if the Fund is unable to provide additional collateral, the lender could liquidate assets held by the lender to satisfy the Fund's obligations. The assets of the Portfolio could be part of such a liquidation. Liquidation in that manner could have extremely adverse consequences, which may be exacerbated in the event that these changes or revocations are imposed suddenly or by multiple lenders.

*Margin in Periods of Stress:* In periods of market stress, and particularly in periods of stress specific to the Fund, lenders or counterparties may attempt to increase margin levels. Additionally, a simultaneous, broad-based increase in margin among hedge funds generally would likely adversely impact the investments held in the Portfolio by decreasing demand and increasing supply of those or similar investments.

*Counterparty Risk:* CAVLP 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.

CAVLP 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.

*Limited Diversification:* The Portfolio may become concentrated in a single issuer, industry, market or sector. The concentration of risk may increase losses suffered by the Portfolio. Limited diversification may cause greater volatility than would otherwise be the case, and could expose the Portfolio to losses disproportionate to market movements in general. Even if CAVLP attempts to control risks through diversification, risks associated with different assets may become correlated in unexpected ways, with the result that the Portfolio becomes exposed to unforeseen risks.

*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, CAVLP 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 CAVLP intends to sell, to sell when CAVLP intends 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.

#### **DISCLAIMER**

The information included in this ITEM 8 does not include every potential risk associated with CAVLP's investment strategies. 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. CAVLP 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**

There are no criminal or civil actions, administrative proceedings, or self-regulatory organization proceedings to report.

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

CAVLP has no other financial industry activities or affiliations.

## **ITEM 11 – CODE OF ETHICS, PARTICIPATION IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

CAVLP 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 its own accounts or for the accounts of family members. These activities may conflict with its 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, CAVLP has adopted a Code of Ethics that establishes various procedures with respect to investment transactions in accounts in which employees of CAVLP 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 CAVLP's 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 CAVLP.

CAVLP's 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 CAVLP's employees must provide 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.

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

## **ITEM 12 – BROKERAGE PRACTICES**

### *Best Execution*

The Fund's general partner reviews, approves and monitors the prime brokers, executing brokers-dealers and counterparties used by CAVLP. Executing broker-dealers and counterparties are chosen from those that have been reviewed and approved by the general partner.

In placing transactions for the Portfolio, CAVLP seeks to obtain "best execution," meaning that CAVLP generally seeks 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, CALP takes 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 CAVLP, brokerage and research services provided to CAVLP (e.g., research ideas, analysis, and investment strategies), special execution and block positioning capabilities, clearance, and settlement and custodial services.

CAVLP periodically reviews the broker-dealers used as well as the commissions paid to evaluate best-execution.

### *Soft Dollars*

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

### *Trade Errors*

The Portfolio (and not CAVLP) 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.

### *Brokerage for Client Referrals*

CAVLP does not receive referrals from broker-dealers or third parties in exchange for brokerage.

### *Directed Brokerage*

The general partner does not direct CAVLP to send some or all of the Portfolio's securities transactions to one designated broker.

### *Aggregating Trades*

CAVLP manages one client account and therefore, does not aggregate orders.

## **ITEM 13 – REVIEW OF ACCOUNTS**

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

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

It is CAVLP's policy to not enter into any solicitation agreement or compensate any person or entity for referrals of prospects that may become a client. CAVLP is not currently seeking new clients or to raise capital.

#### **ITEM 15 – CUSTODY**

CAVLP does not exercise custody (and is 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 CAVLP's investment activities, which may be modified from time-to-time in consultation with the general partner. In addition, the general partner may impose restrictions on CAVLP's ability to invest in certain securities or types of securities.

#### **ITEM 17 – VOTING CLIENT SECURITIES**

As a general policy, CAVLP does not accept voting authority for its client's securities.

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

Neither CAVLP nor its management has any financial condition that is likely to reasonably impair CAVLP's ability to meet contractual commitments to the Fund.