

**Item 1 – Cover Page**



**Weld Capital Management  
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New York, NY 10017**

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**This brochure provides information about the qualifications and business practices of Weld Capital Management LLC. If you have any questions about the contents of this brochure, please contact us at [investors@weldcm.com](mailto:investors@weldcm.com) or at 646-878-6692. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority. Registration as an investment adviser does not imply any level of skill or training.**

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

**Item 2 – Material Changes**

This Brochure is an annual amendment to Form ADV Part 2A. The material changes from the initial Brochure filed in March 2018 include launching the Funds (as defined herein), and having regulatory assets under management that exceed \$100 million subject to our discretionary trading authority. These changes were noted in an other-than-annual amendment that was filed in June 2018. The foregoing is a brief description of the material changes only; we recommend that you read the Brochure in its entirety.

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**Item 4 – Advisory Business**

Weld Capital Management LLC (“Weld”, or the “Advisor”), is an investment adviser located in New York, NY. Weld is a Delaware limited liability company founded in October 2017. Minhua Zhang is the managing member and principal owner of the Adviser.

Weld serves as the investment adviser to pooled investment vehicles which are offered to qualified investors on a private placement basis. Weld has discretionary trading authority to the following privately pooled investment vehicles: Weld Capital Fund LP, a Delaware limited partnership (the “Onshore Fund”), Weld Capital Offshore Fund Ltd., a Cayman Islands exempted company (the “Offshore Fund”), (together the “Feeder Funds”); and Weld Capital Master Fund LP, a Cayman Islands exempted partnership (the “Master Fund,” and collectively with the Onshore Fund, and the Offshore Fund where applicable, the “Fund” or “Funds”).

Weld Capital GP LLC (the “General Partner”) is a related entity of the Adviser and serves as the general partner to certain Funds. Mr. Zhang is the managing member and sole owner of Weld Capital GP LLC. The General Partner serves as the general partner of the Onshore Fund and Master Fund.

The Adviser may also serve as a sub-advisor to other unaffiliated investment advisers of privately pooled vehicles in the future and may also advise separately managed accounts.

The Funds (and sub-advised vehicles or separately managed accounts) that the Adviser serves as an investment adviser for will be collectively referred to as “Clients.” Investors in any of the Funds, will be referred to as “Investors.”

Weld’s investment advisory services are provided pursuant to a written investment advisory agreement between Weld and the Client to which Weld agrees to advise in accordance with Client-mandated investment objectives. The Adviser has discretionary trading authority and does not tailor advisory services to the needs of specific Investors.

As of December 31, 2018, the Adviser has regulatory assets under management of \$693,320,983 all of which are managed on a discretionary basis.

**Item 5 – Fees and Compensation**

The fees applicable to each Fund are set forth in detail in each Fund’s offering documents. A brief summary of such fees is provided below.

For certain Funds, the Adviser charges an investment management fee at an annual rate of from 1.75% to 2.00%, calculated and paid each calendar quarter in advance (the “Management Fee”). The Management Fee is adjusted for contributions or subscriptions and withdrawals or redemptions made during each quarter. In the event of a withdrawal or redemption from a Weld Fund other than the end of a quarter, any Management Fees will be pro-rated and the excess returned to the withdrawing or redeeming Investor.

The Adviser may also receive a performance-based fee or allocation for the management of certain of the Funds which is based on a share of capital gains or appreciation of the assets of the Fund. Performance-based compensation ranges from 17.5% to 20%, subject to a loss carry-forward provision. Performance-based compensation is generally taken at the end of each calendar year.

Weld, or its affiliates, in their sole discretion, may elect to reduce or waive the performance-based allocation or fee, or the Management Fee with respect to any Investor, including, without limitation, an Investor that is a partner, member or employee of the Adviser, the General Partner, or such person’s family members and trusts, or other entities established for the benefit of such person or his or her family members.

Management Fees and performance-based fees or allocations are described in greater detail in the offering documents of the Funds.

The Adviser is responsible to pay all overhead expenses of an ordinary and recurring nature such as rent, supplies, secretarial expenses, stationery, charges for furniture and fixtures, employee insurance, payroll taxes and compensation of employees.

All other expenses are borne by the Funds and are allocated generally, in a pro-rata fashion, based on asset size of each fund, to the extent an expense is incurred by multiple Funds. Such expenses may include: (i) legal, accounting (including third-party accounting services), administration, audit, and other professional fees and expenses, (ii) organizational expenses, (iii) research and data expenses, (iv) technology infrastructure expenses, (v) trading-related technology software costs deemed by the Adviser deemed to benefit the Funds such as portfolio, order and risk management systems, (vi) compliance expenses of the Adviser, and the Funds (including expenses related to various filings (or portions thereof) the Adviser is required to make as a result of managing the Funds’ portfolio, such as Form ADV, Form PF and expenses related to registration, filing, and/or reporting requirements

in any jurisdiction in which the interests are offered or sold), (vii) director's and officer's insurance and errors and omissions insurance related to the Adviser, and Funds, as applicable (expenses (i) through (vii), collectively, "Capped Expenses"), the Management Fee, expenses incurred in connection with the Fund's indemnification obligation, out-sourced trading expenses, investment expenses such as commissions and trading and support services (including payments to assisting brokers), borrowing charges, custodial fees, bank service fees and other expenses related to the purchase, sale, preservation or transmittal of Client assets. Notwithstanding the foregoing, Capped Expenses in excess of 0.50% per annum of the aggregate calculated monthly on an annualized basis, are borne by the Adviser.

Weld may, in its sole discretion, bear any of the Funds' expenses described above; provided that, if Weld does pay any such expenses, it will not be required to continue to pay such expenses and may thereafter cause the Funds to pay such expenses.

The allocation of expenses by the Adviser between it and any Fund and among Clients represents a conflict of interest for the Adviser. Weld has adopted an expense allocation policy that is designed to address this conflict. The Adviser allocates expenses to each Client in accordance with the Client's arrangements with the Adviser. Weld seeks to allocate shared expenses for products and services benefitting the Adviser and a Fund, and not covered in the Client's arrangements in a fair and reasonable manner. The Adviser generally allocates common Fund expenses among multiple Funds or Clients pro rata based on assets under management.

More detailed information regarding the fees and expenses paid by the Funds may be found in the offering documents of the Funds.

Neither the Adviser 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**

As described in Item 5 above, part of the Adviser's compensation is in the form of performance-based compensation calculated as a percentage of profits of Client accounts. The fact that the Adviser or its affiliates are compensated based on the net capital appreciation of Client accounts may create an incentive for the Adviser to make investments on behalf of the Clients that are riskier or more speculative than would be the case in the absence of such compensation.

Currently, the Adviser makes all investments on behalf of Investors in the Funds via the Master Fund, and investment opportunities are allocated to the Feeder Funds on a pro rata basis depending on the level of assets in each fund.

Weld may manage accounts which are not subject to performance-based compensation or may be subject to lower performance-compensation rates. Should that be the case, this will present a conflict of interest, because Weld can potentially receive greater fees from accounts having a higher performance-based compensation structure than from those accounts with a lower performance-based compensation rate. This may present an incentive to:

- direct the best investment ideas to, or allocate or sequence trades in favor of, the accounts that pay higher performance-based compensation rates;
- allocate a disproportional amount of personnel and resources to identifying and securing investment opportunities for accounts that pay higher performance-based compensation rates;
- use trades by an account that pays lower performance-based compensation rates to benefit accounts that pay higher performance-based compensation rates, such as where the higher performance-based compensation rate paying account sells short before a sale by the account that pays lower performance-based compensation rates, or the higher performance-based compensation rate paying account sells a security only after an account that pays lower performance-based compensation rates has made a large purchase of the security; and
- benefit an account that pays higher performance-based compensation rates over an account that pays lower performance-based compensation rates and which has a different and potentially conflicting investment strategy.

It shall be Weld's policy to allocate investment opportunities equitably. Currently, pursuant to the Adviser's "Aggregation and Allocation Policy", Weld allocates investments across Clients on a pro-rata basis based on assets under management from each Client, provided, however that the Adviser may allocate investment opportunities to such accounts on a non-pro rata basis due to a consideration of factors including but not limited to enhanced leverage or Client investment restrictions.

To the extent orders are aggregated, Client orders are price-averaged and allocated in accordance with the aggregated order; provided, that the aggregated order may

be allocated on a different basis for reasons including but not limited to partially filled orders and to avoid odd lots or excessively small allocations. These areas are monitored by the Adviser's Chief Compliance Officer ("CCO").



**Item 7 – Types of Clients**

Weld provides investment management services to the Funds, (as described above) which are privately placed pooled investment vehicles. Any initial and additional subscription minimums with respect to investment in a Fund are disclosed in the offering memorandum for each Fund.

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

*Methods of Analysis and Investment Strategies:*

The investment objective of the Funds is to provide competitive risk-adjusted returns utilizing quantitative, market neutral trading strategies. The Adviser employs a combination of systematic quantitative strategies that are supplemented by fundamental analysis.

The Funds invest in the publicly traded equities issued by exchange listed companies. To reduce market risk, the Adviser will (i) trade a broad set of equities across multiple markets and (ii) maintain a market neutral portfolio with the expected net dollar value of long positions generally within 6% of the net dollar value of the short positions and within 3% of the beta value of the short positions. In addition, the Adviser seeks to reduce event risk by generally limiting exposure to any one security to no more than 2% of the Client's gross asset value.

It is expected that all or most of the Funds' trades will be executed through the cash equity markets although the Adviser may also effect such trades via swap transactions which will provide substantially similar economics to transacting in the actual shares. Because some or all of the invested assets may not be denominated in U.S. dollars, currency spot contracts, forward contracts and futures may be utilized to manage currency risk. Because positions are held overnight, some equity index-based futures may be utilized to hedge risks outside of regular equity market trading hours. Since the Funds' profits from relatively near-term market inefficiencies, usually between one and four weeks, portfolio turnover is expected to be high. The Client utilizes leverage. As a guideline, the Adviser does not intend to employ leverage greater than 5:1 per side although the customary level of leverage is anticipated to be meaningfully less than 5:1 per side.

*Risk Factors:*

The following identifies certain material risks to the Adviser's investment strategies and should be carefully evaluated prior to making an investment in any vehicle managed by the Adviser. The following does not purport to identify all possible risks of an investment with the Adviser or to provide a full description of those risks identified.

**Market Risks**

The profitability of a significant portion of the Client's investment program depends to a great extent upon correctly assessing the future course of the price movements of securities and other investments. There can be no assurance that the Adviser will be able to predict accurately these price movements. With respect to the investment strategy utilized by the Client, there is always some, and occasionally a significant, degree of market risk.

**Nature of Investments**

The Adviser has broad discretion in making investments for the Client. Investments generally consist of positions in publicly traded equities issued by exchange listed companies and other assets that may be affected by business, financial market or legal uncertainties. There can be no assurance that the Adviser will correctly evaluate the nature and magnitude of the various factors that could affect the value of and return on investments. Prices of investments may be volatile, and a variety of factors that are inherently difficult to predict, such as domestic or international economic and political developments, may significantly affect the results of the Client's activities and the value of its investments. No guarantee or representation is made that the Client's investment objective will be achieved.

### **Market Neutral Strategy Risk**

The Adviser intends for the Client's portfolio to generally be market neutral, although at times the Client's portfolio may have net long or net short exposure. Exposure will fluctuate over time due to a variety of factors, including, but not limited to one-sided order fills, technology outages, model and/or optimizer errors and changes in the value of positions held in the Client's portfolio.

Additionally, the Client's use of short sales and other hedging transactions in combination with its long positions in an attempt to maintain a market neutral portfolio may not be successful and may result in greater losses or lower positive returns than if the Client held only long or short positions. When the general stock market is performing strongly, the Client is expected to underperform the market because the Client's short positions will likely lose money. If the Client's market neutral strategy is unsuccessful such that the Client's portfolio has net long or net short exposure, the Client will be subject to the risk that stock prices overall will decline or increase, respectively. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices.

### **Equity Securities and Equity-Related Instruments**

The Client invests in publicly traded equities issued by exchange listed companies and other equity market instruments. Equity securities represent ownership interests in their respective issuers and generally carry the most risk associated with a specific issuer's capital structure.

The price of equity securities and their related financial instruments vary for a variety of reasons, including but not limited to supply and demand of the equity securities, the actual or perceived business opportunities associated with the issuer, the current and potential future cash flow of the issuer, the issuer's management, their ability to execute on a specific business plan, the general economic environment and the outlook for the overall economy. To the extent the Client owns an equity security or otherwise has exposure to an equity-related financial instrument, such investment carries the risks associated with owning equities and may also carry risks associated with the form of financial instrument (e.g., options, derivative or securities-based futures contract). Any investment in equities or equity-related instruments entails a significant risk of loss.

### **Short Sales**

The Client may engage in short selling. Short selling, or the sale of securities not owned by the Client, involves certain risks. Such transactions expose the Client to the risk of loss in an amount greater than the initial investment, and such losses can increase rapidly and without effective limit. There is the risk that the securities borrowed by the Client in connection with a short sale would need to be returned to the securities lender on short notice. If such request for return of securities occurs at a time when other short sellers of the subject security are receiving similar requests, a “short squeeze” can occur, wherein the Client might be compelled, at the most disadvantageous time, to replace borrowed securities previously sold short with purchases on the open market, possibly at prices significantly in excess of the proceeds received earlier.

**Futures**

Trading in futures contracts are highly specialized activities that may entail greater than ordinary investment risks. Futures markets (including financial futures) are highly volatile and are influenced by factors such as changing supply and demand relationships, governmental programs and policies, national and international political and economic events and changes in interest rates. In addition, because of the low margin of deposit normally required in futures trading, a high degree of leverage is typical of a futures trading account. Consequently, a relatively small price movement in a futures contract may result in substantial losses to the trader. Futures trading may also be illiquid. Certain commodity exchanges do not permit trading in a particular type of future beyond certain set limits. If prices fluctuate during a single day’s trading beyond those limits – which conditions have in the past sometimes lasted for several days in certain contracts – the Client could be prevented from promptly liquidating unfavorable positions and thus be subject to substantial losses.

**Non-United States Securities**

The Client may invest in securities outside of the United States. Investing in securities of foreign governments and companies that are generally denominated in currencies other than the United States dollar, and utilization of foreign currency forward contracts and options on foreign currencies involve certain considerations comprising both risks and opportunities not typically associated with investing in securities of United States issuers. These considerations include changes in exchange rates and exchange control regulations, political and social instability, expropriation, imposition of foreign taxes, less liquid markets and less available information than are generally the case in the United States, higher transaction costs, less government supervision of exchanges, brokers and issuers, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards and greater price volatility.

**Currency Risks**

The Client's investments that are denominated in a foreign currency are subject to the risk that the value of a particular currency will change in relation to one or more other currencies. Among the factors that may affect currency values are trade

balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments.

### **Emerging Markets Regulatory and Legal Risks**

The Client may invest in emerging markets. In emerging markets, there may be less government supervision and regulation of business and industry practices, stock exchanges, over-the-counter markets, brokers, dealers and issuers than in other more established countries. Whatever supervision is in place may be subject to manipulation or control. While many emerging market countries have mature legal systems comparable to those of more developed countries, others do not. Moreover, the process of legal and regulatory reform may not be proceeding at the same pace as market developments which could result in investment risk. Legislation to safeguard the rights of private ownership may not yet be in place in certain areas, and there may be the risk of conflict among local, regional and national requirements. In certain cases, the laws and regulations governing investments in securities may not exist or may be subject to inconsistent or arbitrary appreciation or interpretation. Both the independence of judicial systems and their immunity from economic, political or nationalistic influences remain largely untested in many countries. The Client may also encounter difficulties in pursuing legal remedies or in obtaining and enforcing judgments in non-United States courts.

### **Leverage**

As noted in Section 3 above, the Client utilizes leverage. Leverage increases returns to investors if the Client earns a greater return on leveraged investments than the Client's cost of such leverage. However, the use of leverage exposes the Client to additional levels of risk including greater losses from investments than would otherwise have been the case had the Client not borrowed to make the investments, (ii) margin calls or changes in margin requirements may force premature liquidations of investment positions, (iii) losses on investments where the investment fails to earn a return that equals or exceeds the Client's cost of leverage related to such investments and (iv) fluctuations in interest rates on the Client's borrowings, which may have a negative effect on the Client's profitability. In case of a sudden, precipitous drop in the value of the Client's assets, the Client might not be able to liquidate assets quickly enough to repay its borrowings, further magnifying the losses incurred by the Client.

The Adviser may find it difficult or impossible to obtain leverage. Since leveraging its assets could be part of the investment strategy of the Client, in such event, the Adviser could find it difficult to fully implement its strategy. In addition, any leverage obtained, if terminated on short notice by the lender, could result in the Adviser being forced to unwind positions quickly and at prices below what the Adviser deems to be fair value for the positions.

### **Derivatives**

The Client may utilize both exchange-traded and over-the-counter derivatives, including, but not limited to, futures, forwards, swaps, options and contracts for differences, as part of its investment policy. These instruments can be highly volatile and expose Limited Partners to a high risk of loss. Transactions in over-the-counter contracts may involve additional risk, as there is no exchange market on which to close out an open position. It may be impossible to liquidate an existing position, to assess the value of a position or to assess the exposure to risk. Contractual asymmetries and inefficiencies can also increase risk, such as break clauses, whereby a counterparty can terminate a transaction on the basis of a certain reduction in net asset value, incorrect collateral calls or delays in collateral recovery.

### **Options**

The purchase or sale of an option involves the payment or receipt of a premium by the investor and the corresponding right or obligation, as the case may be, either to purchase or sell the underlying security, commodity or other instrument for a specific price at a certain time or during a certain period. Purchasing options involves the risk that the underlying instrument will not change price in the manner expected, so that the investor loses its premium. Selling options involves potentially greater risk because the investor is exposed to the extent of the actual price movement in the underlying security rather than only the premium payment received (which could result in a potentially unlimited loss). Over-the-counter options also involve counterparty solvency risk.

### **Model Risk**

The Adviser utilizes various proprietary quantitative models to identify investment opportunities. However, most quantitative models cannot fully match the complexity of the financial markets and therefore sudden unanticipated changes in underlying market conditions can significantly impact the performance of the Client. Further, as market dynamics shift over time, a previously highly successful model may become outdated – perhaps without the Adviser recognizing that fact before substantial losses are incurred. Even without becoming completely outdated, a given model's effectiveness may decay, in an unpredictable fashion, for any number of reasons including, but not limited to, an increase in the amount of assets managed by the Client, the use of such model by other clients of the Adviser (if any), the use of similar models by other market participants and/or market dynamic shifts over time. Moreover, there are an increasing number of market participants who rely on quantitative mathematical models. These models may be similar to those used by the Client, which may result in a substantial number of market participants taking the same action with respect to an investment and some of these market participants may be substantially larger than the Client. Should one or more of these other market participants begin to divest themselves of one or more positions, a “crisis correlation,” independent of any fundamentals and similar to the crises that occurred, for example, in September 1998 and August 2007, could occur, thereby causing the Client to suffer material, or even total, losses.

Although the Adviser intends for the Client's portfolio to generally be market neutral, this does not mean that the Client will not be affected by adverse market conditions similar to those described above and/or others. There can be no assurances that strategies pursued will be profitable, and various market conditions may be materially less favorable to certain strategies than others. The Adviser may incorrectly identify opportunities and these mis-identified opportunities may lead to substantial losses. Mispricings, even if correctly identified, may not be corrected by the market, at least within a time frame over which it is feasible for the Client to maintain a position. The Adviser has developed a number of tools to reduce the likelihood of the occurrences described above. However, such failures are possible and can cause adverse impact on the investment portfolio.

**Technology and Licensing Risk**

The investment strategy of the Adviser relies heavily on the use of proprietary and non-proprietary software, data and intellectual property being licensed to it on a non-exclusive basis by commercial software analytics, research and data supply entities. To the extent that an unforeseeable software or hardware malfunction or problem is caused by a defect, virus or other outside force, the Client may be adversely affected. In addition if the licensed material is found to be owned by a third party, and not by the licensing company, as represented, the Client could be adversely affected.

Further, both the proprietary and non-proprietary software, data and intellectual property are known to have errors, omissions, imperfections, and malfunctions (collectively, "Errors"). Errors in non-proprietary software, data and intellectual property are generally entirely outside of the control of the Adviser. The Adviser seeks to reduce the incidence and impact of Errors through a certain degree of internal testing and real-time monitoring and the use of other independent safeguards. Despite such testing, monitoring and independent safeguards, Errors will result in, among other things, the execution of unanticipated trades, the failure to execute anticipated trades, the failure to properly allocate trades, the failure to properly gather and organize available data, the failure to take certain hedging or risk reducing actions and/or the taking of actions which increase certain risk(s) – all of which can have adverse (and potentially materially adverse) effects on the Client and/or its returns.

**Cybersecurity Risk**

The Client, the General Partner, the Adviser and their service providers, including banks, broker dealers, custodians and their affiliates, may be subject to operational and information security risks resulting from cyber-attacks. Cyber-attacks include, among other behaviors, stealing or corrupting data maintained online or digitally, denial of service attacks on websites, the unauthorized release of confidential information, unauthorized asset transfers and various other forms of cybersecurity breaches. Cyber-attacks affecting the Client, the General Partner, the Adviser or their service providers may adversely impact the Client. For instance, cyber-attacks may interfere with the processing or execution of Client transactions, cause the release of confidential information, including private information about limited

partners, subject the Client, the General Partner, the Adviser or their affiliates to regulatory fines or financial losses, or cause reputational damage. Additionally, cyber-attacks or security breaches (e.g., hacking or the unlawful withdrawal or transfer of funds), affecting any of the Client's key service providers, such as the General Partner, the Adviser, banks, broker dealers, custodians or other counterparties holding assets of the Client, may cause significant harm to the Client, including the loss of capital. Similar types of cybersecurity risks are also present for issuers of securities in which the Client may invest. These risks could result in material adverse consequences for such issuers, and may cause the Client's investments in such issuers to lose value.

**Portfolio Turnover**

The investment strategy of the Client may involve the taking of frequent trading positions, and, as a result, turnover and brokerage commission expenses of the Client may significantly exceed those of other investment entities of comparable size.

**Counterparty and Settlement Risk**

To the extent the Client invests in swaps, derivatives or "synthetic" instruments, repurchase agreements, other over-the-counter transactions or non-U.S. securities or engages in securities lending, the Client may take a credit risk with regard to parties with which it trades and may also bear the risk of settlement default. These risks may differ materially from those entailed in exchange-traded transactions, which generally are backed by clearing organization guarantees, daily marking-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered directly between two counterparties generally do not benefit from such protections and expose the parties to the risk of counterparty default. Any such default by a trading counterparty could result in losses to the Client due to the delay of settlement of a transaction, loss of market gains or, in certain circumstances, loss of a portion or the full amount of the notional value of the transaction.

**Custody and Prime Brokerage Risk**

There are risks involved in dealing with the custodians or prime brokers who settle Client trades. Under certain circumstances, including certain transactions where the Client's assets are held at a non-U.S. prime broker, the securities and other assets deposited with the custodian or broker may not be clearly identified as being assets of the Client, and hence the Client could be exposed to a credit risk with regard to such parties. In addition, there may be practical or time problems associated with enforcing the Client's rights to its assets in the case of an insolvency of any such party.

The Client maintains a prime brokerage account with JP Morgan Securities LLC (the "Prime Broker"). Although the Adviser monitors the Prime Broker and believes it or its affiliates are appropriate custodians, there is no guarantee that the Prime Broker, or any other custodian that the Client may use from time to time, will not become insolvent. While both the Bankruptcy Code and the Securities



Investor Protection Act of 1970 seek to protect customer property in the event of a failure, insolvency, or liquidation of a broker-dealer, there is no certainty that, in the event of a failure of a broker-dealer that has custody of Client assets, the Client would not incur losses due to its assets being unavailable for a period of time, ultimately less than full recovery of its assets, or both.

The Client and/or the Prime Broker may appoint sub-custodians in certain non-U.S. jurisdictions to hold the assets of the Client. The Prime Broker may not be responsible for cash or assets which are held by sub-custodians in certain non-U.S. jurisdictions, nor for any losses suffered by the Client as a result of the bankruptcy or insolvency of any such sub-custodian. The Client may therefore have a potential exposure on the default of any sub-custodian and, as a result, many of the protections which would normally be provided to a partnership by a custodian will not be available to the Client. Custody services in certain non-U.S. jurisdictions remain undeveloped and, accordingly, there is a transaction and custody risk of dealing in certain non-U.S. jurisdictions. Given the undeveloped state of regulations on custodial activities and bankruptcy in certain non-U.S. jurisdictions, the ability of the Client to recover assets held by a sub-custodian in the event of the sub-custodian's bankruptcy would be in doubt.

#### **Lack of Liquidity of Client Assets; Valuation**

Client assets may, at any given time, include securities and other financial instruments or obligations that are thinly traded or for which no market exists and/or which are restricted as to their transferability under applicable securities laws. The sale of any such investments may be possible only at substantial discounts, and it may be extremely difficult to accurately value any such investments.

#### **Limited Withdrawal and Transfer Rights**

A Limited Partner may only withdraw capital on the terms described herein. Limited Partners may only transfer their Interests with the written consent of the General Partner. Accordingly, only investors willing to give up some access and control over their funds should acquire Interests (see Section 12 for further details).

#### **Non-Disclosure of Positions**

In an effort to protect the confidentiality of its positions, the Client generally will not disclose all of its positions to Limited Partners on an ongoing basis, although the General Partner, in its sole discretion, may permit such disclosure on a select basis to certain Limited Partners if it determines that there are sufficient confidentiality agreements and procedures in place.

#### **Incentive Allocation**

The allocation by the Master Fund of a percentage of the Client's net profits to the General Partner from the Limited Partners may create an incentive for the Adviser to cause the Master Fund to make investments that are riskier or more speculative than would be the case if this allocation were not made. Since the allocation is calculated on a basis that includes unrealized appreciation of assets, such allocation may be greater than if it were based solely on realized gains. Since the Incentive

Allocation and loss carryforward are calculated separately for each Capital Account, in the case of a Limited Partner who has multiple Capital Accounts, it is possible that the General Partner will be entitled to receive an Incentive Allocation with respect to one of the Limited Partner's Capital Accounts even though the Limited Partner's total investment in the Client for the relevant fiscal year has experienced a net loss.

#### **Unrelated Business Taxable Income for Certain Tax-Exempt Investors**

Pension and profit-sharing plans, Keogh plans, individual retirement accounts and other tax-exempt investors may realize "unrelated business taxable income" as a result of an investment in the Client since the Client may employ leverage (see Section 17 below). Any tax-exempt investor should consult its own tax advisor with respect to the effect of an investment in the Client on its own tax situation.

#### **Accounting for Uncertainty in Income Taxes**

The Financial Accounting Standards Board has released Accounting Standards Codification Topic 740 ("ASC 740") (formerly known as "FIN 48"), to provide consistent guidance on the recognition of uncertain tax positions. ASC 740 prescribes, among other things, the minimum recognition threshold that a tax position is required to meet before being recognized in an entity's financial statements. Prospective Limited Partners should be aware that, among other things, ASC 740 could have a material adverse effect on the periodic calculations of the value of the Client's net assets, including reducing the value of the Client's assets to reflect reserves for income taxes that may be payable in respect of prior periods by the Client. This could adversely affect certain Limited Partners, depending upon the timing of their purchase and withdrawal of Interests.

#### **Absence of Regulatory Oversight**

While the Client may be considered similar to an investment company, it does not intend to register as such under the 1940 Act in reliance upon an exemption available to privately offered investment companies, and, accordingly, the provisions of the 1940 Act (which, among other matters, require investment companies to have disinterested directors, require securities held in custody to at all times be individually segregated from the securities of any other person and marked to clearly identify such securities as the property of such investment company and regulate the relationship between the adviser and the investment company) will not be afforded to the Client or the Limited Partners.

#### **Business and Regulatory Risks of Hedge Funds**

Legal, tax and regulatory changes could occur during the term of the Client that may adversely affect the Client. The regulatory environment for hedge funds is evolving, and changes in the regulation of hedge funds may adversely affect the value of investments held by the Client and the ability of the Client to obtain the leverage it might otherwise obtain or to pursue its trading strategies. In addition, securities and futures markets are subject to comprehensive statutes, regulations and margin requirements. Regulators and self-regulatory organizations and

exchanges are authorized to take extraordinary actions in the event of market emergencies. The regulation of derivative transactions and funds that engage in such transactions is an evolving area of law and is subject to modification by government and judicial actions. The effect of any future regulatory change on Client could be substantial and adverse including, for example, increased compliance costs, the prohibition of certain types of trading and/or the inhibition of the Client's ability to pursue certain of its investment strategies as described here.

**Conflicts of Interest**

As noted in Section 2 above, the Adviser also serves as the investment manager to the Offshore Fund and the Master Fund and the General Partner also serves as the general partner of the Master Fund. Further, the General Partner, the Adviser and their respective affiliates, partners, principals, members and employees (hereinafter referred to as the "Affiliated Parties") may serve as the general partner, or the investment manager to other client accounts and conduct investment activities for their own accounts. Such other entities or accounts may have investment objectives or may implement investment strategies similar to those of the Client.

The Affiliated Parties may also give advice or take action with respect to the Other Clients that differs from the advice given with respect to the Client. To the extent a particular investment is suitable for both the Client and the Other Clients, such investments will be allocated between the Client and the Other Clients pro rata based on assets under management or in some other manner which the Affiliated Parties determine is fair and equitable under the circumstances to all of their clients, including the Client, taking into account, among other things, available capital and cash flows. From the standpoint of the Client, simultaneous identical portfolio transactions for the Client and the Other Clients may tend to decrease the prices received and increase the prices required to be paid by the Client, respectively, for its portfolio sales and purchases. Where less than the maximum desired number of shares of a particular security to be purchased is available at a favorable price, the Affiliated Parties will allocate the shares purchased among the Client and the Other Clients in an equitable manner.

In addition, purchase and sale transactions (including swaps) may be effected between the Client and the Other Clients subject to the following guidelines: (i) such transactions shall be effected for cash consideration at the closing market price of the particular securities, and (ii) no brokerage commissions or transfer fees shall be paid to the General Partner or the Adviser in connection with any such transaction.

As a result of the foregoing, the Affiliated Parties may have conflicts of interest in allocating their time and activities between the Client and the Other Clients, in allocating investments among the Client and the Other Clients and in effecting transactions between the Client and the Other Clients, including ones in which the Affiliated Parties may have a greater financial interest.

If there are Other Clients, common expenses frequently would be incurred on behalf of the Master Fund and one or more Other Clients. The Adviser would seek to

allocate those common expenses among the Master Fund and the Other Clients in a manner that is fair and reasonable over time. However, expense allocation decisions involve potential conflicts of interest (e.g., conflicts relating to different expense arrangements with certain clients). The Adviser may use a variety of methods to allocate common expenses among the Master Fund and the Other Clients, including methods based on assets under management, relative use of a product or service, the nature or source of a product or service, the relative benefits derived by the Master Fund and the Other Clients from a product or service, or other relevant factors. Nonetheless, because the Adviser's expense allocations often depend on inherently subjective determinations, the portion of a common expense that the Adviser allocates to the Master Fund for a particular product or service may not reflect the relative benefit derived by the Master Fund from that product or service in any particular instance.

Each of the General Partner and the Adviser will use its best efforts in connection with the purposes and objectives of the Client and will devote so much of its time and effort to the affairs of the Client as may, in its judgment, be necessary to accomplish the purposes of the Client. The Client Agreement specifically provides that the Affiliated Parties may conduct any other business, including any business within the securities industry, whether or not such business is in competition with the Client. Without limiting the generality of the foregoing, the Affiliated Parties may act as the general partner, investment adviser or investment manager for others, may manage funds or capital for others, may have, make and maintain investments in their own name or through other entities, and may serve as officers, directors, consultants, partners or stockholders of one or more investment funds, partnerships, securities firms or advisory firms. It may not always be possible or consistent with the investment objectives of the various persons or entities described above and of the Client for the same investment positions to be taken or liquidated at the same time or at the same price.

**Item 9 – Disciplinary Information**

This item is not applicable.

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

The General Partner, an affiliate of the Adviser, claims an exemption from registration with the Commodity Futures Trading Commission (“CFTC”) as a Commodity Pool Operator pursuant to CFTC Rule 4.13(a)(3).

The Adviser and its management persons are not registered as broker-dealers and do not have any application pending to register with the SEC as a broker-dealer or registered representative of a broker-dealer.

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

Weld a has adopted a Code of Ethics (the “Code”) pursuant to Rule 204A-1 of the Investment Advisers Act of 1940, as amended (the “Advisers Act”) which sets forth standards of ethical and business conduct expected of its personnel and addresses conflicts that may arise from personal trading by its personnel. Weld’s Code, among other things, requires compliance with the U.S. federal securities laws; and reflects Weld’s fiduciary responsibilities and those of its personnel. It further prohibits certain personal securities transactions; requires Weld’s personnel to periodically report their personal securities transactions and to preclear certain securities transactions; and addresses prevention of the misuse of material non-public information. Weld permits employees and their family members and dependents to engage in personal account trading subject to compliance to written policies and procedures contained in its Code and in the Adviser’s Personal Trading Policy.

The Code of Ethics will be provided to any investor or potential investor upon request.

It is the responsibility of all Weld personnel to ensure that the Adviser conducts its business with the highest level of ethical standards and in keeping with the fiduciary duties owed to Weld Clients. Employees have a duty to place the interests of our Clients first and to refrain from having outside interests that conflict with the interests of our Clients. The Adviser has a duty to act with loyalty, impartiality and prudence and in the best interests of Clients. Employees must avoid any circumstances that might adversely affect, or appear to affect, their duty of loyalty to Clients.

Weld has adopted policies and procedures that are designed to prevent the misuse of material nonpublic information (“MNPI”). Weld personnel may not trade, either personally or on behalf of a Client, on material nonpublic information or communicate material nonpublic information to another person in violation of the law. This policy applies to all Weld personnel and extends to their activities both within and outside their duties at the firm.

None of our personnel may serve as a director of any company without prior approval by the CCO based upon a determination that service as a director would not be adverse to the interest of any of our clients.

The Code requires that all personnel have read the Code, agreed to adhere to the Code, and are aware that a record of all violations of the Code will be maintained by the Chief Compliance Officer and that personnel who violate the Code are subject to sanctions by the Adviser which may include termination. Employees are required to report any violation or apparent violation of the Code to the CCO.

The Adviser's employees and related persons and entities may and will, invest in private funds managed by the Adviser and may, hold a substantial portion of a private fund's assets. Such investments pose a risk that the Adviser, or individuals who are in a position to control the allocation of investment opportunities to the Adviser's Clients, will favor those private funds in which Weld's related persons invest. Additionally, Weld's related persons have access to information that is not available to other investors in such private funds.

The Adviser and its related persons do not purchase or sell any portfolio securities for their own accounts from or to the accounts of Clients.



**Item 12 – Brokerage Practices**

The Adviser is responsible for the placement of the portfolio transactions of the Clients and the negotiation of any commissions paid on such transactions. Portfolio securities normally are purchased through broker-dealers on securities exchanges or directly from the issuer or from an underwriter or market maker for the securities. Purchases of portfolio instruments through broker-dealers involve a commission to the broker-dealer. Purchases of portfolio securities from dealers serving as market makers include the spread between the “bid” and the “ask” price. The Adviser does not commit to allocate a particular amount of brokerage business to any broker-dealer.

Securities transactions for the Clients are executed through broker-dealers selected by the Adviser in its sole discretion and without the consent of the Clients or the Investors. In placing portfolio transactions, Weld seeks to obtain the best execution for the Clients, taking into account some or all of the following factors: the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any); the operational efficiency with which transactions are effected, taking into account the size of the order and difficulty of execution; the financial strength, integrity and stability of the broker-dealer; the broker’s risk in positioning a block of securities; the quality, comprehensiveness and frequency of available research services considered to be of value; and the competitiveness of commission rates in comparison with other broker-dealers satisfying the Adviser’s other selection criteria. Weld is not required to weigh any or all of these factors equally.

It is not Weld’s practice to negotiate “execution only” commission rates, thus a Client may be deemed to be paying for research, brokerage or other services provided by a broker-dealer which are included in the commission rate. This may cause a Client to pay a brokerage commission in excess of that which another broker might have charged for effecting the same transaction. Consistent with its best execution practices, Weld makes a good faith determination that the amount of commission is reasonable in relation to the value of the research or brokerage services received, viewed in terms of either the specific transaction or the Adviser’s overall responsibility to its Clients. The Adviser regularly evaluates the brokerage services it receives and the reasonableness of commissions paid.

The Adviser may use client brokerage commissions, or “soft dollars,” to obtain research and brokerage services that provide lawful and appropriate assistance to the Adviser in carrying out its investment decision-making responsibilities, as permitted under the safe harbor of Section 28(e) of the Securities Exchange Act of 1934 (“Section 28(e)"). *Soft Dollars* refers to the practice of using client commission dollars to compensate a broker-dealer for investment research, including proprietary broker research and third party research, and brokerage

execution services and other products and services provided by the broker to a discretionary investment adviser.

The use of Client commissions to obtain research, products or services raises conflicts of interest. For example, the Adviser will not have to pay for such services itself. This may create an incentive for Weld to select a broker based on its interest in receiving such products and services.

Broker-dealers may provide products and services paid for through soft dollars either directly, or through credits deposited into an account, via a commission sharing arrangement, which may be used for research developed by the broker-dealer, third-party research and brokerage services. Section 28(e) provides a safe harbor from liability for breach of fiduciary duties relating to the purchase of limited research or brokerage services using soft dollars so long as the products and services received constitute lawful and appropriate assistance and the amount indirectly paid for those products or services is reasonable.

Currently, the Adviser's only soft dollar arrangement is to receive proprietary research from its brokers. This research is used exclusively by the Adviser in its investment decision making process. The Adviser has determined that all such research is within the definition of "research" as defined in the Section 28(e) safe harbor. Currently, Weld has no commission sharing arrangements in place.

It is the policy of Weld to allocate investment opportunities fairly and equitably. At all times that Weld advises more than one Client it will follow procedures to ensure that allocations do not favor or discriminate against any Client. Account performance is never a factor in trade allocations. Generally, trade allocations will be made pro rata based on the relative capital size of each of Client to the extent that the Clients have similar investment mandates.

From time to time, the Adviser may participate in capital introduction programs arranged by broker-dealers, including firms that serve as prime brokers to a private fund managed by the Adviser or recommend investments in these private funds as investments to the clients of the broker-dealer. The Adviser may place client portfolio transactions with firms who have made such recommendations or provided capital introduction opportunities, if the Adviser determines that it is otherwise consistent with seeking best execution. In no event will the Adviser select a broker-dealer as a means of remuneration for recommending the Adviser or any other product managed by the Adviser (or an affiliate) or affording the Adviser with the opportunity to participate in capital introduction programs.

Weld does not direct client transactions to a particular broker-dealer in return for client referrals.

**Item 13 – Review of Accounts**

Weld continuously monitors and analyzes the transactions, positions, and investment levels of Client portfolios to ensure that they conform to the Client's investment objectives and guidelines. These reviews are designed, in part, to monitor and analyze securities and other asset holdings as well as desired risk levels.

The administrator for the Funds advised by Weld will send Investors monthly account statements as well as audited financial statements produced by an independent public accounting firm annually, delivered within 120 days of the relevant Fund's fiscal year end.

**Item 14 – Client Referrals and Other Compensation**

Weld has not entered into any arrangements with brokers or third party marketers for client referrals. The only benefits it may receive from brokers other than execution are contained in Item 12 of this Brochure.

The Adviser receives certain research or other products or services from broker-dealers. The receipt of these “soft-dollar” items create an incentive for the Adviser to select or recommend broker-dealers based on the Adviser’s interest in receiving the research or other products or services and may result in the selection of a broker-dealer on the basis of considerations that are not limited to the lowest commission rates and may result in higher transaction costs than would otherwise be obtainable. Please see Item 12 for further information on the Adviser’s “soft-dollar” practices, including the Weld’s procedures for addressing conflicts of interest that arise from such practices.

**Item 15 – Custody**

The Adviser or an affiliate of the Adviser is deemed to have custody of assets of one or more of the Funds. Weld will comply with Advisers Act’s “Custody Rule,” by meeting the conditions of the pooled vehicle annual audit provision. Annually, upon completion of the relevant Fund’s annual audit, the Adviser will distribute the Fund’s audited financials to Investors within 120 days of the Fund’s fiscal year end. The audit shall be prepared in accordance with U.S. generally accepted accounting principles by an independent public accountant that is registered with, and subject to inspection by, the Public Company Accounting Oversight Board.

**Item 16 – Investment Discretion**

Weld has discretionary authority, pursuant to investment management agreements in place with Clients, to select the securities and investments to be bought or sold and the amount thereof and the brokers or dealers through which transactions will be executed. Investors generally cannot place any limits on the Adviser's authority beyond the limitations set forth in the applicable Fund's offering and governing documents.

If it appears that a trade error has occurred, the Adviser will review the relevant facts and circumstances to determine an appropriate course of action. To the extent that trade errors occur, the Adviser's error correction procedure is to ensure that clients are treated fairly. The Adviser has discretion to resolve a particular error in any manner that it deems appropriate and consistent with the above stated policy. Further language regarding trade errors can be found in the relevant agreements and documents for any Fund managed by Weld.

**Item 17 – Voting Client Securities**

Weld's policy is to vote, or to abstain from voting, the proxies of companies on behalf of its Clients. In voting or abstaining from voting proxies, Weld is guided by general fiduciary principles.

As the Adviser, on behalf of the Funds, employs a quantitatively driven method of analysis, which results in a high turnover of securities, the Firm will generally abstain from voting proxies for the Funds, as it has concluded that under ordinary circumstances the voting of proxies for these funds would not be in the best interests of its Clients because it would divert resources away from the implementation of its trading strategy; and given the high rate of turnover, it is unlikely that securities held on a particular record date would remain in the portfolio on the date of the vote.

Notwithstanding the foregoing, the Adviser, may in its sole discretion, and guided by its fiduciary duties, choose to vote a proxy if it determines that doing so is in the best interests of a Client. Should the Adviser choose not to abstain from voting a Client security, it is possible that a conflict of interest may arise with respect to a proxy vote between the interests of the Clients and the Adviser and its affiliates, or among the Adviser's Clients. If a material conflict of interest exists, Weld will determine whether voting in accordance with the guidelines set forth in its proxy voting policies and procedures is in the best interests of the Clients or take some other appropriate action.

Clients may obtain a copy of the Manager's Proxy Voting Policy and proxy voting record by contacting the Manager.

**Item 18 – Financial Information**

This item is not applicable.