



## **Explorador Capital Management, LLC**

### **ADV Part 2A: Firm Brochure**

**[www.explorador.net](http://www.explorador.net)**

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This brochure provides information about the qualifications and business practices of Explorador Capital Management, LLC. If you have any questions about the contents of this brochure, please contact us at +54 11 4806 7600 or [contact@explorador.net](mailto:contact@explorador.net). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Explorador Capital Management, LLC is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training.

Additional information about Explorador Capital Management, LLC also is available on the SEC's website at [www.adviser.info.sec.gov](http://www.adviser.info.sec.gov).

### Material Changes

There have been no material changes since the 2017 filing.

### Table of Contents

Item Number	Item	Page
A.-	Cover Page	1
B.-	Table of Contents	2
1.-	Advisory business	3
2.-	Fees and compensation	3
3.-	Types of clients	4
4.-	Methods of analysis, investment strategies and risk of loss	4
5.-	Disciplinary information	10
6.-	Other financial industry activities and affiliations	10
7.-	Code of Ethics, participation or interest in client transactions and personal trading	11
8.-	Brokerage practices	11
9.-	Review of accounts	12
10.-	Custody	12
11.-	Clients referrals and other compensation	12
12.-	Investment discretion	13
13.-	Financial information	13

## Item 1: Advisory business

Explorador Capital Management, LLC is an SEC-registered investment adviser that focuses on Latin America. It provides continuous and regular management and supervision to pooled investment vehicle with different strategies, investing primarily in the equity securities of publicly-traded and private companies in the region.

The current investment vehicles to which investment advisory services are provided are:

- 1.- Explorador Panam Horizon Fund, LP
- 2.- Explorador Latam Fund (master fund for feeder funds: The Explorador Fund, LP and the Explorador Institutional Fund)
- 3.- Explorador Partners, LLC
- 4.- Quintec Strategic Management, LP
- 5.- Explorador Yield Partners

We have discretion and authority to determine the types and amounts of securities to be bought or sold for the vehicles, the broker or dealer used, and the commission rates to be paid. This discretion and authority is limited by the investment objectives set forth in the Confidential Private Placement Memorandum of each vehicle.

Explorador Capital Management, LLC invests in Latin America and utilizes a fundamental analysis-based investment approach seeking asymmetric risk-return opportunities, with a strong emphasis on capital preservation. The vehicles hold positions in equity markets, take advantage of merger and capital structure arbitrage situations, and hold fixed income instruments. The vehicles are active primarily in Brazil, Mexico, Chile, Colombia, Peru, and Argentina.

Explorador was founded in 1996 by Andrew Cummins, who is currently the sole owner of the Firm.

As of December 31, 2018, Explorador advises private investment vehicles with regulatory assets under management of approximately US\$201,378,773 on a discretionary basis.

## Item 2: Fees and compensation

Each investment vehicle has a fixed management fee calculated as a percentage of the assets and an annual performance fee based on capital appreciation. Fees are clearly set in the Confidential Private Placement Memorandum of each vehicle.

Fee schedule:

Vehicle	Management Fee	Performance Fee
Explorador Panam Horizon Fund, LP	1.5% per annum	20% over MSCI Latin America per annum
Explorador Latam Fund	1.5% per annum	20% per annum
Explorador Partners, LLC	1.5% per annum	20% of realized gains
Quintec Strategic Management, LP	1.5% per annum	20% of realized gains
Explorador Yield Partners, LLC	1.25% per annum	N/A

Fees are not negotiable; however, we have the right to reduce or waive the management fee chargeable to any partner's capital account without the consent of or notice to any other limited partner, member or shareholder, respectively.

Management fees are calculated based upon each fund's net asset value on the last day of each calendar month but paid to Explorador Capital Management, LLC quarterly in advance.

At the end of each fiscal year, the Explorador Capital Management, LLC receives an annual incentive allocation of up to 20% of the net profits attributable to each Investor's capital account (including unrealized gains and losses), if any, subject to a loss carry forward (the "Incentive Allocation"). When calculating the Incentive Allocation, net profits are reduced by the Management Fee and all other expenses of a Fund as described below.

The fund administrator is responsible for all fee calculations and payments.

The vehicles bear trading commissions, any investment related expenses, including professional expenses incurred for existing or potential investments, administration fees, audit fees, legal fees and reimbursable research expenses. Investors should carefully review each fund's Confidential Private Placement Memorandum for a complete description of applicable fees and expenses.

### Item 3: Performance-based fees and side-by-side management

As noted in the Fees and Compensation section above, Explorador Capital Management, LLC receives a performance fee from certain funds that is based on the performance of the funds' investments. The fact that Explorador Capital Management, LLC is compensated based on the success of investments held by certain funds may create an incentive for Explorador Capital Management, LLC to make investments that are riskier or more speculative than would be the case in the absence of such compensation. Explorador Capital Management, LLC may also have an incentive to favor funds that pay performance-based fees over funds that do not pay performance-based fees. Explorador Capital Management, LLC has adopted investment allocation policies and procedures to ensure that investment opportunities are allocated in a fair and equitable manner among all client accounts. In addition, because management fees and performance fees are based directly on the net asset value of the funds, Explorador Capital Management, LLC has a conflict of interest in valuing the assets held in the funds. Explorador Capital Management, LLC will follow its documented valuation policies and consult with its third-party administrator in order to mitigate this risk.

### Item 4: Types of clients

Explorador Capital Management, LLC provides investment advisory services to the pooled investment vehicles detailed above in Item 1. The limited partners, members, or shareholders of each investment vehicle include high net worth individuals, charitable organizations, and other investment companies.

The minimum investment requirement to invest in a fund is generally \$500,000; however, Explorador Capital Management, LLC may accept a lesser amount at its discretion. Each investor is required to meet certain suitability qualifications, such as being an "accredited investor" within the meaning set forth in Regulation D under the Securities Act of 1933, as amended, and a "qualified purchaser" as defined in Section 2(a)(51) of the Investment Company Act of 1940, as amended. Complete details concerning applicable investor eligibility criteria are set forth in each fund's offering documents and subscription materials.

### Item 5: Methods of analysis, investment strategies and risk of loss

Explorador Capital Management, LLC invests in Latin America and utilizes a fundamental analysis based investment approach seeking asymmetric risk-return opportunities, with a strong emphasis on capital preservation in Latin America. The vehicles hold positions in equity markets, both long and short. They also take advantage of merger and capital structure arbitrage situations and hold fixed

income instruments. The vehicles are active primarily in Brazil, Mexico, Chile, Colombia, Peru, and Argentina, mainly in the telecom, energy, retail, media, natural resources, and financial services sectors. The vehicles seek high quality business franchises with stable and reliable revenues and cash flows, low debt levels, cheap valuations, and high dividend yields.

The most important risk factors we monitor in Latin America are: interest rates, credit spreads, FX markets, VIX index of volatility/risk aversion, capital controls, government interference, GDP growth levels, commodity prices, budget balances, corporate debt levels, volatility of revenue streams, competitive threats to margin, and organic cash generation/needs for growth.

The cornerstone of our policy to manage operational risk is to hire exceptional people and retain service providers that have demonstrated excellence in the hedge fund industry. In addition, we have intentionally designed our operations with some redundancy in order to minimize operational risk as much as possible.

Investing in securities involves risk of loss that investors should be prepared to bear. Outlined below are some of the principal risk factors that potential investors should consider carefully before investing in our vehicles:

**Business Risks.** The vehicles invest substantially all of their available capital (other than capital that we determine to retain in cash or cash equivalents) in securities, engage in short sales of securities, and trade in publicly traded and over-the-counter options. While these instruments are generally traded in public markets, markets for such instruments in general are subject to fluctuations, and the market value of any particular investment may be subject to substantial variation. In addition, some securities may be issued by unseasoned companies and may be highly speculative. We cannot assure that the investment portfolios will generate income or appreciate in value. Further, we cannot assure that the investment objectives will be realized or that the investment strategy will prove successful. Clients may lose all or a portion of their investment in the vehicles.

**Investment Selection.** We select investments for the vehicles in part on the basis of information and data filed by the issuers of such securities with various government regulators or made available directly to us by the issuers of securities or through sources other than the issuers. Although we evaluate all such information and data and seek independent corroboration when we consider such independent corroboration appropriate and reasonably available, we are not in a position to confirm the completeness, genuineness, or accuracy of such information and, in some cases, complete and accurate information is not readily available.

The vehicles may engage in short sales, hedging, option trading, leverage (including margin trading) and other strategies from time to time. The vehicles may invest in securities with relatively low prices, which may be subject to greater percentage price fluctuations than higher priced securities. Hedging strategies generally are intended to limit or reduce investment risk, but can also be expected to limit or reduce the potential for profit. Such strategies could increase the Portfolios' transaction costs, interest expenses, and other costs and expenses. We cannot assure those short sales, hedging, leverage, and other techniques and strategies will not result in material losses for the Portfolios.

The vehicles have higher portfolio turnover than some other investment funds. The brokerage commissions and other transaction costs incurred by the vehicles are generally higher than those incurred by a fund with a lower portfolio turnover rate.

**Discretion and Changes in Investment Strategy.** We have considerable discretion in choosing the securities that will be acquired and have the right to modify the selection criteria or hedging techniques used by the vehicles without the consent of the limited partners, members or shareholders, respectively. Any of these trading techniques or analytical models may have operational or theoretical shortcomings, which could result in unsuccessful trades and, ultimately, losses to the vehicles. In addition, any new investment strategy or hedging technique developed may

be more speculative than earlier techniques and may increase the riskiness of an investment in the vehicles.

**Short Sales.** The vehicles may engage in selling securities short. A short sale will result in a gain if the price of the securities sold short declines between the date of the short sale and the date on which securities are purchased to replace those borrowed at the time of the short sale. A short sale will result in a loss if the price of the securities sold short increases over that time period. Any gain is decreased, and any loss is increased, by the amount of any payment, dividend or interest that the vehicle may be required to pay with respect to the borrowed securities, offset (wholly or partly) by short interest credits. In a generally rising market, the vehicles' short positions may be more likely to result in losses because securities sold short may be more likely to increase in value. A short sale involves a finite opportunity for appreciation, but a theoretically unlimited risk of loss.

To make a short sale, the vehicles must borrow the securities being sold short. Although the vehicles have established accounts at securities brokerage firms, it may be impossible for the vehicles to borrow securities at the most desirable time to make a short sale, particularly in illiquid securities markets. In addition, certain rules prohibit selling securities short at prices below the last sale price, which may prevent the vehicles from executing short sales of securities at the most desirable time. If the prices of securities sold short increase, the vehicles may be required to provide additional funds or collateral to maintain the short positions. This could require the vehicles to liquidate other investments to provide additional margin, and such liquidations might not be at favorable prices. Further, the lender of securities may request return of the borrowed securities at any time, and the vehicles may not be able to borrow those securities from other lenders. This would cause a "buy-in" of the short position, possibly to the disadvantage of the vehicles.

**Leverage.** The vehicles may, in the sole discretion of Explorador Capital Management, LLC, leverage its investment positions by borrowing funds from securities broker-dealers, banks, or others to the maximum extent permitted by applicable law and the vehicles' Confidential Private Placement Memoranda. Such leverage increases both the possibility for profit and the risk of loss. Loans typically will be secured by the vehicles' securities and other assets. Under certain circumstances, a lender may demand an increase in the collateral that secures the vehicles' obligations, and if the vehicles are unable to provide additional collateral, the lender could liquidate assets held in the account to satisfy the vehicles' obligations. Liquidation in that manner could have extremely adverse consequences. In addition, the amount of the vehicles' borrowing and the interest rates on that borrowing, both of which will fluctuate, may have an effect on the vehicles' profitability.

**Options.** Participation in the options markets involves certain investment risks and transaction costs. The correlation between the option prices and those of the underlying assets may be imperfect and the market for any particular option may be illiquid at any particular time. In comparison with direct investments in the assets underlying a given option contract, a similar size investment in an option contract normally implies a high degree of leverage and a relatively greater degree of sensitivity to changes in the price of the underlying asset; accordingly, gains and losses are magnified. If an investor writes or sells an uncovered option, its losses, theoretically, could be unlimited.

There are certain risks associated with the sale and purchase of call options. For example, the seller (writer) of a call option which is covered (e.g., the writer also holds the underlying security) assumes the risk of a decline in the market price of the underlying security below the purchase price of the underlying security less the premium received, and gives up the opportunity for gain on the underlying security above the exercise price of the option. The buyer of a call option assumes the risk of losing its entire investment in the call option.

There are certain risks associated with the sale and purchase of put options. The seller (writer) of a put option which is covered (e.g., the writer also has a short position in the underlying security) assumes the risk of an increase in the market price of the underlying security above the sales price (paid to establish the short position) of the underlying security less the premium received, and gives up the opportunity for gain on the underlying security if the market price falls below the exercise price

of the option. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying security below the exercise price of the option. The buyer of a put option assumes the risk of losing its entire investment in the put option.

The ability to trade in or exercise options also may be restricted in the event that trading in the underlying securities interest becomes restricted. Options trading may also be illiquid in the event that the vehicles' assets are invested in contracts with extended expirations. The vehicles may write put and call options on specific securities and, to close out its positions in options, may make a closing purchase transaction or closing sale transactions.

Stock or index options that may be purchased or sold by the vehicles include options not traded on a securities exchange. Options not traded on an exchange are not issued by the Options Clearing Corporation; therefore, the risk of non-performance by the obligor on such an option may be greater, and the ease with which the vehicles can dispose of such an option may be less than in the case of an exchange-traded option issued by the Options Clearing Corporation.

**Securities Lending and Borrowing.** The vehicles may lend securities to securities brokers and other institutions as a means of earning additional income or may borrow securities from securities brokers or other institutions to cover short positions. If the other party to such transaction becomes insolvent or bankrupt, the vehicles could experience delays and extra costs in recovering payment or the securities. To the extent that, in the meantime the value of securities changes, the vehicles could experience further losses. Security loans must be fully collateralized, and we must be satisfied with the creditworthiness of the other party to the transaction.

**Repurchase Agreements.** The vehicles may enter into repurchase agreements, by which they buy a security and simultaneously agree to sell it back later at a higher price, or in reverse repurchase agreements, by which the vehicles sell a security and simultaneously agree to buy it back later at a higher price. The repurchase date is usually within seven (7) days after the initiation of the agreement. If the other party to a repurchase or reverse repurchase agreement becomes insolvent or bankrupt, the vehicles may experience delays and incur costs in recovering payment or the securities. To the extent that the value of a security purchased changes prior to completion of the transaction, the vehicles could experience further losses. Repurchase agreements to which the vehicles are a party must be fully collateralized by vehicles securities. Repurchase and reverse repurchase agreements can have effects similar to those associated with margin trading and other leveraging strategies.

**General Risks of Foreign Investments.** The vehicles invest in securities of foreign companies, governments, and government agencies. Investing in such securities, which are generally denominated in foreign currencies, and the use of forward foreign currency exchange contracts involves unusual risk not typically associated with investing in securities issued by U.S. companies or by the U.S. government or its agencies or instrumentalities. Investing in emerging markets poses greater risks and a greater potential for returns than investing in developed countries. Securities of companies in these emerging markets are generally more volatile than securities issued by companies located in developed countries. The vehicles may be affected favorably or unfavorably by exchange control regulations or changes in the exchange rate between such currencies and the U.S. dollar. Moreover, individual foreign economies may compare unfavorably with the U.S. economy in growth of gross national product, rate of inflation, rate of savings and capital reinvestment, resource self-sufficiency, and balance-of-payment positions, and in other respects. Some of the countries in which the vehicles invest have laws and regulations that currently preclude or severely restrict direct foreign investment in securities of their companies.

Investing in foreign securities creates a greater risk of securities clearance and settlement problems. Further, some of the securities in which the vehicles invest may be thinly traded and relatively illiquid or may cease to be traded after the vehicles invest in them. In addition, the vehicles occasionally may acquire relatively large positions in a few securities. In such cases, and in the event of extreme

market activity, the vehicles may not be able to liquidate its investments promptly if the need should arise, which could materially and adversely affect the results to the vehicles of such investments.

The vehicles also invest in securities of companies that are not traded in public markets that we believe can be liquidated within a relatively short period—generally within twenty-four (24) months after the date of investment. These private securities generally are difficult or impossible to sell at prices comparable to the market prices of similar securities that are publicly traded. No assurance can be given that such private securities would be eligible to be traded on a public market even if a public market for securities of the same class were to exist or develop. There are no guarantees as to whether or when an issuer will register its securities so that such securities become eligible for trading in public markets.

**Political Risks.** Many of the companies in which the vehicles invest are particularly exposed to the risk of political change and governmental action. With respect to some foreign countries, there is the possibility of expropriation or confiscatory taxation, limitations on the removal of funds or other assets of the vehicles, political or social instability, war or insurrection, terrorist attacks, or diplomatic developments that could affect the value and marketability of the vehicles' investments in those countries.

**Economic Conditions.** Changes in economic conditions, including changes to interest rates, inflation rates, industry conditions, competition, technological developments, political and diplomatic events and trends, tax laws, and other factors can affect substantially and adversely the business and prospects of the vehicles.

**Limited Diversification.** No minimum level of capital is required to be maintained by the vehicles. As a result of losses or withdrawals, the vehicles may not have sufficient funds to diversify its investments to the extent desired or currently contemplated by Explorador Capital Management, LLC. The degree of the market risk to which the vehicles are exposed can be expected to be inversely proportional to the degree to which the vehicles' portfolios are diversified.

**Concentration of Investments.** The vehicles' investments may be confined to the securities of relatively few issuers. Further, no minimum level of capital is required to be maintained by the vehicles. As a result of a failure to raise substantial initial capital or due to subsequent losses or withdrawals, the vehicles may not have sufficient funds to diversify its investments. There are some limits to concentration in particular issuers or types of investments specified in each vehicle's Confidential Private Placement Memorandum.

Although market economists have expressed differing views as to the effectiveness of diversification in reducing investment risk, by concentrating investments in several relatively large security positions or industries relative to vehicle capital, a loss in any one position or a downturn in a sector in which the vehicles are invested could affect the vehicles' performance in a material adverse way. Thus, any investment by the vehicle in the securities of a single issuer or the concentration of the vehicles' investments in a particular industry may increase the level of risk.

**No Distributions.** We do not intend to make distributions to the limited partners, members or shareholders, but intend to reinvest substantially all of the vehicles' income and gain. Cash that might otherwise be available for distribution is also reduced by payment of vehicles obligations (including fees and expense reimbursements payable to Explorador Capital Management, LLC), payment of vehicles expenses and establishment of appropriate reserves. As a result, if the vehicles are profitable, limited partners, members or shareholders in all likelihood will be credited with vehicles net income, and will incur the consequent income tax liability (to the extent that they are subject to income tax), even if the limited partners, members or shareholders were to receive little or no vehicle distributions prior to being required to pay the tax.

**Limited Liquidity of interests/shares.** No market for the interests/shares exists, nor can any market for the interests/shares be expected to develop. It may be difficult or impossible to transfer any Interests,



even in an emergency. However, in the case of some of our investment vehicles the corresponding Memorandum and Articles of Association provides that a limited partner, member or shareholder, on thirty (30) days' advance notice to the administrator and subject to certain restrictions, may redeem all or part of such limited partner's, member's or shareholder's interests/shares as of the last day of any fiscal month.

**Risk of Asset Growth.** If the assets under management of Explorador Capital Management, LLC were to grow significantly, the growth could affect the vehicles' investment performance adversely. The difficulty of investing in a few selected smaller companies increases with the amount of assets that we must invest. If the vehicles' assets were to increase significantly, we could find it necessary to invest in a greater number of companies than we currently intend, which could dilute our focus on individual companies, impair our ability to monitor existing and potential investments, and result in investments in companies that we would not otherwise select.

**Operating Deficits.** The vehicles trade securities actively and incur significant brokerage custody and other transaction costs and expenses. These and other operating expenses (including management fees payable to the Explorador Capital Management, LLC) may exceed its income, thereby requiring that the difference be paid out of the vehicles' capital, reducing the vehicles' investments and potential for profitability. This is particularly true to the extent that the vehicles have limited capital.

**Past Performance.** Past performance is not indicative of future returns. Many factors could affect adversely the performance of the vehicles, including but not limited to, significant growth of assets under management of Explorador Capital Management, LLC, political, economic, and social conditions and events in Latin America, and the change in the performance fee.

**Dependence on Management.** All management decisions will be made by Andrew H. Cummins, President and Senior Managing Member of Explorador Capital Management, LLC and Chief Investment Officer of the vehicles. Accordingly, no person should invest in the vehicles unless he is willing to entrust the management of the vehicles to Explorador Capital Management, LLC and Mr. Cummins, who have discretion with respect to the types of securities in which the vehicles invest and have the right to modify the investment strategy of the vehicles without the consent of the limited partners, members or shareholders. The vehicles are dependent upon the skill, judgment, and expertise of Mr. Cummins and of Explorador Capital Management, LLC.

The success of the vehicles will be largely dependent upon the efforts of Mr. Cummins. The failure of Mr. Cummins to remain as President and Senior Managing Member of Explorador Capital Management, LLC and Chief Investment Officer of the vehicles likely would have a material adverse effect on the operations of the vehicles. Although Mr. Cummins intends to devote substantial time to the business of the vehicles, he currently engages in other business activities, including providing investment advisory services to persons and entities other than the vehicles.

**Indemnification of Explorador Capital Management, LLC and affiliates.** The partnership agreements, limited liability company agreements, and the investment advisory agreements contain broad indemnification and exculpation provisions. These provisions protect Explorador Capital Management, LLC and its respective affiliates from actions brought by third parties against the vehicles, Explorador Capital Management, LLC, and such other persons. In addition, such indemnification and exculpation provisions limit the right of a limited partner, member, or shareholder to maintain an action against Explorador Capital Management, LLC and/or Andrew Cummins to recover losses or costs incurred by the vehicles as a result of Explorador Capital Management, LLC's and/or Mr. Cummins's actions or failures to act.

**Conflicts of Interest.** We currently sponsor, manage, and participate in other securities investment activities and programs unrelated to the vehicles' businesses (some of which may compete with the vehicles' investment activities) and intend in the future to be engaged in these and other investment activities. These other activities may include, among other things, investing for our own account and providing investment advisory services to various other accounts.

We may also serve as directors or advisors of companies in which the vehicles are invested, and may receive fees related to such work as directors.

Due to these other activities, we may be prohibited from taking action for the benefit of the vehicles because of confidential information acquired or obligations incurred in connection with these outside activities or because an affiliate, agent, officer, manager, member, or employee of Explorador Capital Management, LLC serves as an officer or director of a company in which the vehicles have invested.

The other activities may create conflicts of interest with the vehicles with respect to the amount of time devoted to managing the vehicles and the allocation of securities for purchase among Explorador Capital Management, LLC's various portfolios. Further, our judgment may be affected by additional conflicts of interest, such as, for example, the following:

(a) Because we have and will have fiduciary duties to the vehicles and the other accounts, the interests of the vehicles and the other accounts in the selection, negotiation and administration of investments may conflict in some circumstances. The manager, members, officers, and employees of Explorador Capital Management, LLC may also engage in securities transactions for their own account. We may give advice and take action with respect to any other account that may differ from the advice given or the timing or nature of action taken with respect to the vehicles. It is our policy, however, to the extent practicable, to allocate investment opportunities among persons or entities to or with which we have fiduciary duties and other relationships on a basis that, in its our sole judgment, is fair and equitable to the maximum possible extent to each of such persons or entities, including the vehicles. We are not obligated, however, to acquire for the vehicles any security that Explorador Capital Management, LLC or its managers, members, officers, or employees may acquire for their own accounts or for any other account, if it is not practical or desirable to acquire a position in such security for the vehicles.

(b) Explorador Capital Management, LLC, on behalf of the vehicles and in other capacities with other entities or for its own account, has discretion in determining which investments are made by the vehicles or other accounts, sold to others, or made by Explorador Capital Management, LLC or by its affiliates, with or without the participation of others.

(c) Legal counsel for Explorador Capital Management, LLC does not and will not serve as counsel for or represent the interests of the limited partners, members or shareholders, and such counsel disclaims any fiduciary or attorney-client relationship with them (even if such counsel represents one or more limited partners, members, or shareholders in matters unrelated to the vehicles).

U.S. Securities Regulations. Securities and investment businesses generally are comprehensively and intensively regulated under U.S. state and federal laws and regulations. Any investigation, litigation or other proceeding undertaken by state or federal regulatory agencies or private parties of Explorador Capital Management, LLC or the vehicles could necessitate the expenditure of material amounts of funds of the vehicles for legal and other costs and could have other materially adverse consequences for the vehicles. In addition, because (a) these offerings have not been registered under the 1933 Act, and (b) the vehicles are not registered under the Investment Company Act, the limited partners, member, or shareholders will not be afforded certain regulatory protection afforded to investors in entities that are registered under such laws.

Neither the vehicles nor Explorador Capital Management, LLC are or intend to be registered as a broker or dealer under the Securities Exchange Act of 1934 or any state securities law. We believe that neither us nor the vehicles are required to be registered as a broker or dealer, but if the SEC or the securities law administrator of any state were to assert that such registration were required, the vehicles would bear the resulting increased expenses and its activities could be restricted, which could lead to dissolution of the vehicles and liquidation of its investments at a time when such

liquidation may be disadvantageous to the vehicles, or could lead to other materially adverse effects on the vehicles' businesses.

**Foreign Securities Regulation.** The securities of non-U.S. issuers held by the vehicles generally are not registered under, nor are the issuers thereof subject to, the reporting requirements of U.S. securities laws and regulations. Accordingly, there may be less publicly available information about the securities and about the foreign company or government issuing them or the foreign board of trade clearing them than is available about a U.S. domestic company, government entity, or board of trade. Foreign companies and boards of trade are not generally subject to accounting, auditing, or financial reporting standards, practices, and requirements comparable to those applicable to U.S. companies. Further, foreign government supervision of stock exchanges, boards of trade, securities brokers, and issuers of securities is generally less stringent than such supervision in the U.S.

## Item 6: Disciplinary information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of the adviser or the integrity of the adviser's management.

In February 2014, Explorador Capital Management, LLC was contacted by the SEC regarding a violation of Rule 105 of Regulation M of the Securities Exchange Act of 1934. The rule states you may not short a stock within five days of a public offering in which you cover that stock with shares from the public offering.

This matter was settled on September 16, 2014 with a monetary fine plus disgorgement. Explorador neither admitted nor denied any wrongdoing.

Explorador Capital Management, LLC surveyed previous trading activity for similar violations, and none took place. New policies and procedures have been implemented to avoid similar technical infractions from taking place in the future. These policies and procedures are tested on a regular basis.

## Item 7: Other financial industry activities and affiliations

Explorador Capital Management, LLC's only current activity is to provide continuous and regular investment supervisory services to the pooled investment vehicles listed above. From time to time, Explorador Capital Management, LLC will sponsor and/or advise private investments that are not appropriate for the main vehicles due to their respective mandates.

Andrew Cummins sits on the investment committee of Paladin Realty Partners, LLC, a real estate investment firm in Los Angeles, California. In his position on the investment committee, Andrew may encounter material non-public information that could restrict trading on behalf of one or more of Explorador's investment funds.

## Item 8: Code of Ethics, participation or interest in client transactions and personal trading

Explorador Capital Management, LLC has adopted a Code of Ethics for all supervised persons of the firm describing its high standards of business conduct and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at Explorador Capital Management, LLC must acknowledge the terms of the

Code of Ethics annually, and as amended. A copy of Explorador Capital Management, LLC's Code of Ethics is available upon request by contacting the Company's Chief Compliance Officer at [joe@explorador.net](mailto:joe@explorador.net).

Explorador Capital Management, LLC anticipates that, in appropriate circumstances, consistent with the vehicles' investment objectives, it will cause accounts over which Explorador Capital Management, LLC has management authority to effect the purchase or sale of securities in which Explorador Capital Management, LLC, its affiliates, and/or employees, directly or indirectly have a position of interest. Our employees are required to follow our Code of Ethics. Subject to satisfying this policy and applicable laws, officers and employees may trade for their own accounts in securities which are recommended to and/or purchased for vehicles. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees will not interfere with (i) making decisions in the best interest of the vehicles and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of our vehicles. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as vehicles, there is a possibility that employees might benefit from market activity by a vehicle in a security held by an employee. Employee trading is continually monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between Explorador Capital Management, LLC and its vehicles.

Certain vehicles' accounts may trade in the same securities on an aggregated basis when consistent with Explorador Capital Management, LLC's obligation of best execution. In such circumstances, the accounts will share commission costs equally and receive securities at a total average price. Orders will be allocated as specified in the initial trade order or on a pro rata basis.

#### Item 9: Brokerage practices

We have discretion and authority to determine the types and amounts of securities to be bought or sold for the vehicles, the broker or dealer used and the commission rates to be paid. This discretion and authority is limited by the investments objectives set forth in the Confidential Private Placement Memorandum of each vehicle.

Explorador Capital Management, LLC will select brokers or dealers, based on its ability to obtain the best overall terms available. In assessing the best terms for any transaction, we will consider such factors as it deems relevant, including the ability to achieve prompt and reliable executions at favorable prices; operational efficiency with which transactions are effected; financial strength, integrity and stability of the broker, the quality, comprehensiveness and frequency of available research and related services considered to be of value; and the competitiveness of commission rates in comparison with other brokers satisfying our other selections criteria. Research and related services furnished by brokers may include written information and analyses concerning specific securities, companies, or sectors; market, financial, and economic studies and forecasts; statistics and pricing services; as well as discussions with research personnel and hardware, software, databases and other news, technical and telecommunications services and equipment utilized in the investment management process.

The services furnished by a broker may benefit Explorador Capital Management, LLC in rendering investment management services to all of its vehicles.

We have no obligation to deal with any broker or group of brokers in executing transactions in portfolio securities on behalf of vehicles. A broker's commission may be in excess of that which another broker might have charged for effecting the same transaction, in recognition of the value of the brokerage or research services provided by the broker. We will determine in good faith that such

commission was reasonable in relation to the value of the brokerage, research and related services provided to us.

Explorador Capital Management's prime brokers occasionally provide the firm with introductions to potential investors. Capital introduction is a service provided by prime brokers and is designed to "introduce" fund managers to potential investors, typically through individual meetings or in a conference format. Although capital introductions are customarily offered as a free service, various conflicts of interest are presented by such arrangements. While Explorador Capital Management, LLC does not compensate these broker-dealers based on capital introductions, Explorador Capital Management, LLC may be incentivized to use the services of a specific prime broker due to the broker's ability to raise capital for the firm's investment funds. The Company conducts periodic "best execution" reviews to help mitigate this conflict.

Explorador does not obtain products and services through the use of "soft dollars." Should this change in the future, Explorador will implement written policies and procedures governing the usage of soft dollars and provide additional detailed disclosure in this Brochure.

### Item 10: Review of accounts

Andrew Cummins, President and Senior Managing Member of Explorador Capital Management, LLC, reviews all accounts weekly. During his review, asset allocation, cash management, investment prospects and current performance are considered.

All investors receive monthly account statements directly from either Explorador Capital Management, LLC or the fund administrator. Also, on an annual basis, limited partners, members and shareholders of the different investment vehicles receive annual audited financial statements and, to the extent applicable, K1 forms.

### Item 11: Client referrals and other compensation

Explorador Capital Management, LLC may enter into private placement agreements to raise funds for its investment vehicles. The private placement agents will:

- (i) Assist in the preparation of descriptive offering materials;
- (ii) Identify prospective investors for the vehicles;
- (iii) Arrange presentation meetings between prospective investors who have received offering materials and representatives of Explorador Capital Management, LLC;

As compensation for the services to be provided by the agents hereunder, we will share with them a trailing fee for all investments made into the vehicles by an eligible purchaser. The trailing fee will be part of the management and performance fee charged by Explorador Capital Management, LLC to the investor; not being an extra cost for the investor.

### Item 12: Custody

Explorador Capital Management, LLC does not maintain physical custody of client assets. However, Explorador Capital Management, LLC is deemed to have custody of the investment vehicles' assets because of the authority that Explorador Capital Management, LLC has in its role as managing member or general partner of each vehicle. Each investment vehicle's cash and securities are held in accounts in the name of the investment vehicle at one or more qualified custodians. In addition, each investment vehicle's financial statements are subject to an annual audit by an independent public accountant that is registered with, and subject to regular inspection by, the U.S. Public Company Accounting Oversight Board, and the audited financial statements are distributed to each investor within 120 days of the fund's fiscal year-end (180 days with respect to any funds of funds). The

audited financial statements are prepared in accordance with accounting principles generally accepted in the U.S.

### Item 13: Investment discretion

We have discretion and authority to determine the types and amounts of securities to be bought or sold for the vehicles, the broker or dealer used, and the commission rates to be paid. This discretion and authority is limited by the investments objectives set forth in the Confidential Private Placement Memorandum of each vehicle.

Explorador Capital Management, LLC usually receives discretionary authority from the investment vehicles at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for that particular vehicle.

### Item 14: Voting client securities

Explorador Capital Management, LLC will be responsible for voting client proxies. Explorador Capital Management, LLC has developed a written policy and procedures designed to ensure that proxies are properly identified and voted, and that any conflicts of interest are addressed appropriately. In general, the policy requires Explorador Capital Management, LLC to vote proxies in the interest of maximizing shareholder value. Investors may not direct Explorador Capital Management, LLC how to vote with respect to any proxy.

Explorador Capital Management, LLC maintains a record of all proxy votes cast on behalf of the investment vehicles. A copy of Explorador Capital Management, LLC's proxy voting policies and procedures and proxy voting record is available to investors upon written request.

### Item 15: Financial information

Registered investment advisers are required to provide you with certain financial information or disclosures about their financial condition. We have no financial commitments that impair our ability to meet contractual and fiduciary commitments to clients, and have not been the subject of a bankruptcy proceeding.