

**Item 1: Cover Page**

**Part 2A of Form ADV: Firm Brochure**  
**CEREBELLUM GP, LLC (“CEREBELLUM CAPITAL”)**

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This brochure provides information about the qualifications and business practices of Cerebellum Capital. If you have any questions about the contents of this brochure, please contact us at the above listed telephone number. The information included in firm brochure has not been approved or verified by the SEC or any state securities authority.

Additional information about Cerebellum Capital is also available on the SEC’s website at [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov). The Firm’s IARD# is 152478.

Any reference to Cerebellum Capital being a “Registered Investment Advisor” simply means that the firm is registered as an investment advisor and does not imply a certain level of skill or training.

Date of this brochure: January 16, 2019

**Item 2:       Material Changes**

This document shall serve as our annual update. The following material changes have been made to our previously filed Brochure dated April 3, 2018.

- Various sections throughout this Brochure have been updated to reflect the fact that Cerebellum Capital no longer acts as a subadvisor to an investment company registered under the Investment Company Act of 1940.

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## **Item 4:        Advisory Business**

### ***Our Firm***

Cerebellum GP, LLC (referred to in this Brochure as “Cerebellum,” “the Firm,” “we,” “us,” or “our”) is a registered investment advisor with the SEC as of May 2012. Prior to being registered with the SEC, the Firm was registered as an investment advisor with the state of California as of July 1, 2010.

The Firm’s principal ownership is as follows:

Cerebellum GP, LLC is 100% owned by Cerebellum Capital, LLC. The following entity owns 25% or more of Cerebellum Capital, LLC: Cerebellum Holdings, Inc.

### ***Our Advisory Services***

In the Firm’s capacity as an investment advisor we act as the sole general partner and provide investment advisory services to pooled investment vehicles structured as limited partnerships (each referred to in this Brochure as a “Client” and collectively as “Clients” or the “Funds”). We also act as investment advisor to one or more Separate Accounts.

The Firm currently manages client assets of \$229,009,157 on a discretionary basis. This amount reflects regulatory assets under management (“RAUM”) and was calculated as of December 31, 2018. It is noted that RAUM are assets of securities portfolios over which the adviser provides “continuous and regular supervisory or management services,” regardless of whether they are proprietary assets, assets managed without receiving compensation or assets of foreign clients, all of which an adviser currently may, but is not required to exclude in calculating the “assets under management” for SEC registration purposes. RAUM represents gross assets rather than net assets (AUM).

The Firm is primarily a hedge fund management firm whose investment programs are created from a software system based on techniques from statistical machine learning. The Firm’s advisory services are limited to providing investment advice to these “quant funds,” which are investment funds that select securities based on quantitative analysis. The Firm builds computer-based models to determine whether an investment is attractive. In most cases, the final decision to buy or sell is made by the model; however, there is a middle ground where the Firm will use human judgment in addition to a quantitative model.

Asset allocations may include equity securities (exchange-listed securities, securities traded over-the-counter, futures and foreign issuers), warrants, government securities and derivatives.

Cerebellum may also have different types of clients, including Separate Accounts. Any references to “Client” in this brochure shall mean either an Fund or an individual client for which Cerebellum manages a separate account.

The services provided by the Firm are tailored to the individual needs of each Client. This does not extend to investors in each Fund; however the Private Placement Memorandum (“PPM”), also referred to as “offering documents” or “offering memorandum” does allow the Firm to negotiate side letters with investors in its Funds. These side letters may include certain restrictions or privileges that are not generally made available to other investors in the Funds.

Any Client imposed restrictions are outlined in the Limited Partnership Agreement (“LPA”) and/or Private Placement Memorandum (“PPM”) in the case of the Funds and in the Investment Management Agreement (“IMA”) for Separate Account Clients. The Firm may also have side letters in place that may supplement or modify the terms of the LPA and/or PPM.

## **Item 5: Fees and Compensation**

The Funds' offering documents will set forth the terms of the relationship between each Fund and each investor in such Fund, including such matters as advisory fees, custodial arrangements, management of the fund, and withdrawal of assets. For Separate Account Clients these terms are set forth in the IMA. Cerebellum charges investors in each Fund a management fee of either 1.5% or 2.00% per annum of the net asset value of their individual capital accounts, depending on the Fund. Fees are payable quarterly in advance. In addition, The Firm will receive a performance fee equal to 20% of the capital appreciation of each investor's capital account, subject to a high water mark, as outlined in Item 6 "*Performance Based Fees*" of this brochure.

The Firm may, in its sole discretion, may agree to waive the management fee in whole or in part for any investor in a Fund, in which case the capital account of such investor will be subtracted from the Fund's net asset value for the purpose of calculating the management fee. The Firm waives the management fee for employees of the Firm. The Firm does not generally waive management fees for non-affiliated investors in its Funds but will consider negotiating these fees for investors based on the investor's total investments with the Firm.

Fee payments for Separate Account are either charged and debited by the custodian or paid directly by the Client, pursuant to the Clients account agreement.

The Firm believes that its fees are reasonable based on the services that it provides to its Clients. However, other sources may provide comparable services for lower fees.

The Firm and its Advisors do not accept compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

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

The Firm will receive a performance fee equal to 20% of the capital appreciation, subject to a high water mark, (i) annually or quarterly (depending on what is outlined in the offering documents, in the case of the Funds, or the IMA, in the case of a Separate Account), on the last day of each year or quarter, (ii) the date of the withdrawal of capital by an investor, and (iii) the date on which the Client liquidates. In the case of the Funds, these performance fees are the aggregate of amounts calculated separately for each investor in each Fund.

The Funds and Separate Accounts generally pay performance fees at the end of each fiscal quarter or year (depending on what is outlined in the offering documents for that Fund or the IMA for each Separate Account). These fees may also be paid or allocated when Fund investors or Separate Account Clients withdraw capital or redeem shares, but only in relation to the amount of capital withdrawn or shares redeemed.

The performance fee is not generally negotiated, but we do have the ability (within our agreements with each Fund and IMA with each Separate Account Client) to vary them for certain investors or Clients.

This performance fee may create an incentive for Cerebellum to make investments that are more speculative or riskier than would be the case if there were no performance-based fees. Capital appreciation, both realized and unrealized, is a factor in calculating performance-based fees.

Cerebellum generally has discretion to waive or modify the application of various investment terms applicable to an investor in the Funds in a "side letter" or in any other manner, without obtaining the consent of any other investor in the Funds. For example, certain investors may receive special fee or information rights that are not provided to other investors, subject always to our fiduciary duty to treat all investors fairly and equitably.

Cerebellum may manage other accounts and funds that may charge fees at rates different from those of the Funds. Any differences in the fee structures of private pooled investment vehicles and other accounts we manage could create an incentive for Cerebellum to favor those clients that pay higher performance-based and other fees. As a fiduciary, we recognize our duty to act in good faith with fairness in all of its dealings with all clients, regardless of fee arrangements.

## **Item 7:       Types of Clients**

Investors in each Fund generally must be accredited investors as defined in Regulation D under the Securities Act of 1933, qualified purchasers as defined in section 2(a)(51) of the Investment Company Act and qualified clients under Rule 205-3 of the Investment Advisers Act.

There is no minimum requirement for becoming a Client of the Firm, but the Firm does require, (with exceptions granted in its sole discretion) a minimum investment of \$500,000 by investors in each Fund.

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

### ***Methods of Analysis and Investment Strategies***

The Firm primarily uses quantitative analysis to manage the assets of each Client. Quantitative strategies involve risk of “overfitting” to historical patterns, which could result underperformance in the future as past performance is not indicative of future results. Depending on the specific investment objective and strategy of each Client, as set forth in the limited partnership agreement (“LPA”), some Clients may be hedged less than other Clients of the Firm, which could result in a greater loss if the positions in the Client’s portfolio move in a direction opposite of what is anticipated.

Generally, the Firm derives information used to make investment decisions on behalf of its Clients from a variety of both internal and external resources. Some of the Firm’s sources of information for its investment strategies may include an artificial intelligence discipline known as “machine learning”. The Firm sometimes uses the data supplied by a “machine learning” software system, which is proprietary to its parent, Cerebellum Capital Inc., in developing its trading strategy.

Cerebellum Capital Inc. has developed a proprietary investment process (“System”), which examines past examples of financial market activities and which, based on such past examples, creates predictions about present and future financial market activities. The Firm uses the System to: (i) produce a forecast of what is likely to happen in the near future; and (ii) create a trading strategy based on such forecast to determine which securities to buy and sell on behalf of the Firm on any particular day. The focus is less about what types of securities are traded than about finding a particular set of mathematical properties with respect to the predictability of the performance of any particular financial instrument over time. The Firm will, however, adhere to the following set of principles that are core to its trading strategy:

1. The Firm’s investment strategy is designed and optimized around holding its positions for between an hour and a few months.
2. It is the intention of the Fund Manager that most of the Client’s assets will be invested in publicly traded equity and other marketable securities, including options, Exchange Traded Products (ETPs”) and futures.
3. Strategies should incorporate the objective of maximizing return while minimizing risk and volatility in a portfolio whose performance has low correlation with the domestic

equity market. Investors must understand that any investments in securities involve risk of loss that they should be prepared to bear.

### ***Material Risks***

Investments in the Funds or in a Separate Account involve financial and other risks, including the risk of a loss of principal and are suitable only for sophisticated investors. An investment in any of the Funds or Separate Accounts should not represent a complete investment program for the investor and the investor should fully understand and be capable of bearing the risks of an investment in the Funds or Separate Accounts. Prospective investors should carefully review the risks involved in investing in Funds or Separate Accounts managed by the Firm and should evaluate the merits and risks of an investment in the Fund in the context of their overall financial circumstances.

Potential investors in a Fund should review such Fund's offering circular or private offering memorandum carefully and in its entirety, and consult with their professional advisers before deciding whether to invest. A potential investor or client should discuss with Cerebellum representatives any questions that such person may have before opening an account or making an investment in a Fund. The attorneys who represent Cerebellum or its Funds do not represent clients or investors. Clients and investors must hire their own counsel for legal advice and representation.

The risks described below generally apply to pooled investment vehicles (Funds) and separately managed accounts and do not purport to be complete, but should be considered carefully by investors and clients.

Limited Information. Because of the nature of the investment strategies for the Funds managed by the firm, we are not in a position to obtain all relevant information regarding a company or a Security. Further, we may misinterpret or incorrectly analyze the information that it has about a particular company or security. These and other factors may cause us to invest in securities at times that will lead to losses or refrain from investing in a particular security at times that would have resulted in gains.

Losses in Accounts. The Firm and its affiliates and agents generally are not responsible to any Client or investor for losses incurred in an account unless the conduct resulting in such loss breached our fiduciary duty to the Client or investor.

Equity Investments. Investments in the Funds may be subject to the risks associated with any equity investment strategy. Sharp downward market moves may adversely impact positions and result in losses. Losses may also be incurred on individual positions as a result of issuer-specific matters such as unexpectedly disappointing earnings, lawsuits, analyst action or other matters. Equity returns are volatile and may fluctuate substantially over time.

Short Sales. The Firm sells securities short, resulting in a theoretically unlimited risk of loss if the prices of the securities sold short increase. Management and stockholders of an issuer may sue short sellers to prevent short sales of the issuer's securities. We could be subject to such actions, even if they are baseless, and clients could incur substantial costs defending them.

Options. We may sell covered and uncovered options on securities. The sale of uncovered options could result in unlimited losses.

Leverage. We may use leverage by borrowing on margin, selling securities short and trading futures, other commodity interests and derivatives. These instruments are highly volatile and risky and can be difficult to value.

Hedging. We may engage in hedging, which may reduce profits, increase expenses and cause losses. Price movement in a hedging instrument and the security hedged do not always correlate, resulting in losses on both the hedged security and the hedging instrument.

Market Loss and Volatility. The financial markets in the 4th quarter of 2008 and in 2009 experienced severe losses and extreme volatility. In addition, government intervention into the

markets has been substantial and unpredictable, such as the temporary ban on shorting the securities of certain issuers and the “bailout” of various financial institutions. The Manager cannot predict when the markets may fully recover, when the volatility may cease, or the nature and impact of further government intervention.

The United States and much of the rest of the world is in the midst of or recovering from an economic downturn. It is reasonable to expect that during such recovery period a number of issuers may declare bankruptcy or experience severe financial distress. The Funds may suffer losses if it has exposure to any such issuers.

One or more of the Firm’s trading strategies involve taking on additional risk relating to investments in the volatility index and markets.

Trade Exceptions. Inherent to any trading strategy is the risk of trading exceptions and/or errors. Losses incurred by trading errors will be borne by the Funds.

Transfer and Liquidity of Limited Partnership Interests. There is not and will not be an active market for the interests in the Funds. It may be impossible to transfer any such interests, even in an emergency. Additionally, a Fund may not be able to generate cash necessary to satisfy investor withdrawals and redemptions. Substantial withdrawals and redemptions in a short period could force us to liquidate investments too rapidly, and may so reduce the size of a fund that it cannot generate returns or reduce losses. A fund may limit or suspend withdrawals or redemptions of an investor’s assets from the fund. A fund may also dissolve or expel any investor at any time, even if such actions adversely affect one or more investors. If a limited partnership client becomes insolvent, investors may be required to return with interest any distributions and forfeit any undistributed profits.

Transparency. We may provide certain investors or clients more frequent or detailed reports, special compensation arrangements and withdrawal or redemption rights that it does not provide to other investors or clients.

Inside Information. We (through its representatives or otherwise) may receive information that restricts our ability to buy or sell Securities of a company for substantial periods of time when the Funds otherwise could realize profit or avoid loss.

Counterparty Risk. Counterparties such as brokers, dealers, ISDA, FCMs, custodians and administrators with which we do business on behalf of clients may default on their obligations. For example, a client may lose its assets on deposit with a broker if the broker, its clearing broker or an exchange clearing house becomes bankrupt. Additionally, it should be noted that in some cases margin posted for ISDA relationships, which the Firm does have, is not subject to broker-dealer protections required under SEC Rule 15c3.

Taxable Consequences. The Funds do not intend to make distributions, but intend instead to reinvest substantially all income and gain. Therefore, an investor may have taxable income from a fund without a cash distribution to pay the related taxes. Furthermore, our activities could cause adverse tax consequences to clients and investors, including liability for interest and penalties.

Regulatory Environment. Federal, state and international governments may increase regulation of investment advisers, private investment funds and derivative securities, which may increase the time and resources that we must devote to regulatory compliance, to the detriment of investment activities.

Firm and Fund Registration Status. We are not registered with the SEC or FINRA as a broker-dealer (our SEC registration is as an investment advisor). The equity interests in the Funds are not registered under the Securities Act of 1933, and the Funds are not registered investment companies under the Investment Company Act of 1940. We believe that none of these registrations are required because exemptions are available under applicable law. If a regulatory authority deems that any of these registrations are required, The Firm and any Fund could be subject to expensive legal action and potential termination. In addition, investors in the Funds do



not have certain regulatory protection afforded to investors that they would have if these registrations were in place.

ERISA. Our activities may cause an investor whose capital account that is subject to the Employee Retirement Income Security Act of 1974 to engage in a prohibited transaction under that Act.

Conflicts of Interest. Cerebellum may have different types of clients. These clients may have different investment strategies and expected levels of trading. Management and participation in investment activities for these different types of clients may compete with each other. Some activities that may create conflicts are as follows:

- In the course of providing advisory services, we may buy or sell a Security for one type of client but not for another. Further, we may buy (or sell) a Security for one type of client while simultaneously selling (or buying) the same Security for another type of client. The Firm or its Affiliates may be able to obtain more favorable compensation, cost reimbursement or risk sharing arrangements in connection with some investments if a client does not participate. These factors could influence us not to make investments on behalf of a Fund or other type of account even though participation might be beneficial.
- We have discretion in determining which investments are made by the Funds, sold to others or made by it or its Affiliates. The interests of the Funds in selecting, negotiating and administering investments may conflict in some circumstances. We may give advice and take action with respect to one client that differs from the advice that it gives or the timing or nature of action that it takes with respect to another client.
- Subject to the significant limitations in our Code of Ethics, the Firm and its members, officers, employees and Affiliates also may engage in Securities transactions for their own accounts. We are not obligated, however, to acquire for the Funds or other type of account any Security that any of such persons may acquire for its or their own accounts. The Firm or its Affiliates may make any investment whether or not in competition with the Funds or in a manner that would limit or eliminate the Funds' opportunity to make the investment, without any accountability to the Funds or any investor of the Funds.

The above is only a brief summary of some of the important risks that a client or investor may encounter. Before deciding to invest in a Fund that we manage, you should consider carefully all of the risk factors and other information in the fund's offering circular or private offering memorandum.

## **Item 9: Disciplinary Information**

This section requires disclosure of certain legal or disciplinary events that may be material to a clients or prospective client's evaluation of the Firm. The Firm has no legal or disciplinary events to disclose.

## **Item 10: Other Financial Industry Activities and Affiliations**

The Firm is currently registered as a Commodity Pool Operator ("CPO") with the Commodities Futures Trading Association ("CFTC"). Several of the Firm's management persons are registered as Associated Persons with the CFTC.

The Firm has organized and serves as the sole general partner of each Client organized as a limited partnership. As outlined in Item 5 “Fees and Compensation” the Firm charges investors in each Fund, Separate Account Registered Fund Client a management fee based on the net asset value of their individual capital accounts. As discussed in Item 6 “Performance-Based Fees” the Firm also charges an incentive allocation. The Firm and its associated persons do not receive any additional compensation for selling interests in any Client to an investor or for any investments made by Separate Account Clients.

In addition, in the future one Client may invest in another Client, if such investment is indicated by the Firm’s trading strategy for each such Client.

Neither the Firm nor any of its advisors have any material relationship or arrangement with any other financial industry activities or affiliations.

See Item 11 “Code of Ethics” for details on how the Firm addresses the possible conflicts of interest relating to management or related persons of the Firm.

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

From time to time, various potential and actual conflicts of interest may arise from the overall advisory, investment and other activities of the Firm, its affiliates, and personnel. Conflicts arise due to the fact that certain of the Firm’s affiliates or personnel may have investments in some Clients but not in others or may have different levels of investments in the various Clients and because the Clients may pay different levels of fees to the Firm. In addition, the Firm may give advice or take action with respect to the investments of one or more Clients that may not be given or taken with respect to other Clients with similar investment programs, objectives, and strategies. Accordingly, Clients with similar strategies may not hold the same securities or instruments or achieve the same performance. The Firm also may advise Clients with conflicting programs, objectives or strategies. Finally, the Firm and its personnel may have conflicts in allocating their time and services among the Clients. The Firm will devote as much time to each Client as it deems appropriate to perform its duties in accordance with its management agreements.

The Firm recognizes that the personal investment transactions of affiliated persons of the organization demand the application of a high code of ethics and will require that all such transactions be carried out in a way that does not endanger the interest of any Client. At the same time, the Firm believes that if investment goals are similar for Clients and for affiliated persons of the Firm, it is logical and even desirable that there be a common ownership of some securities.

Employees are permitted to trade in securities that may be held by Clients of the Firm. As this presents a conflict of interest, the Firm has implemented personal trading procedures to mitigate this conflict. An Employee is not permitted to knowingly trade in stocks that employee has reason to believe are held or may be held by the Funds without first obtaining written approval from Compliance, subject to certain exceptions outlined in the Firm’s Code of Ethics. Compliance monitors employee compliance with this policy by monitoring employee account statements and holdings.

From time to time, Cerebellum, its Employees, or related persons of Cerebellum may buy or sell securities for themselves that Cerebellum also recommends to Clients. The Firm will ensure that its associated persons or related accounts do not receive better pricing than its Clients. Any such trading in Employee accounts would be unintentional and would be required to be approved prior. In instances where Cerebellum buys or sells securities in its proprietary account(s) that they also recommend to Clients, the Firm will have controls in place to ensure that the proprietary account(s) do not receive better pricing than the Clients. These controls include the following:

- In some instances, block trades with average price allocations may be placed that include allocation to accounts belonging to both the Firm itself and Clients. This will ensure that that the Firm and its Clients will receive equal pricing.
- In cases where a block trade cannot be placed with average price allocation, the Firm will enter the order for the Client(s) ahead of the order(s) for the proprietary account(s).
- Trade blotters for the proprietary account(s) will be compared to blotters for the Client account(s) to ensure that the Firm did not receive better pricing.

In order to address any conflicts of interest, the Firm has adopted a Code of Ethics with respect to transactions effected by its affiliated persons. The Firm monitors compliance by its affiliated persons with its Code of Ethics by adopting a securities transaction reporting system for all of its affiliated persons to report certain of their personal securities transactions and holdings (in reportable securities) to the Firm, and the Firm is required to review such reports. The Firm will provide a copy of its Code of Ethics to any Client, or investor in such Client, upon request by contacting Conrad Gann at 415-963-4401.

## **Item 12: Brokerage Practices**

The Firm will have the discretion to use one or more broker-dealers to effect securities transactions based on a variety of considerations, including, without limitation, the commission rates charged by such broker-dealers, their execution capabilities, financial stability, reputation, access to the market for securities being traded, custodial and other services which may enhance the general portfolio management capabilities of the Firm, the size of the transaction, the difficulty of execution, the operational facilities of the broker and/or dealer involved, the risk in positioning a block of securities; the quality of the overall brokerage and research services provided by the broker and/or dealer; and the value of an ongoing relationship of the Firm with such brokers and dealers.

Soft Dollars. Selecting a “Transacting Party” in consideration of the value of various services or products, beyond transaction execution, and paying for them with transaction execution costs is known as paying for those services with soft dollars. As such, soft dollar commission rates are higher than non-soft dollar rates. We currently do not have any soft dollar arrangements.

Client Referrals. The Firm does not receive Client referrals from broker-dealers or third parties for recommending Clients, thus the firm does not have any incentive to select or recommend a broker-dealer based on the Firm’s interest in receiving Client referrals.

Directed Brokerage. We do not have any “directed brokerage” arrangements with our Clients.

Aggregation of Orders. The Firm may manage other portfolios and expects that the Funds and Separate Accounts it manages will, from time to time, purchase or sell the same securities. Due to operational limitations, the Firm does not generally aggregate orders.

When circumstances permit, we may aggregate orders for the purchase or sale of securities on behalf of a Fund and/or other Client with orders on behalf of other portfolios we manage. Securities purchased or proceeds of securities sold through aggregated orders will be allocated to the account of each portfolio that bought or sold such securities at the average execution price. If less than the total of the aggregated orders is executed, purchased securities or proceeds will generally be allocated pro rata among the participating portfolios in proportion to their planned participation in the aggregated orders. No portfolio will receive the lowest purchase price or the highest sale price in connection with such order unless all purchases or sales are at the same price.

When the Firm places orders for the same security entered on behalf of more than one Fund or other Client, this will be done subject to the aggregation being in the best interests of all participating Accounts. Subsequent orders for the same security entered during the same trading

day may be aggregated with any previously unfilled orders; filled orders shall be allocated separately from subsequent orders.

Instances in which orders will not be aggregated include, but are not limited to, the following:

- Orders have to be submitted separately for each Client because they are located on different broker platforms with no common order aggregation capability;
- Traders and/or portfolio managers determine that the aggregation is not appropriate because of market conditions and/or timing of the trade;
- Portfolio managers must effect the transactions at different prices, making aggregation unfeasible; and
- Instances where quantitative programs for different Clients independently come up with the same trade. In this case the trades are executed independent of each other and are not coordinated as they are executed automatically in different systems.

### **Item 13: Review of Accounts**

The Firm's Chief Executive Officer, Chief Scientist and Director of Research comprise the Investment Committee and will review all Client accounts on an ongoing basis. These reviews take place at Investment Committee meetings where investment ideas and strategies are discussed. In addition to these Investment Committee meetings, which take place weekly or as needed, the Firm's investment professionals may meet and discuss the review of investment advisory accounts on a more frequent, informal basis.

Investors in each Fund will be provided with monthly or quarterly (depending on the Fund) unaudited performance, including an unaudited calculation of the total return earned by the Fund's portfolio during such month, and audited financial statements annually, as provided in each Fund's limited partnership agreement.

Separately Managed Account clients will receive monthly, unaudited performance.

### **Item 14: Client Referrals and Other Compensation**

The Firm currently has a referral agreement in place with Bayview Asset Management Co., Ltd. (the "solicitor"). This referral agreement arranges for the payment of a fee to the solicitor in exchange for referrals to the Firm's Client. The Firm will pay the solicitor a percentage of the management and performance fees received by the Firm or its affiliates in connection with investors referred to the Firm's Client by the solicitor. This referral arrangement complies with the relevant portions of SEC Rule 206(4)-3 and is subject to a written agreement between the Firm and the solicitor.

### **Item 15: Custody**

We do not take possession of Client funds or securities. Fund, Separate Account and registered investment company Client assets are held with a qualified custodian. The custodian sends a monthly custodial statement for the Funds to the Firm (the Funds' General Partner). Each investor in the Funds will receive a monthly statement of Net Asset Value from the Fund's

Administrator. Separate Account holders and other Clients will receive or be given access to monthly statements directly from the custodian.

We are deemed to have custody of the assets of the Funds by virtue of serving as the General Partner of these Funds. As such we will take steps to ensure compliance with the SEC's custody rule. The Funds will comply by either 1) being subject to an annual audit and audited financial statements, which are prepared in accordance with generally accepted accounting principles by a PCAOB Accountant, and are distributed annually to each investor within 120 days of the end of each fiscal year, or 2) confirming that the Fund's custodians are sending quarterly account statements to the Fund's investors and by engaging an independent public accountant that is registered with and subject to inspection by the PCAOB to conduct a surprise examination of the Fund's assets on at least an annual basis.

#### **Item 16: Investment Discretion**

The Firm has discretionary authority to make investment decisions with respect to the types or amounts of securities to be bought or sold for its Clients, brokers or dealers to be used and the commission rates paid. The discretionary authority to make the above referenced decisions will vary based on the agreement that is in place with each Client and the Firm. The Firm will exercise its investment discretion consistent with its investment strategies as specified in the private placement memorandum and limited partnership agreement ("LPA") applicable to each Client. The Firm's authority and discretion are limited by the boundaries of the private placement memorandum and the executed Power of Attorney in the LPA. The Firm's authority may be subject to conditions imposed by a Client in the LPA, including, without limitation, restrictions on transactions in securities issued by companies in a specific industry or direction as to the specific brokers and dealers that must be used to execute transactions.

The Firm will have the discretion to use one or more broker-dealers to effect securities transactions based on a variety of considerations, including, without limitation, the commission rates charged by such broker-dealers, their execution capabilities, financial stability, reputation, access to the market for securities being traded, custodial and other services which may enhance the general portfolio management capabilities of the Firm, the size of the transaction, the difficulty of execution, the operational facilities of the broker and/or dealer involved, the risk in positioning a block of securities; the quality of the overall brokerage and research services provided by the broker and/or dealer; and the value of an ongoing relationship of the Firm with such brokers and dealers.

Our Separate Account Clients may negotiate certain restrictions, which will be outlined in their Advisory Agreement.

#### **Item 17: Voting Client Securities**

The Firm's policy regarding voting of Client securities is to refrain from exercising our voting power. Because of the nature of the Firm's short-term trading strategy in its Clients' accounts, the costs of voting would outweigh the benefits to the Client. Because of this, we have determined that voting Client securities is not in the best interest of the Client.

**Item 18: Financial Information**

The Firm does not have any financial conditions that would be reasonably likely to impair our ability to meet contractual commitments to Clients. In addition, we have not been the subject of a bankruptcy petition in the last ten years.