

## Yost Capital Management, LP

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Part 2A of Form ADV: Firm Brochure  
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This brochure provides information about the qualifications and business practices of Yost Capital Management, LP (“YCM”). If you have any questions about the contents of this brochure, please contact Kyle Knutson at 817-350-6333 or [kyle@yostfunds.com](mailto:kyle@yostfunds.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”).

Additional information about Yost Capital Management, LP is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). An investment adviser’s registration with the SEC does not imply a certain level of skill or training.

THIS BROCHURE SHALL NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF ANY OFFER TO PURCHASE ANY SECURITIES OR INVESTMENT ADVISORY SERVICES.

## **ITEM 2. MATERIAL CHANGES**

YCM updated Part 2A of Form ADV to reflect the conversion of Yost Capital Management, L.L.C. from a Texas limited liability company to a Texas limited partnership.

The last annual update to YCM's Part 2A of Form ADV was March 30, 2018. There were no material changes made to the YCM's Part 2A of Form ADV dated March 30, 2018.

YCM will make a redline available to any person who wishes to see all changes made to the Part 2A of Form ADV dated March 30, 2018.

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## **ITEM 4. ADVISORY BUSINESS**

### **Description of the Adviser**

Yost Capital Management, LP (“YCM”) is an investment adviser organized as a Texas limited partnership. YCM was formed as a result of the conversion of Yost Capital Management, L.L.C. from a Texas limited liability company to a Texas limited partnership effective September 1, 2018. Yost Capital Management, L.L.C. was originally formed on February 4, 2010. Tomcat Advisors, L.L.C., a Texas limited liability company, which is controlled by Carson Yost serves as the general partner for YCM. YCM is currently registered as an investment adviser with the United States Securities and Exchange Commission.

### **Description of Advisory Services**

YCM provides investment advisory services to pooled investment vehicles and a separately managed account (the “SMA”) that are exempt from registration under the Investment Company Act of 1940, as amended (the “1940 Act”), and whose securities are not registered under the Securities Act of 1933, as amended (the “Securities Act”). As the investment adviser of the Funds (as defined below) and the SMA, YCM’s services consist of identifying opportunities for acquisition, management, monitoring, and disposition of investments of the Funds and the SMA. Investment advice is provided directly to the Funds and the SMA, subject to the discretion and control of the general partner or the board of directors of the applicable Fund, and not individually to the limited partners or shareholders of the Funds.

The Funds currently advised by YCM are: (i) Yost Partners, L.P. (the “Master Fund”), (ii) Yost Offshore Fund, Ltd. (the “Offshore Fund”), (iii) Yost Focused Long Fund, L.P. (the “Long Focused Master Fund”) and (iv) Yost Focused Long Offshore Fund, Ltd. (the “Long Focused Offshore Fund”, each a “Fund” and collectively, the “Funds”). As previously mentioned, YCM also manages the SMA. YCM may in the future organize other investment funds, including other feeder funds for the Master Fund or the Long Focused Master Fund or manage investment funds or other separately managed accounts that may either co-invest with the Funds or follow an investment program similar to or different from the Funds’ or the SMA’s program. The Offshore Fund currently invests all, or substantially all, of its assets in the Master Fund. The Long Focused Offshore Fund currently invests all, or substantially all, of its assets in the Long Focused Master Fund. Tomcat Management, L.P. (the “General Partner”) is the general partner of the Master Fund and the Long Focused Master Fund.

The Funds and the SMA advised by YCM currently focus on running a concentrated portfolio of high-conviction ideas. YCM’s investment strategy is neither value nor growth driven. YCM seeks to find ideas where it believes a company’s prospects are better or worse than the market expects and it intends to deploy capital when it thinks this “Expectations Gap” will close. Please refer to a Fund’s offering memorandum for a complete description of investment objectives and strategy. The Long Focused Master Fund’s portfolio and the SMA’s portfolio will generally be similar to the Master Fund’s long portfolio (but may not include every long position in the Master Fund or have positions that are the same size as the Master Fund). Positions may vary for certain reasons, including but not limited to, any restrictions due to market access, tax or regulatory issues, or any investment guidelines or restrictions in the organizational or offering documents of a Fund or the investment management agreement between YCM and the SMA and any limitations on a Fund or the SMA’s ability to clear or settle securities in certain markets.

Services are provided to the Funds and the SMA in accordance with the investment management agreements with the Funds and/or organizational documents of the applicable Fund and the investment management agreement with the SMA. Investment restrictions for the Funds and the SMA, if any, are generally established in the organizational or offering documents of the applicable Fund and the investment management agreement with the SMA.

YCM does not participate in wrap fee programs.

This brochure is qualified in its entirety by reference to each Fund's or SMA's governing documents (as applicable), including its private placement memorandum (if any), limited partnership agreement (if any), memorandum and articles of association (if any), subscription agreement (if any) and investment management agreement (if any).

### **Assets Under Management**

As of December 31, 2018, YCM's total regulatory assets under management ("RAUM") were approximately \$522,433,047. As of December 31, 2018, the combined net asset value of the Funds and the SMA were approximately \$357,375,204. All assets are managed on a discretionary basis.

## **ITEM 5. FEES AND COMPENSATION**

As provided under the governing documents of the Funds, YCM or its affiliates will receive from the Funds both a monthly management fee (the "Management Fee") at a fixed rate and an annual performance allocation based upon the performance of the Funds, as described further below. Subject to the terms of the investment management agreement between YCM and the SMA, YCM receives a management fee and performance fee for providing investment management services to the SMA. Although YCM has entered into agreements with the Funds and the SMA providing for the below fees, YCM and the General Partner may negotiate alternative fees on a client-by-client basis with other funds or separate account clients that they manage in the future. Different client facts and circumstances will be considered in determining such fees, including the client's investment strategy, assets under management, account composition, reporting requirements, economies of scale, if any, and any other factors YCM or the General Partner deem relevant. All such fees will be set forth in agreements with such clients.

### **Management Fee**

#### **Master Fund and Offshore Fund**

YCM charges the Master Fund an annual management fee of 1.5% of the capital account balance of each limited partner of the Master Fund and of each Tracking Account (as defined below), calculated and payable monthly in advance. For accounting purposes only, the Master Fund may maintain notional capital accounts with respect to each class and/or series of shares of the Offshore Fund (each, a "Tracking Account"). The General Partner may combine Tracking Accounts maintained with respect to the shareholders of the Offshore Fund. Subscription proceeds received after the first day of a month will incur management fees as if the subscription had been received on the first day of the month. Generally, fees are not negotiable, provided, however, YCM may reduce or eliminate the Management Fee with respect to any limited partner of the Master Fund in its sole discretion. The board of directors of the Offshore Fund, in consultation with YCM, may reduce or eliminate the Management Fee with respect to any shareholder in its sole discretion.

#### **Long Focused Master Fund and Long Focused Offshore Fund**

YCM charges the Long Focused Master Fund an annual management fee of 1.0% of the capital account balance of each limited partner of the Long Focused Master Fund and of each Tracking Account (as defined below), calculated and payable monthly in advance. For accounting purposes only, the Long Focused Master Fund may maintain notional capital accounts with respect to each class and/or series of shares of the Long Focused Offshore Fund (each, a "Tracking Account"). The General Partner may combine Tracking Accounts maintained with respect to the shareholders of the Long Focused Offshore Fund. Subscription proceeds received after the first day of a month will incur management fees as if the subscription had been received on the first day of the month. Generally, fees are not negotiable, provided,

however, YCM may reduce or eliminate the Management Fee with respect to any limited partner of the Long Focused Master Fund in its sole discretion. The board of directors of the Long Focused Offshore Fund, in consultation with YCM, may reduce or eliminate the Management Fee with respect to any shareholder in its sole discretion.

For purposes of calculating the Management Fee, capital account balances include an investor's share of net realized and unrealized profits and losses, interest, dividends and other gains or losses. There is currently no provision for refunding management fees in the event the investment management agreement between YCM and a Fund is terminated before the end of a month after Management Fees have been paid.

The management fee paid by the SMA is calculated and paid pursuant to the investment management agreement between YCM and the SMA.

### **Performance Allocation**

#### **Master Fund**

As of the close of each fiscal year, a performance allocation is debited against the capital account of each limited partner of the Master Fund and simultaneously credited to the capital account of the General Partner. The performance allocation is equal to 15% of each limited partner's allocable share of net profits of the Master Fund for the fiscal year. The performance allocation is subject to a modified "high water mark" limitation. Thus, if a net loss occurs in a fiscal year that results in a limited partner's capital account balance at the end of such fiscal year being lower than such limited partner's capital account balance as of the close of the last year in which a performance allocation was made (or, if no such performance allocation has been made, the capital account balance at establishment), then the performance allocation shall be 10% of such capital account's allocable share of net profits, if any, until such time as the capital account has been allocated subsequent net profits in an aggregate amount equal to 250% of the net losses allocated to such capital account since the establishment of the existing high water mark. Thereafter, the performance allocation reverts to 15%. Net profits are calculated net of management fees and all other expenses of the Master Fund, but before the performance allocation. If a limited partner makes a withdrawal at a time when its capital account balance is below its "high water mark" level, the level is ratably reduced to reflect such withdrawal. The performance allocation is generally calculated and charged to each limited partner at the end of each fiscal year. A performance allocation is also calculated and charged (i) with respect to any limited partner permitted or required to withdraw, (ii) with respect to a limited partner making a partial withdrawal of such limited partner's capital account, as of any time other than the close of a year on the basis of net profits allocated to such limited partner through the withdrawal date (but only with respect to the amount withdrawn on a pro rata basis in the event of a partial withdrawal), (iii) with respect to any limited partner effecting a transfer of its interest in the Master Fund, upon the admission as a substitute limited partner of a person to whom any interest of such limited partner has been transferred; and (iv) upon the final distribution to a limited partner following the dissolution of the Master Fund.

#### **Offshore Fund**

As of the close of each fiscal year, a performance allocation equal to 15% of each shareholder's allocable share of net profits of the Master Fund (and the direct income and expenses of the Offshore Fund) for each fiscal year with respect to Class A shares, is debited against each Tracking Account and simultaneously credited to the capital account of the General Partner. The performance allocation is subject to a modified "high water mark" limitation. Thus, if a net loss occurs in a fiscal year that results in a shareholder's Tracking Account balance at the end of such fiscal year being less than the Tracking Account balance through the close of the last year in which a performance allocation was made (or, if no such performance allocation has been made, the Tracking Account balance at establishment), then any

subsequent performance allocation shall be 10% of such Tracking Account's allocable share of net profits, if any, until such time as the Tracking Account has been allocated subsequent net profits in an aggregate amount equal to 250% of the net losses allocated to such Tracking Account since the establishment of the existing high water mark. Thereafter, the performance allocation reverts to 15%. Net profits are calculated net of management fees and all other expenses of the Offshore Fund and the Master Fund, but before performance allocation. If a shareholder redeems at a time when its Tracking Account balance is below its "high water mark" level, the high water mark level will be ratably reduced to reflect such redemption. The performance allocation is generally calculated and charged to each shareholder at the end of each fiscal year. A performance allocation is also calculated and charged (i) with respect to any shareholder permitted or required to redeem; (ii) with respect to a shareholder making a partial redemption of such shareholder's participating shares, as of any time other than the close of a year on the basis of net profits allocable to such shareholder through the redemption date (but only with respect to the amount redeemed on a pro rata basis in the event of a partial redemption); (iii) with respect to a shareholder effecting a transfer of any of its participating shares as of the time of transfer (but only with respect to the participating shares being transferred) and (iv) upon the final distribution to a shareholder following the dissolution of the Offshore Fund.

### **Long Focused Master Fund**

The General Partner is entitled to a performance allocation (a "Performance Allocation") at the end of each Performance Period (as defined below), which is calculated and charged separately with respect to each capital account of each limited partner for each Performance Period, equal to 12.5% of the amount, if any, by which the Performance Change for such capital account, exceeds the sum of (i) the Loss Carryforward Account for such capital account, *plus* (ii) the Performance Hurdle for such capital account. No Performance Allocation will be debited from a capital account of a limited partner until the Loss Carryforward Account for such capital account is reduced to (but not below) zero. Performance Period means, with respect to each capital account of each limited partner, the period commencing as of the date of the establishment of the capital account (in the case of the initial Performance Period) and thereafter each period commencing as of the day following the last day of the preceding Performance Period with respect to such capital account, and ending as of the close of business on the first to occur of the following: (i) the last day of the Long Focused Master Fund's fiscal year; (ii) the withdrawal of all or a portion of the interest attributable to such capital account (but only with respect to such withdrawn amount); (iii) the transfer, at the General Partner's discretion, of all or any portion of such limited partner's interest; (iv) the final distribution to such limited partner following the dissolution of the Long Focused Master Fund; or (v) the General Partner's cessation as a general partner of the Long Focused Master Fund. The Performance Change for a particular capital account of a limited partner with respect to a Performance Period, generally, equals the pro rata allocation of net profit or net loss to such capital account not attributable to Restricted New Issues, (i) minus its share of the management fees and (ii) plus its share of any realized or unrealized net profit, or minus its share of net loss, attributable to restricted new issues. The Performance Hurdle for a particular capital account of a limited partner with respect to a Performance Period, generally, equals the product of (i) the rate of return achieved by the MSCI World Index during such Performance Period, and (ii) the balance of such capital account as of the commencement of such Performance Period. The Loss Carryforward Account for a particular capital account of a limited partner will have an initial balance of zero. As of the first day after the close of each Performance Period for such capital account, the balance of such Loss Carryforward Account will be (i) increased by the amount, if any, by which the Performance Hurdle for such Performance Period exceeds the Performance Change for such Performance Period and (ii) reduced (but not below zero) by the amount, if any, by which the Performance Change for such Performance Period exceeds the Performance Hurdle for such Performance Period. The Long Focused Master Fund will maintain a separate sub-account to reflect additional capital contributions, with each sub-account being

maintained as if it were the capital account of a separate partner for the purposes of, among other things, computing the Performance Allocation, the management fee or withdrawal rights.

### **Long Focused Offshore Fund**

The General Partner is entitled to a performance allocation (a Performance Allocation, as defined below) at the end of each Performance Period (as defined below), which is calculated and charged separately with respect to each Tracking Account of each shareholder for each Performance Period, equal to 12.5% of the amount, if any, by which the Performance Change for such Tracking Account, exceeds the sum of (i) the Loss Carryforward Account for such Tracking Account, *plus* (ii) the Performance Hurdle for such Tracking Account. No Performance Allocation will be debited from a Tracking Account of a shareholder until the Loss Carryforward Account for such Tracking Account is reduced to (but not below) zero. Performance Period means, with respect to each Tracking Account of each shareholder, the period commencing as of the date of the establishment of the Tracking Account (in the case of the initial Performance Period) and thereafter each period commencing as of the day following the last day of the preceding Performance Period with respect to such Tracking Account, and ending as of the close of business on the first to occur of the following: (i) the last day of the Long Focused Offshore Fund's fiscal year; (ii) the redemption of all or a portion of such shareholder's participating shares attributable to such Tracking Account (but only with respect to such redeemed amount); (iii) the transfer of all or any portion of shareholder's Participating Shares attributable to such Tracking Account; (iv) the final distribution to such shareholder following the dissolution of the Long Focused Offshore Fund; or (v) the General Partner's cessation as a general partner of the Long Focused Master Fund. The Performance Change for a particular Tracking Account of a shareholder with respect to a Performance Period, generally, equals the *pro rata* allocation of net profit or net loss to such Tracking Account not attributable to restricted new issues, (i) minus its share of the management fees and (ii) plus its share of any realized or unrealized net profit, or minus its share of net loss, attributable to restricted new issues. The Performance Hurdle for a particular Tracking Account of a shareholder with respect to a Performance Period, generally, equals the product of (i) the rate of return achieved by the MSCI World Index during such Performance Period, and (ii) the balance of such Tracking Account as of the commencement of such Performance Period. The Loss Carryforward Account for a particular Tracking Account of a shareholder will have an initial balance of zero. As of the first day after the close of each Performance Period for such Tracking Account, the balance of such Loss Carryforward Account will be (i) increased by the amount, if any, by which the Performance Hurdle for such Performance Period exceeds the Performance Change for such Performance Period and (ii) reduced (but not below zero) by the amount, if any, by which the Performance Change for such Performance Period exceeds the Performance Hurdle for such Performance Period.

The performance allocation with respect to any limited partner in the Master Fund or the Long Focused Master Fund may be waived or altered by the General Partner in its sole discretion. The performance allocation with respect to any shareholder of the Offshore Fund or the Long Focused Offshore Fund may be waived or altered by the board of directors of the Offshore Fund or the Long Focused Offshore Fund, as applicable, with the consent of the General Partner.

The General Partner and its affiliates are not subject to the management fee or the performance allocation for any investments in the Funds but do share pro rata in all other applicable expenses.

The performance fee paid by the SMA is calculated and paid pursuant to the investment management agreement between YCM and the SMA.

### **Other Expenses**

In addition to the Management Fee and performance allocation, each Fund bears the expenses of its organization and the offering of its interests (including legal and accounting fees, printing costs, travel, "blue sky" filing fees and expenses and out-of-pocket expenses). The Funds and the SMA bear all costs



and expenses directly related to their investment programs, including, but not limited to, expenses related to proxies, underwriting and private placements, brokerage commissions (including outsourced trading services), interest on debit balances or borrowings, rebates or charges for the borrowing of securities, custody fees, clearing and settlement charges, real-time exchange data and any withholding or transfer taxes imposed on the Funds or the SMA. The Funds also bear all out-of-pocket costs of the administration of the Funds, including accounting, audit and legal expenses, costs of any litigation or investigation involving the Funds' activities, and costs associated with reporting and providing information to existing and prospective investors. The Funds and the SMA also bear their *pro rata* share of costs for research or data providers, as determined by the General Partner or YCM, including but not limited to Bloomberg, Reuters and Data Explorers/Markit Securities Finance Analytics.

The Funds and the SMA do not have their own separate employees or offices, and they do not reimburse the General Partner and YCM for salaries, office rent and other general overhead costs of the General Partner and YCM (collectively, "Overhead Costs"). A portion of the commissions generated by the Funds' and the SMA's brokerage transactions may generate "soft dollar" credits that the General Partner and YCM are authorized to use to pay for research and other research related services and products used by the General Partner and YCM. The General Partner and YCM do not currently intend to (but may in the future) have a broker pay a third party with "soft dollars" for services acquired by the broker for the benefit of the General Partner or YCM. In the event that YCM elects to use soft dollars, it intends to limit such use to services that fall within the safe harbor afforded by Section 28(e) of the U.S Securities Exchange Act of 1934, as amended.

Notwithstanding the foregoing, any direct expenses of the Offshore Fund or the Long Focused Offshore Fund, as applicable, are treated as if borne by the Tracking Account maintained with respect to the participating shares to which such expenses correspond or by the participating shares to which such expenses correspond. The Offshore Fund will bear its *pro rata* portion of the Master Fund's costs and expenses. The Long Only Offshore Fund will bear its *pro rata* portion of the Long Only Master Fund's costs and expenses.

Please see the sections titled Fees and Expenses and Brokerage and Custody in each Fund's Offering Memorandum for more detailed information. Please refer to the discussion of YCM's brokerage practices in Item 12 below.

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

Subject to the investment management agreement between YCM and the SMA, the SMA will generally pay its *pro rata* share of any research related expenses.

## **ITEM 6. PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

As disclosed above under Item 5, FEES AND COMPENSATION, the General Partner and YCM may receive a performance allocation, which is based on the performance of the Funds or the SMA. YCM does not manage any accounts that are charged hourly or flat fees. As discussed in Item 5, investors in the Master Fund and the Offshore Fund may be subject to a 10% performance allocation even if the value of its investment is below its "high water mark". Investors in the Long Focused Master Fund and the Long Focused Offshore Fund may be subject to a performance allocation even if the value of its investment has declined. Performance based fees may create an incentive for YCM or the General Partner to make investments that are riskier or more speculative than would be the case in the absence of such performance based fees. YCM will monitor the allocation of trades between the Funds and the SMA to alleviate any potential conflicts of interest due to different performance fee arrangements with the Funds and the SMA.

## **ITEM 7. TYPES OF CLIENTS**

YCM currently provides investment advisory services to the Funds and the SMA. Investment advice is provided directly to the Funds and the SMA, subject to the discretion and control of the General Partner or the board of directors of the applicable Fund and not individually to the investors in the Funds.

Interests in the Funds are offered pursuant to applicable exemptions from registration under the 1940 Act and the Securities Act. Investors in the Funds or the SMA may include high net worth individuals/families, trusts, estates, charitable organizations, endowments, pension plans, corporations, limited partnerships, limited liability companies, and similar entities.

The minimum initial investment in each Fund is \$1,000,000. The Master Fund and the Long Focused Master Fund may accept investments in lesser amounts at the discretion of the General Partner. The Offshore Fund and the Long Focused Offshore Fund may accept investments in a lesser amount in the sole discretion of the board of directors of the applicable Fund subject to any requirements of the Cayman Islands Mutual Funds Law (as amended). YCM does not have a minimum size for a Fund. As previously disclosed, YCM also provides investment management services to the SMA. YCM decides whether to open a separately managed account on a case by case basis.

YCM may in the future provide advisory services to other funds and other separately managed accounts for high net worth individuals/families, trusts, estates, charitable organizations, endowments, pension plans, corporations, limited partnerships, limited liability companies, and similar entities.

## **ITEM 8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

As stated previously, the Offshore Fund invests all, or substantially all, of its assets in the Master Fund and primarily achieves its investment objectives through its investment in the Master Fund and the Long Focused Offshore Fund invests all, or substantially all, of its assets in the Long Focused Master Fund and primarily achieves its investment objectives through its investment in the Long Focused Master Fund. For purposes of Item 8, references to the Master Fund shall refer to the Master Fund and the Offshore Fund and references to the Long Focused Master Fund shall refer to the Long Focused Master Fund and the Long Focused Offshore Fund and references to Fund or Funds shall refer to any, each or all, of the Master Fund, the Offshore Fund, the Long Focused Master Fund and the Long Focused Offshore Fund and the SMA. The investment objectives and guidelines of the SMA are contemplated in the investment management agreement between YCM and the SMA. The Long Focused Master Fund's portfolio and the SMA's portfolio will generally be similar to the Master Fund's long portfolio (but may not include every long position in the Master Fund or have positions that are the same size as the Master Fund). Positions may vary for certain reasons, including but not limited to, any restrictions due to market access, tax or regulatory issues, or any investment guidelines or restrictions in the organizational or offering documents of a Fund or the investment management agreement between YCM and the SMA and any limitations on a Fund or the SMA's ability to clear or settle securities in certain markets. Some of the below disclosures and risk factors may not directly or equally apply to a Fund or the SMA.

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

Investing in securities involves risk of loss that clients and investors in the Funds and the SMA should be prepared to bear.

## **Investment Objective**

The Master Fund's investment objective is to achieve after-tax compound annual returns that are superior to the broad global equity market averages with less risk and lower correlations to the market and long-short hedge fund indices. The Long Focused Master Fund's investment objective is to achieve compound annual returns that are superior to the MSCI World Index.

## **Investment Strategy**

### **Master Fund**

YCM intends to seek the Master Fund's investment objective by utilizing a range of investment strategies, including investing in publicly-traded equity securities, both long and short, as well as a broad array of other securities in public markets. Under normal circumstances, YCM intends that, at any given time, the Master Fund will have net exposure generally ranging between -10% and 60% and gross exposure generally ranging between 50% and 200%. In general, YCM intends that the Master Fund will hold approximately 10 to 20 long positions and approximately 15 to 30 short positions. In general, YCM does not expect individual long positions to exceed 15% of equity capital at cost or individual short positions to exceed 5% of equity capital at cost and 7% of equity capital at market values. The concentration of the top ten long positions is generally expected to be at least 60% of the Master Fund's long portfolio. When determining the number of positions or ideas, YCM will generally exclude exchange traded funds, futures contracts, securities used as hedges or other securities as determined by YCM. Certain individual positions that are related to each other may be combined when determining the number of positions. Depending on YCM's opinion of market conditions and the economy in general, the Master Fund's portfolio may at times have a net short exposure or may have more or less net or gross exposure than mentioned above. There may be times when YCM determines that it is in the best interest of the Master Fund to have a significant portion, or all, of the Master Fund's assets in cash.

YCM will generally attempt to identify stocks with at least 100% appreciation potential to serve as core long positions; therefore, assuming a 30% annual expected return target for such core long positions, YCM expects that average holding periods for core long positions will likely be over two years. YCM will attempt to identify short positions with a 50% total return potential to serve as core short positions. YCM generally expects to hold such core short positions for an average of one year. There can be no assurance that the positions initiated by YCM will achieve their expected annual return targets or expected appreciation potential or that positions will be held for the expected time horizons mentioned above. Targets set forth herein for expected annual returns or appreciation potential on individual positions should not be interpreted as a target or reasonable expectation for aggregate Master Fund returns.

YCM will generally not attempt to time the market. A guiding principle of YCM is that it generally does not invest where it does not feel it has an analytical advantage. Therefore, YCM will generally use broad sentiment extremes ("Be fearful when the market is greedy and greedy when the market is fearful") to guide the net exposure of the Master Fund. Otherwise, net exposure will be dictated by the level of conviction YCM has in the portfolio's holdings. Gross exposure (leverage) will be dictated by the portfolio's net exposure and YCM's conviction in the portfolio. For example, at 50% net exposure, gross exposure will tend to be around 150% until net exposure or market conditions change. YCM generally does not expect the portfolio to be over 100% net long.

YCM expects to invest globally, however it will generally require a higher expected return threshold on non-U.S. securities to compensate the Master Fund's portfolio for information barriers and non-U.S. market nuances. It is expected that YCM will invest in a limited number of credit and macro opportunities. In general, no more than 20% of the Master Fund's exposure will be in credit securities

and the same liquidity parameters as for equity investments specified below will generally apply to credit securities and credit derivative securities.

YCM generally intends to focus the majority of the Master Fund's investments in small and mid-capitalization stocks. Liquidity and a clear path to getting paid are dominant factors in YCM's stock selection.

With respect to the size of an investment, YCM intends to employ the "Kelly Criterion"—the mathematical construct by which YCM makes large investments when its thesis is contrarian and its research strongly supports its hypothesis and smaller investments when its thesis is less contrarian but fundamentally shows a discrepancy between market perception and reality. YCM believes that this investment sizing method maximizes upside when its analysis is correct and minimizes losses when it is wrong.

YCM generally intends to maintain a liquid strategy whereby 65% of the portfolio can be liquidated within two weeks, assuming 25% of the average daily trading volume for a security. Although YCM intends to maintain a liquid portfolio and monitor the liquidity of the portfolio, there may be times when the liquidity of the portfolio varies from the above target.

YCM's core long positions will generally be companies that it believes have the ability to internally compound at high rates of return for extended periods of time. While YCM does not consider volatility to be synonymous with risk, it intends to construct a portfolio which it believes will exhibit lower volatility than the overall market. YCM believes that its investment style is helpful in preventing "beta mismatches" (long low P/E stocks and short high P/E stocks) from occurring. By sourcing ideas eclectically, away from Wall Street, YCM intends to seek to mitigate non-fundamental forces such as fund liquidations from affecting the Master Fund's portfolio. YCM expects to monitor the Master Fund's portfolio for one way exposures (industry, sector, country, etc.) that are not deliberately intended.

While YCM expects that its idea sourcing process will tend to lead to a portfolio with low correlations to the market, YCM recognizes that market activity may be extremely sensitive to macroeconomic factors. That being said, overall portfolio exposure is expected to be managed to reflect not only the underlying risk of specific ideas, but the overall market as well. If the market doesn't make sense to YCM, it won't hesitate to go to cash.

### **Long Focused Master Fund**

YCM intends to seek the Long Focused Master Fund's investment objective by utilizing a long only investment strategy, investing in publicly-traded equity and debt securities. In general, YCM intends that the Long Focused Master Fund will hold approximately 10 to 20 long positions. In general, YCM does not expect individual long positions to exceed 15% of equity capital at cost. When determining the number of positions, YCM will generally exclude exchange traded funds, futures contracts or other securities as determined by YCM. Certain individual positions that are related to each other may be combined when determining the number of positions. There may be times when YCM determines that it is in the best interest of the Long Focused Master Fund to have 5% or more of the Long Focused Master Fund's assets in cash.

YCM will generally not attempt to time the market. A guiding principle of YCM is that it generally does not invest where it does not feel it has an analytical advantage. It is expected that YCM will invest in a limited number of credit and macro opportunities. In general, no more than 5% of the Long Focused Master Fund's exposure will be in credit securities and the same liquidity parameters as for equity investments specified below will generally apply to credit securities.

YCM expects to invest globally, however it will generally require a higher expected return threshold on

non-U.S. securities to compensate the Long Focused Master Fund's portfolio for information barriers and non-U.S. market nuances. YCM currently intends for the Long Focused Master Fund to generally settle its transactions in U.S. dollars or arrange to convert the transacted currency amount into U.S. dollars on or prior to the settlement date of such transaction. As such, the Long Focused Master Fund will have exposure to non-U.S. currencies on its investments which are settled in currencies different from the currency in which they are traded or denominated. The value of the Long Focused Master Fund's investments may decline in value due to fluctuations in the value of non-U.S. currencies relative to the U.S. dollar. YCM may change this practice at any time without notice.

YCM generally intends to focus the majority of the Long Focused Master Fund's investments in small and mid-capitalization stocks. Liquidity and a clear path to getting paid are dominant factors in YCM's stock selection.

With respect to the size of an investment, YCM intends to employ the "Kelly Criterion"—the mathematical construct by which YCM makes large investments when its thesis is contrarian and its research strongly supports its hypothesis and smaller investments when its thesis is less contrarian but fundamentally shows a discrepancy between market perception and reality. YCM believes that this investment sizing method maximizes upside when its analysis is correct and minimizes losses when it is wrong.

YCM generally intends to maintain a liquid strategy whereby 60% of the portfolio can be liquidated within two weeks, assuming 25% of the average daily trading volume for a security. Although YCM intends to maintain a liquid portfolio and monitor the liquidity of the portfolio, there may be times when the liquidity of the portfolio varies from the above target.

YCM's core long positions will generally be companies that it believes have the ability to internally compound at high rates of return for extended periods of time. By sourcing ideas eclectically, away from Wall Street, YCM intends to seek to mitigate non-fundamental forces such as fund liquidations from affecting the Long Focused Master Fund's portfolio. YCM expects to monitor the Long Focused Master Fund's portfolio for one way exposures (industry, sector, country, etc.) that are not deliberately intended.

While YCM expects that its idea sourcing process will tend to lead to a portfolio that outperforms the market, YCM recognizes that market activity may be extremely sensitive to macroeconomic factors.

### **Stock Selection Strategy**

YCM generally employs an investment strategy using a "bottoms up" approach to selecting portfolio holdings. YCM will seek to find investment opportunities where it believes a company's prospects are better or worse than the market expects and intends to deploy capital when it thinks this "expectation gap" will close. Because YCM believes valuation is relative and dynamic, it believes cheap stocks can stay cheap and expensive stocks can stay expensive for long periods of time.

In the short-run, YCM believes there is a significant difference between the fundamentals of companies and the stocks of companies. In the short-run, stocks are affected by the macro environment, technical factors, manipulation, investor psychology, short-term bias, promotional management teams, liquidations, fund flows and institutional investor mandates. In the long-run, stocks trade in lockstep with fundamentals. Accordingly, YCM will seek to find opportunities to take advantage of the "expectation gap."

YCM generally sources investment ideas through abundant and esoteric reading, pattern recognition, general curiosity, its investor network, and primary research. YCM's passion for the "game" and its desire to make concentrated high expected-value investments drives its idea generation, the thoroughness of its work, and ultimately, the Master Fund's returns.

## **Long Positions**

In selecting long positions for the Master Fund and the Long Focused Master Fund, YCM will generally seek:

- (i) industry supply-demand changes that will favorably affect pricing for a sustained period of time;
- (ii) companies with undervalued assets (sum of the parts);
- (iii) businesses in secular change due to habits, tastes or demographics;
- (iv) low cost providers (market share gainers over time);
- (v) cyclical businesses early in an up-cycle;
- (vi) special situations; and
- (vii) other opportunities as determined by YCM.

YCM will seek to identify what it believes the market is getting wrong, and how to close the gap between its insight and the market. Better than expected earnings, resolution of an issue that scares the market, investor conferences, and media coverage are examples of events that can close this “expectation gap.”

From time to time, compelling short-term trades are expected to arise amidst companies YCM knows well due to hedge fund liquidations, short squeezes, earnings misses, and market overreaction to short-term events that don’t affect the long term value of companies.

## **Short Positions**

YCM believes short investments are generally one of the following varieties:

- (i) cyclical companies hiding out as secular change stories;
- (ii) businesses in highly competitive industries;
- (iii) product fads;
- (iv) frauds;
- (v) “trash” carried up with the tide because of thematic investment trends;
- (vi) suppliers to weak original equipment manufacturers purporting to not being susceptible to industry malaise; and
- (viii) other opportunities as determined by YCM.

The nature of short-selling generally results in more rapid realization of gains and therefore higher taxable income for those investments. Furthermore, the proliferation of hedge funds over the last few years has made finding compelling shorts more difficult. Therefore, YCM will generally not employ shorts just to “hedge” against market loss; short candidates will have an equal, if not greater hurdle than that established for longs because of their asymmetric risk profile (limited upside, infinite downside). Notwithstanding the foregoing, should the Master Fund’s net exposure level rise above YCM’s level of comfort, YCM may seek to either reduce long exposure, hedge with index or other futures contracts or exchange traded funds or buy market puts and/or volatility calls.

Hedge funds crowding around a limited number of quality short sale candidates requires YCM to maintain a keen awareness of market expectations concerning a short position. In general, YCM will seek

to avoid being a late participant in a popular short thesis where the risks have been skewed by the probability of a “short-squeeze”.

YCM generally intends for its short theses to be structural in nature, not temporary.

The investment objectives and methods summarized above represent the General Partner’s and YCM’s current intentions. Depending on conditions and trends in the securities markets and the economy in general, the General Partner and YCM may pursue any objectives, employ any investment techniques or purchase, sell or sell short any type of security that they consider appropriate and in the best interests of the Master Fund or the Long Focused Master Fund whether or not described in this section. The foregoing discussion includes and is based upon numerous assumptions and opinions of the General Partner and YCM concerning world financial markets and other matters, the accuracy of which cannot be assured. Any references to target percentages or ratios are general objectives and not strict limitations or requirements. There can be no assurance that the Master Fund’s or the Long Focused Master Fund’s investment strategy will achieve profitable results.

### **Investment Risks**

An investment in a Fund or SMA involves a high degree of investment risk, including the risk that the entire amount invested may be lost, and is suitable only for persons or institutions of adequate financial means who have no need for liquidity in this investment. A Fund and the SMA will make investments using strategies and financial techniques with significant risk characteristics. There can be no assurances or guarantees that: (i) the investment objectives of a Fund or SMA will be realized; (ii) a Fund’s or SMA’s investment strategy will prove successful; or (iii) investors will not lose all or a portion of their investment in a Fund or SMA. Below is a list of potential risk factors that are reportable in this brochure. There is no guarantee that this is a complete list of the risks, that the below investment risks are fully explained, that a Fund or the SMA will be able to control investment risks or that the risks will not aggregate in a manner adverse to a Fund or the SMA. Additional risks associated with an investment in a Fund are disclosed in the offering documents of that Fund. Please refer to the offering documents of a Fund for a more complete disclosure of the investment risks of an investment in a Fund.

The following is a description of certain risks associated with particular investments by a Fund or the SMA.

#### **General Structure, Market, and Regulatory Risks**

*Limited Operating History.* YCM and the Funds have a limited operating history for prospective investors to evaluate prior to making an investment in a Fund. The past performance of YCM or any other accounts or Funds managed by YCM cannot be relied upon as an indicator of a Fund’s or SMA’s future success. An investor must rely upon the ability of YCM and its investment professionals in identifying and implementing investments consistent with the Fund’s investment objectives and policies.

*Investment Judgment; Market Risk.* The profitability of a significant portion of a Fund’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 YCM will be able to predict accurately these price movements. With respect to the investment strategy utilized by a Fund, there is always some, and occasionally a significant, degree of market risk.

*Market Volatility.* The Long Focused Master Fund will generally be fully invested (i.e., at least 95% of its total assets will be invested in publicly-traded equity and debt securities). As a result of the Long Focused Master Fund’s long only investment strategy, unexpected short-term volatility or fluctuation in the markets in which the Long Focused Master Fund holds positions may have an adverse effect on the Partnership or cause it to incur losses.

*Reliance on Key Person.* The Funds will be substantially dependent on the services of Carson Yost (the “Principal”). In the event of the death, disability, departure or insolvency of Mr. Yost or the complete transfer of Mr. Yost’s interest in the General Partner and/or YCM, the business of the Funds may be adversely affected. Mr. Yost will devote such time and effort as he deems necessary for the management and administration of the Funds’ business. However, Mr. Yost may engage in various other business activities in addition to managing the Funds, and consequently he may not devote his complete time to the business of the Funds.

*Master-Feeder Structure.* The Master Fund or the Long Focused Master Fund may in the future undergo a restructuring, pursuant to which it would invest through a “master-feeder” structure. Although a common investment fund structure, the “master-feeder” fund structure presents certain unique risks to investors. For example, a smaller feeder fund investing in the master fund may be materially affected by the actions of a larger feeder fund investing in the master fund. If a larger feeder fund withdraws from the master fund, the remaining feeder fund may experience higher pro rata operating expenses, thereby producing lower returns. The master fund may become less diverse due to a redemption by a larger feeder fund, resulting in increased portfolio risk. As a matter of Cayman Islands law, a Cayman Islands exempted limited partnership serving as a master fund is not a legal entity. Legal proceedings by or against a master fund may be instituted by or against any one or more of the general partners only. Expenses or liabilities of a master fund (or its general partners) arising from any such suit would be borne by such master fund, and creditors of such master fund may enforce claims against all assets of such master fund. In addition, to the extent the Master Fund’s or the Long Focused Master Fund’s assets are invested in a master fund, certain conflicts of interest may exist due to different tax considerations applicable to the Master Fund, the Long Focused Master Fund and other feeder funds.

*Illiquidity.* The investments made by the Funds may be or may become illiquid, and consequently the Fund may not be able to sell such investments at prices that reflect the General Partner’s or YCM’s assessment of their value or the amount paid for such investments by a Fund. Illiquidity may result from the absence of an established market for the investments as well as legal, contractual or other restrictions on their resale by a Fund and other factors. Furthermore, the nature of a Fund’s investments, especially those in financially distressed companies, may require a long holding period prior to profitability. Upon the written request of a withdrawing investor from the Master Fund, the General Partner or YCM may make distributions to such investor in kind of assets in lieu of or in addition to cash. The partnership agreement of the Long Focused Master Fund authorizes the General Partner to make distributions in kind of assets in lieu of or in addition to cash. In the event the General Partner or YCM makes distributions of assets in kind, such assets could be illiquid or subject to legal, contractual and other restrictions on transfer.

*Credit Market Illiquidity.* Credit markets experienced an extended period of significant lack of liquidity beginning in 2007 and may experience such periods of significant lack of liquidity in the future. While lack of liquidity may create opportunities for a Fund to acquire assets at prices that YCM believes are attractive, it also creates a number of risks. There can be no assurances that an illiquid market will, in the future, become more liquid and such a market may well continue to be volatile for the foreseeable future. It is also possible that illiquidity in the market could cause prices to decline further, which may force a Fund, to the extent it is leveraged, or other leveraged investment vehicles to sell assets to satisfy requirements under their borrowing arrangements or to meet margin calls, which could, in turn, create further downward price pressure. If there is a substantial decline in the market value of a Fund’s portfolio of investments, investments may need to be liquidated quickly, and may not be liquidated at what YCM perceives to be fair value. Upheavals in the credit markets may cause margin borrowing costs and securities borrowing costs to increase or to make such arrangements unavailable. Such increases in borrowing costs may impact a Fund’s ability to utilize leverage and generate returns.



*Investment Authority.* Substantially all decisions with respect to the management of the Funds are made exclusively by the General Partner or YCM. Investors have no right or power to take part in the management of the Funds. YCM also makes all of the trading and investment decisions of the Funds.

*Performance Allocation.* Investors should be aware that a performance allocation may be due to the General Partner even if an investor's capital account is below its High Water Mark or, in the case of the Long Focused Master Fund or the Long Focused Offshore Fund, even if an investor's investment has declined in value for the given Performance Period. The performance allocation made to the General Partner may create an incentive for the General Partner or YCM to make investments that are riskier or more speculative than would be the case in the absence of such performance allocation.

*Withdrawal and Transfer Restrictions.* There are severe restrictions on withdrawals (which may be settled in property other than cash) from the Funds and on transfers of investor interests or shares, as applicable, in the Funds. The prior written consent of the General Partner, YCM or the board of directors of the applicable Fund is required for a transfer of the interest of any investor. Because of the restrictions on withdrawals and transfers, investments in the Funds are relatively illiquid investments and involve a high degree of risk. Subscriptions for interests in the Funds should be considered only by persons financially able to maintain their investment and who can accept a loss of all of their investment.

*No Distributions.* Since the Funds do not generally intend to pay distributions (other than in respect of withdrawals or in the event of termination of the Funds), an investment in a Fund is not suitable for investors seeking current distributions of income. Moreover, an investor is required to report and pay taxes on his allocable share of income from the Master Fund or the Long Focused Master Fund, even though no cash is distributed by the Master Fund or the Long Focused Master Fund.

*Diversification.* Since a Fund's portfolio will not necessarily be widely diversified, the investment portfolio of a Fund may be subject to more rapid changes in value than would be the case if the Fund was required to maintain a wide diversification among companies, securities and types of securities.

*Valuations.* From time to time, certain situations affecting the valuation of the Funds' investments (such as limited or changes in the liquidity of a position, size of a position, unavailability or unreliability of third-party pricing information, and acts or omissions of service providers to the Funds) could have an impact on the net asset value of the Funds, particularly if prior judgments as to the appropriate valuation of an investment should later prove to be incorrect after a net asset value-related calculation or transaction is completed. The Master Fund and the Long Focused Master Fund are not required to make retroactive adjustments to prior subscription or redemption transactions or management fees or performance allocations based on subsequent valuation data.

*Soft Dollars.* YCM may enter into "soft dollar" arrangements with one or more broker-dealers whereby YCM will direct securities transactions to the broker-dealer in return for research products and services from the broker-dealer. Although YCM will use the research and services in making investment decisions for the Funds, YCM may use such research or services for other accounts or clients, and the Funds will generally pay more than the lowest available commissions for execution of these transactions. The General Partner and YCM do not currently intend (but may do so in the future) to have a broker pay a third party with "soft dollars" for services acquired by the broker for the benefit of the General Partner or YCM.

*Trade Errors by the General Partner or YCM.* YCM is responsible for the placement of the portfolio transactions of the Funds. The placement of such transactions involves the purchase and sale of securities, including derivatives. The trading of securities or derivatives may be complex. YCM, during the course of its activities, may commit trade errors. YCM, the General Partner, and other Covered Persons (as defined in the Master Fund Partnership Agreement and the Long Focused Master Fund Partnership Agreement) are held harmless for any losses, claims, damages or liabilities in connection with any error in judgment in making any investment decisions and/or any trade errors, including losses due to the negligence of brokers

or other agents of the Funds, except, in the case of a Covered Person, for any losses, claims, damages or liabilities primarily attributable to such Covered Person's willful misconduct, recklessness, or gross negligence, as finally determined by a court of competent jurisdiction, or as otherwise required by law. In addition, YCM, the General Partner, and other Covered Persons are indemnified for any losses, claims, damages, liabilities, costs or expenses (including legal fees, judgments and amounts paid in settlement) to which such Covered Person may become subject in connection with any error in judgment in making any investment decisions and/or any trade errors, unless (A) a court of competent jurisdiction, in a judgment that has become final and that is no longer subject to appeal or review, determines that any such loss, claim, damage, liability, cost or expense is primarily attributable to such Covered Person's willful misconduct, recklessness, or gross negligence; or (B) it is determined in accordance with Section 8.101 of the Texas Business Organizations Code, as amended, that such Covered Person did not act in good faith and did not reasonably believe that the Covered Person's conduct was, in the case of the General Partner (in its capacity as a general partner of the Master Fund or the Long Focused Master Fund), in the Master Fund's or Long Focused Master Fund's best interests or, in all other cases, at least not opposed to the Master Fund's or the Long Focused Master Fund's best interests. The SMA is also responsible for any trade errors made in association with YCM's trading of securities for the SMA, whether the error results in profits or losses for the SMA.

*Industry Competition.* The securities industry and the varied strategies and techniques to be engaged by YCM are extremely competitive and each involves a degree of risk. The Funds will compete with firms, including many of the larger securities and investment banking firms, which have substantially greater financial resources and research staffs.

*Available Investment Opportunities.* While YCM believes there are currently available many attractive investments of the type in which the Funds may invest, there can be no assurance that such investments will continue to be available for the Master Fund's investment activities, or that available investments will meet the Funds investment criteria.

*Market Risk.* The Funds' investment activities involve a significant degree of risk. The performance of any investment is subject to numerous factors which are neither within the control of nor predictable by YCM. Such factors include a wide range of economic, political, competitive and other conditions which may affect investments in general or specific industries or companies. Securities markets are volatile, which may adversely affect the ability of the Funds to realize profits. As a result of the nature of the Funds' investing activities, it is possible that the Funds' financial performance may fluctuate substantially from period to period.

*Third Party Information Risk.* YCM selects investments for the Funds, in part, on the basis of information and data filed by issuers with various government regulators or made directly available to YCM by the issuers or through sources other than the issuers. Although YCM evaluates all such information and data and ordinarily seeks independent corroboration when YCM considers it appropriate and when it is reasonably available, YCM is not in a position to confirm the completeness, genuineness or accuracy of such information and data, and in some cases, complete and accurate information is not available. Investments may not perform as expected if information is inaccurate.

*Inside Information.* The General Partner or YCM may receive material, non-public information that restricts its ability to buy or sell securities (including securities already held long or short by the Funds). Such restriction may last for a substantial period of time, may adversely affect the Funds' flexibility in buying or selling securities and may result in losses or foregone gains.

*Regulatory Oversight.* While the Funds may be considered similar to an investment company, they are not required and do not intend to register as such under the 1940 Act, or the laws of any country or jurisdiction and, accordingly, the provisions of the 1940 Act (which, among other matters, require investment companies to have a majority of disinterested directors, require securities held in custody to be

individually segregated at all times from the securities of any other person and to be clearly marked to identify such securities as the property of such investment company and regulate the relationship between the adviser and the investment company) are not applicable. Because securities of the Funds held by brokers are generally not held in the Funds' name, a failure of any such broker is likely to have a greater adverse impact on the Funds than if such securities were registered in the Funds' name.

The Funds may trade on a limited basis in futures and other commodity interests. Such trading activity is regulated by the Commodity Futures Trading Commission (the "**CFTC**"). Pursuant to an exemption from registration under CFTC regulations, neither the General Partner nor YCM is required to register, and is not registered, with the CFTC or the National Futures Association ("**NFA**") as a commodity pool operator (a "**CPO**") or as a commodity trading advisor ("**CTA**"). To comply with the exemption, the General Partner and YCM are subject to specific limitations on the amount of commodity interests and futures that they can trade on behalf of the Master Fund and the Long Focused Master fund. Should the Master Fund's or the Long Focused Master Fund's investments in commodity interests or futures instruments exceed the limits provided by the applicable exemption from registration, the General Partner and/or YCM will either have to register with the NFA or cease providing commodity interest trading advice to the Master Fund or the Long Focused Master fund and liquidate the Master Fund's or the Long Focused Master Fund's holdings of commodity interests and futures which could result in losses and additional costs to the Master Fund and the Long Focused Master Fund.

*Government Regulation.* Interests or shares in the Funds have neither been registered under the Securities Act nor under the securities or "blue sky" laws of any state or other jurisdiction and, therefore, are subject to transfer restrictions. In connection with a purchase of an interest or shares in a Fund, prospective investors must represent that they are purchasing the interest or shares for investment purposes only and not with a view toward resale or distribution. Neither the Funds, YCM nor the General Partner intends nor has assumed any obligation to register the interests or shares in a Fund. The interests or shares in a Fund may not be transferred except as permitted under the Securities Act and any applicable state or other securities laws, pursuant to registration or an exemption therefrom. The transferability of the interests or shares in a Fund is further subject to the consent of the General Partner or the board of directors of the applicable Fund and any other restrictions provided in the governing documents of a Fund.

*Regulation of Securities Markets.* Regulation of securities markets has undergone substantial change in recent years, and is expected to continue to change. There can be no assurance that YCM and/or the General Partner will be able, for financial reasons or otherwise, to comply with future laws and regulations. Moreover, future laws and regulations may negatively impact the business of the Funds.

*Relevant Laws.* Amendments or changes to relevant laws (including tax laws) could alter an expected outcome or introduce greater uncertainty regarding the likely outcome of an investment situation. In addition, market disruptions and the dramatic increase in the capital allocated to alternative investment strategies during recent years have led to increased governmental as well as self-regulatory scrutiny of the "hedge fund" industry in general, and certain legislation requiring greater regulation of the industry has been adopted by the U.S. Congress and the Securities and Exchange Commission, as well as the governing bodies of non-U.S. jurisdictions. It is impossible to predict what, if any, changes in the regulations applicable to the Funds, YCM and/or the General Partner, the markets in which they trade and invest or the counterparties with which they do business may be instituted in the future.

*Indemnification.* The Funds will generally be required to indemnify the General Partner, YCM, their respective affiliates and the respective members, partners, shareholders, officers, directors, employees, managers and agents thereof for liabilities incurred in connection with the affairs of the Funds. Such liabilities may be material and have an adverse effect on the returns to the investors in the Funds. The indemnification obligation of each Fund would be payable from the assets of such Fund.

*Side Letters.* The General Partner of the Master Fund and the Long Focused Master Fund or the board of directors of the Offshore Fund and the Long Focused Offshore Fund may, from time to time, enter into so-called side letters or agreements concerning an investor's investment in a Fund. Such side letters or agreements may address various terms, including but not limited to, those involving management fees, performance allocation, reporting, lock-ups, capacity and/or withdrawal rights and may result in an investor having rights that are superior in some respect to other investors in a Fund. Generally, a side letter or agreement may contractually require the General Partner or YCM to take or prohibit the General Partner or YCM from taking, or may contractually require the General Partner or YCM to permit the applicable investor to take, certain actions concerning the investor's investment in a Fund. The General Partner or YCM may, but is not required to, disclose the existence or terms of any such side letters or agreements to any other investor. If the General Partner or the board of Directors of the Offshore Fund or the Long Focused Offshore Fund enters into a side letter or agreement concerning an investor's investment in a Fund, that investor would have rights that are superior in some respect to other investors. Any such side letter or agreement will only be entered into by the General Partner or the board of directors of the Offshore Fund or the Long Focused Offshore Fund to the extent it is consistent with the powers granted to the General Partner or the board of directors of the Offshore Fund or the Long Focused Offshore Fund.

*ERISA.* Because it is intended that the Funds will not hold or be deemed to hold "plan assets" (within the meaning of ERISA), "benefit plan investors," as such term is defined under Section 3(42) of ERISA, may not have the protection of ERISA with respect to the investments and other activities of the Master Fund and the Long Focused Master Fund.

*Counterparty Risk: Generally.* The Funds are subject to the risk that counterparties of derivative contracts and other instruments in which it invests and trades may default on their obligations under those instruments and that certain events may occur that have an immediate and significant adverse effect on the value of those instruments. Some of the markets in which the Funds effect their transactions are over-the-counter or inter-dealer markets. The participants in such markets are typically not subject to credit evaluation by an exchange or clearing organization and regulatory oversight as are members of exchange-based markets. The Funds therefore are exposed to a greater risk that a counterparty will not timely settle a transaction or otherwise perform its obligations in accordance with contractual terms and conditions because of a dispute over the terms of the contract (whether or not bona fide), or because of a credit or liquidity problem, thus causing the Funds to suffer a loss (including, potentially, a loss of all of its assets on deposit with such counterparty). Such counterparty risk is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the Funds have concentrated its transactions with a single or small group of counterparties. 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 of positions and segregation and minimum capital requirements applicable to intermediaries. Although the Funds intend to enter into transactions only with counterparties that YCM believes to be creditworthy, it will attempt to reduce the Funds' exposure by obtaining collateral in appropriate cases and will pursue any available remedies under any of these contracts, there can be no assurance that a counterparty will not default and that the Funds will not sustain a loss on a transaction as a result. The Funds are not restricted from dealing with any particular counterparty or from concentrating any or all of its transactions with one counterparty. Concentration of transactions with a limited number of counterparties could increase the potential for losses by the Funds. The Funds are subject to the risk of failure of any of the exchanges on which its positions trade or of their clearinghouses.

*Counterparty and Service Provider Risk:.* There is a possibility that the institutions, including brokerage firms, prime brokers, futures commission merchants, counterparties, custodians, banks, the administrator, accountants, auditor or tax advisors or other service providers with which the Funds do business, or to which securities have been entrusted for custodial purposes, will default on their obligations or encounter

financial difficulties that may impair the operational capabilities or the capital position of the Funds or otherwise adversely affect the Funds.

*Cybersecurity.* The Funds, YCM, their respective service providers and relevant listing exchanges are susceptible to operational, information security and other cybersecurity risks, both directly and through their respective service providers. Similar types of cybersecurity risks are also present for issuers of securities in which the Funds invest, which could result in material adverse consequences for such issuers and may cause the Funds' investment in such portfolio companies to lose value. These risks may not be covered by insurance. In general, cybersecurity incidents can result from deliberate attacks or unintentional events. Cyber-attacks include, but are not limited to, gaining unauthorized access to digital systems (e.g., through hacking or use of malicious software coding) for purposes of misappropriating assets or sensitive information, corrupting data, or causing operational disruption. Cyber-attacks may also be carried out without ever obtaining direct access to the targeted systems, such as through a denial-of-service attack which could result in the target's network services becoming unavailable to its intended users. Cybersecurity failures by, or breaches of, the systems of any of the General Partner, YCM, administrator and other service providers (including, but not limited to, data providers, fund accountants, custodians, transfer agents and attorneys), market makers or the issuers of securities in which the Funds invest, could cause disruptions and impact business operations, potentially resulting in one or more of the following: material financial losses, interference with the Funds' ability to calculate its net asset value, unintended disclosure of confidential trading information, material impediments to trading, submission of erroneous trades or redemption orders, the inability of the Funds or its service providers to transact business, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs. In addition, cyber-attacks may render inaccessible, inaccurate or incomplete any or all of the records of the Funds' assets, transactions, ownership of interests or shares, and other data integral to the functioning of the Funds. Substantial costs may be incurred by the Funds in order to prevent or address cyber-incidents in the future. Certain risks may not yet have been identified and it is possible that prevention and remediation efforts will be inadequate or unsuccessful. Additionally, because techniques used to obtain unauthorized access or to sabotage systems change frequently and generally are not recognized until launched against the Funds, the Funds may be unable to anticipate these techniques or to implement adequate preventive measures. Furthermore, the General Partner and YCM are unable to directly control the cybersecurity procedures and systems of any service providers or portfolio companies, and any of the Funds and their investors could be materially and adversely impacted as a result.

*Suspension of Trading.* For all securities listed on a securities exchange, including options listed on a public exchange, the exchange generally has the right to suspend or limit trading under certain circumstances. Such suspensions or limits could render certain strategies difficult to complete or continue and subject the Funds to loss. Also, such a suspension could render it impossible for YCM to liquidate positions and thereby expose the Funds to potential losses.

*Administrator.* The Administrator will not provide any investment advisory or management service to the Funds and therefore will not be in any way responsible for the Funds' performance. The Administrator will not be responsible for monitoring any investment restrictions or compliance with the investment restrictions and therefore will not be liable for any breach thereof.

*Risk of Adverse Determination.* There can be no assurance that the analysis set forth in the governing documents of a Fund will not be challenged successfully by the Internal Revenue Service (the "Service"), or significantly modified by new legislation, changes in the Service's positions or court decisions. Neither the Master Fund, the Long Focused Master Fund nor the General Partner has sought, or expects to seek, a ruling from the Service or any similar state, local or foreign authority with respect to any of the tax issues affecting investors or the Master Fund or the Long Focused Master Fund, nor has either of them obtained an opinion of counsel with respect to any U.S. federal, state, local or non-U.S. tax issues. No

representation or warranty of any kind is made by the General Partner with respect to federal income tax consequences relating to an investment in the Master Fund or the Long Focused Master Fund. The Master Fund and the Long Focused Master Fund may take positions with respect to certain tax issues which depend on legal conclusions not yet resolved by the courts. Should any such positions be successfully challenged by the Service, or other applicable taxing authority, there could be a materially adverse effect on the Master Fund or the Long Focused Master Fund, and an investor might be found to have a different tax liability for that year than that reported on its federal income tax return.

*Audit of Limited Partners' Returns.* An audit of a Fund by the Service or another taxing authority could result in adjustments to the tax consequences initially reported by a Fund and may result in an audit of the returns of some or all of the investors, which examination could affect items not related to an investor's investment in a Fund. If audit adjustments result in an increase in an investor's tax liability for any year, such investor may also be liable for interest (and potentially penalties) with respect to the amount of the underpayment, if any. The legal and accounting costs incurred in connection with any audit of a Fund's tax returns, which, as the case may be, may be significant, will be borne by, and treated as expenses of such Fund. The cost of any audit of an investor's tax return will be borne solely by that investor.

With respect to tax years beginning on or before December 31, 2017, the General Partner will be the "tax matters partner" of the Funds and has considerable authority to make decisions affecting the tax treatment and procedural rights of all limited partners, including the authority to bind certain limited partners to settlement agreements and the right on behalf of all limited partners to extend the statute of limitations relating to the limited partners' tax liabilities with respect to Fund items. With respect to tax years beginning after December 31, 2017, the General Partner will act as the "partnership representative" of the Funds and will have the authority to bind the Funds to settlement agreements and the right to extend the Fund's statute of limitations with respect to Fund items. No limited partner will have the ability to enter into an independent settlement with the Service with respect to Partnership items or petition the U.S. Tax Court to challenge an adjustment.

*Payment of Audit Adjustments.* Pursuant to the Bipartisan Budget Act of 2015, if an audit of a Fund by the Service results in an imputed underpayment for tax years beginning after December 31, 2017, such Fund may pay any resulting taxes, penalties and interest directly. Generally, the Fund may elect to shift such tax liability to the partners, but there can be no assurance that the Fund would make such election under all circumstances. If a Fund is required to make payments of taxes, penalties and interest resulting from audit adjustments, its cash available for distribution or investment may be substantially reduced.

*Tax Considerations Taken into Account.* The General Partner or YCM may take tax considerations into account in determining when a Fund's investments should be sold or otherwise disposed of. The Funds may take on certain market risk and incur certain expenses in this regard in an attempt to achieve a form of tax treatment with respect to a transaction.

Pursuant to the Tax Cuts and Jobs Act, passed on December 20, 2017, the holding period of a capital asset must exceed three years for gain from the disposition of such asset to be treated as long-term capital gain (and subject to preferential tax rates) with respect to certain partnership interests. Typically, for limited partners the holding period must only exceed one year for gain to be treated as long-term capital gain. It is expected that the interest of the General Partner in the Funds will be subject to the three-year holding period rules. This would result in a conflict of interest between the General Partner and the limited partners with respect to certain investments. The General Partner will endeavor to utilize a uniform investment strategy which determines the timing of the disposition of investments based on valuations, industry trends and market opportunities. However, there can be no assurances that this potential conflict of interest will not result in the Funds taking on market risk with respect to the timing of the disposition of certain investments.

*Tax on Profits Whether or Not Distributed or Received.* Each investor, in computing its federal income tax liability for a taxable year, is required to take into account its distributive share of a Fund's items of income, deduction, gain, loss, and credit ("tax items") for the taxable year of the Fund ending within or with the taxable year of the investor – in accordance with the allocations set forth in the Fund's partnership agreement – regardless of whether the investor has received or will receive corresponding distributions from a Fund. Because the General Partner anticipates that there will be no cash (or property) distributions to the investors prior to their withdrawals, an investor may incur tax liability with respect to activities of the Funds without receiving sufficient distributions from the Funds to defray such tax liabilities. In order to satisfy its tax liability in such a case, an investor will need sufficient funds from sources other than the Funds. Furthermore, the Funds may make investments with respect to which the Funds may recognize income for U.S. federal income tax purposes prior to receiving cash (or property) therefrom. In addition, the Funds may, in one or more taxable years, recognize income for U.S. federal income tax purposes that does not reflect its income as an economic matter. Such recognition of income prior to receipt of an economic benefit, if any, may result in increased tax liability for the investors in one or more taxable years.

*Delayed Schedules K-1.* The Funds will provide Schedules K-1 as soon as practical after receipt of all of the necessary information. However, the Funds may be unable to provide final Schedules K-1 to investors for any given tax year until significantly after April 15 of the following year. The General Partner or YCM will endeavor to provide investors with estimates of the taxable income or loss allocated to their investment in the Funds on or before such date, but final Schedules K-1 may not be available until significantly after such date. Investors should be prepared to obtain extensions of the filing date for their income tax returns at the federal, state and local level.

*Unrelated Business Taxable Income.* The Master Fund and the Long Focused Master Fund expect to make investments or engage in activities that will give rise to unrelated business taxable income ("UBTI"). Thus, an investment in the Master Fund or the Long Focused Master Fund may be less desirable for U.S. persons who are pension plans, charities, and other tax-exempt entities (including, without limitation, certain qualified retirement plans such as individual retirement accounts ("*IRAs*") (each, a "*Tax-Exempt U.S. Investor*"). The Master Fund and the Long Focused Master Fund may participate in investments that give rise to UBTI through entities that are treated as partnerships for U.S. federal income tax purposes. Because of the "flow-through" principles applicable to partnerships, if UBTI is earned by the Master Fund or the Long Focused Master Fund, a Tax-Exempt U.S. Investor in the Master Fund or the Long Focused Master Fund will realize UBTI. Because of the General Partner's objective of maximizing the pre-tax returns of all the limited partners, the General Partner may be required to make certain decisions to maximize pre-tax returns that result in tax-exempt U.S. investors recognizing more UBTI than might otherwise be the case. In some cases, the General Partner may forego actions that would reduce UBTI because such actions would reduce the overall pre-tax returns to all the limited partners.

*Tax Efficiency.* The Master Fund and the Long Focused Master Fund may attempt to minimize the tax burden of the Master Fund and the Long Focused Master Fund over the long-term. However, the Master Fund and the Long Focused Master Fund will not overlook short-term trading opportunities. Therefore, investors should not expect that the Master Fund or the Long Focused Master Fund will make tax efficiency a priority or that the activities of the Master Fund or the Long Focused Master Fund will be tax efficient.

*Tax Changes.* Investors will be subject to the risk that changes to the tax law may adversely affect the federal income tax consequences of their investment in the Funds. Changes in existing tax laws, rules, or regulations, and/or interpretations of them, may be enacted after the date of this disclosure form, possibly with retroactive effect, and could alter the income tax consequences of an investment in the Funds. Certain provisions of the Internal Revenue Code of 1986, as amended, may be further amended or interpreted in a manner adverse to the Funds and/or the investors, in which event any benefits derived

from an investment in the Funds may be adversely affected. In addition, significant legislative and budgetary proposals affecting tax laws have been made, and may continue to be made, by the legislative and executive branches of the U.S. federal government. The likelihood of enactment of any such proposals, or any similar proposals, into law is uncertain. The enactment of any such proposals, including subsequent or future proposals, into law could have material adverse effects on the Funds and/or the investors. Enactment of such legislation, or similar legislation, could require significant restructuring of the Funds in order to mitigate such effects.

*Complexity of Taxation.* The tax aspects of an investment in the Funds are complicated and complex and, in many cases uncertain. Statutory provisions and administrative regulations have been interpreted inconsistently by the courts. Additionally, some statutory provisions remain to be interpreted by administrative regulations. Investors may therefore be subject to uncertainty with respect to the tax consequences associated with certain aspects of an investment in the Funds. Each prospective investor should have the tax aspects of an investment in the Funds reviewed by professional advisers familiar with such investor's personal tax situation and with the tax laws and regulations applicable to the investor and private investment vehicles. Certain of the above tax risk factors may apply to any or all of the Funds. Investors and prospective investors should review the offering documents of the Funds for a more comprehensive disclosure of tax risk factors.

*Trading In Securities For Its Own Account.* The Funds intend to conduct their activities in a manner such that it should be considered to be trading securities in the United States for its own account. If the Funds are not considered to be trading securities in the United States for its own account, then with respect to capital gain allocable to non-U.S. persons who are beneficial owners of limited partner interests, including the Offshore Fund and the Long Focused Offshore Fund, such gain may be subject to U.S. income taxes and/or U.S. withholding taxes. Investors and prospective investors should review the offering documents of the Funds for a further discussion of U.S. withholding taxes, among other tax matters.

*ERISA Considerations.* Certain prospective investors may be subject to federal and state laws, rules and regulations which may regulate their participation in a Fund, or their engaging directly, or indirectly through an investment in a Fund, in investment strategies which a Fund utilizes from time to time. Each type of exempt organization may be subject to different laws, rules and regulations, and prospective investors should consult with their own advisers as to the advisability and tax consequences of an investment in a Fund. In particular, exempt organizations should consider the applicability to them of the provisions relating to "unrelated business taxable income." Investments in the Funds by entities subject to ERISA, and other tax-exempt entities require special consideration. Because the Funds are permitted to borrow, tax-exempt limited investors will incur income tax liability to the extent of their share of the Master Fund's or the Long Focused Master Fund's "unrelated business taxable income."

*FATCA/CRS.* The Foreign Account Tax Compliance Act ("FATCA") was enacted in 2010 as part of the Hiring Incentives to Restore Employment Act (as amended from time to time, the "Hire Act"). The Funds may take such action as they consider necessary in relation to an investor's holding or redemption proceeds, as a result of relevant legislation and regulations, including but not limited to AEOI (as defined below). Such actions may include, but are not limited to the following:

- (i) The disclosure by a Fund, the administrator or such other service provider or delegate of a Fund, of certain information relating to an investor to the Cayman Islands Tax Information Authority or its delegate (the "Cayman TIA") or equivalent authority and any other foreign government body as required by AEOI. Such information may include, without limitation, confidential information such as financial information concerning an investor's investment in a Fund, and any information relating to any shareholders, principals, partners, beneficial owners (direct or indirect) or controlling persons (direct or indirect) of such investor.



- (ii) A Fund may compulsorily redeem any investment held by an investor in accordance with the terms of the governing documents of such Fund and may deduct relevant amounts from a recalcitrant investor so that any withholding tax payable by a Fund or any related costs, debts, expenses, obligations or liabilities (whether internal or external to such Fund) are recovered from such investor(s) whose action or inaction (directly or indirectly) gave rise or contributed to such taxes, costs or liabilities. Failure by an investor to assist a Fund in meeting its obligations pursuant to AEOI may therefore result in pecuniary loss to such investor.

“*AEOI*” means one or more of the following, as the context requires:

- (i) sections 1471 to 1474 of the Code and any associated legislation, regulations or guidance, commonly referred to as the US Foreign Account Tax Compliance Act, the Common Reporting Standard (“*CRS*”) issued by the Organisation for Economic Cooperation and Development OECD, when adopted, or similar legislation, regulations or guidance enacted in any other jurisdiction which seeks to implement equivalent tax reporting and/or withholding tax regimes;
- (ii) any intergovernmental agreement, treaty or any other arrangement between the Cayman Islands and any of the US or any other jurisdiction (including between any government bodies in each relevant jurisdiction), entered into to facilitate, implement, comply with or supplement the legislation, regulations or guidance described in paragraph (1); and
- (iii) any legislation, regulations or guidance implemented in the Cayman Islands to give effect to the matters outlined in the preceding paragraphs.

FATCA generally imposes a 30% withholding tax (“*FATCA Withholding Tax*”) with respect to “passthru payments” (as discussed below) paid to certain “foreign financial institutions” (“*FFIs*,” as defined in Section 1471 of the Code, which generally includes certain non-U.S. hedge funds) and certain “non-financial foreign entities” (“*NFFEs*” as defined in Section 1472 of the Code) unless the FFI or NFFE complies with the FATCA information reporting requirements. Under FATCA, “passthru payments” consist of: (i) any “withholdable payments” which include any payment of interest, dividends, annuities, and other fixed or determinable annual or periodical income (“*FDAP*”) if such payment is from a U.S. source, as well as any gross proceeds from the disposition of any property of a type that can produce interest or dividends that are U.S. source; and (ii) “foreign passthru payments.” “Foreign passthru payments” is a term not yet defined in U.S. Treasury Regulations, but is generally expected to mean withholdable payments made by FFIs and payments that are attributable to withholdable payments made by FFIs.

On November 29, 2013, the Cayman Islands government entered into an inter-governmental agreement with the United States (the “*U.S. IGA*”) in connection with the implementation of FATCA. The U.S. IGA is intended to result in the automatic exchange of tax information under FATCA. The two governments have also signed a Tax Information Exchange Agreement which outlines the legal channels through which tax information will automatically be exchanged.

On 4 July 2014, the Cayman Islands government issued the Tax Information Authority (International Tax Compliance) (United States of America) Regulations, 2014 (as amended) (the “U.S. FATCA Regulations”) to accompany the Tax Information Authority Law (2017 Revision) (the “TIA Law”). The U.S. FATCA Regulations implement the provisions of the U.S. IGA. The U.S. FATCA Regulations provide for the

identification of and reporting on certain direct and indirect US investors who are US citizens, and impact the Fund and its investors.

Investors in a Fund will be required to provide identifying information to the Fund in order for the Fund to correctly classify the investor for the purposes of FATCA, and should note that in the event an investor does not supply such information on request, such investor may be classified as a ‘U.S. Reportable Account’ and information pertaining to such investor (and its holding in the Fund) may be passed to the Cayman TIA, who may then provide it to the IRS. Each investor should also note that any information provided to the Fund which identifies its direct or indirect ownership of an interest in the Fund may be reported to the Cayman TIA and/or the IRS.

On October, 29 2014, the Cayman Islands along with 50 other jurisdictions signed a Multilateral Competent Authority Agreement to demonstrate its commitment to implement the CRS. Local regulations, which require extensive due diligence to be undertaken on new and pre-existing accounts, were enacted on October 16 2015 and December 14, 2016 with reporting on such accounts commencing during 2017. More than 100 countries have since agreed to implement the CRS, which imposes similar reporting and other obligations as the U.S. IGA with respect to investors who are tax resident in other signatory jurisdictions. The Funds will be required to report to the Cayman TIA on an annual basis, with account information being disseminated by the Cayman TIA to tax authorities around the globe. The Cayman Islands government may also enter into additional agreements with other countries in the future, and additional countries may adopt CRS, which will likely further increase the reporting and/or withholding obligations of the Fund.

Pursuant to the U.S. IGA, the Funds intend to (i) conduct due diligence on its investors to identify whether accounts are held directly or indirectly by “Specified U.S. Persons” (as defined under FATCA); and (ii) report information on such Specified U.S. Persons to the Cayman TIA. The Cayman TIA will exchange the information reported to it with the IRS annually on an automatic basis.

By complying with the U.S. IGA and enabling legislation from the Cayman Islands, the Fund expects to be treated as compliant with FATCA. In addition, the Fund generally expects that FATCA Withholding Tax will not be imposed on passthru payments made to it, or by it to a recipient potentially subject to FATCA, except to the extent that an exemption or an exception from FATCA does not apply, and it (or the applicable recipient) fails to comply with its obligations under FATCA. An entity upon which FATCA Withholding Tax is imposed may be able to obtain a credit for or refund of the amount withheld, depending on its particular situation.

The application of FATCA’s withholding rules were phased in beginning July 1, 2014, and the imposition of FATCA Withholding Tax on foreign passthru payments will go into effect on the later of January 1, 2019 or the date of publication of final U.S. Treasury Regulations defining foreign passthru payments.

By investing (or continuing to invest) in the Fund, each investor shall be deemed to acknowledge that:

(i) The Fund and/or its agents may be required to disclose to the Cayman TIA certain confidential information relating to the investor, including, but not limited to, the investor’s name, address, tax identification number (if any), social security number (if any) and certain information relating to the investor’s investment(s);

(ii) As generally mentioned above, the Cayman TIA may be required to automatically exchange certain information with (a) the IRS (e.g., in connection with the Fund’s U.S. direct and indirect investors), and (b) any applicable foreign fiscal authority (e.g., in connection with any direct or indirect investor of the Fund over whom such foreign fiscal authority may have jurisdiction);

(iii) The Fund and/or its agents may be required to disclose certain confidential information, and address inquiries from, (a) the IRS (e.g., in connection with its U.S. direct and indirect investors); and (b) any applicable foreign fiscal authority (e.g., in connection with any direct or indirect investor of the Fund over whom such foreign fiscal authority may have jurisdiction);

(iv) The Fund and/or its agents may require the investor to provide information, forms and/or documentation that it may disclose to the Fund, the Cayman TIA or any withholding agent to enable the Fund to comply with AEOI (or any equivalent under any other relevant legislative or governmental regime) and/or where the provision of such information, forms and/or documentation is required to avoid the application of FATCA Withholding Tax or withholding under any other relevant legislative or governmental regime;

(v) In the event that an investor fails to provide any requested information, forms and/or documentation, the Fund reserves the right to take any and all actions and/or pursue any and all remedies at its disposal including, without limitation, compulsory redemption of any or all of the Investor's investment(s) in the Fund, irrespective of whether such failure by the investor leads to a compliance failure by the Fund, or subjects the Fund or any Investor to any risk that such party will be subject to FATCA Withholding Tax or withholding under any other relevant legislative or governmental regime; and

(vi) No Investor affected by any such action or remedy described in the immediately preceding sub-paragraph (v) shall have any claim against the Fund (or any of its principals or agents), or against any other Investor for any form of damages, loss or liability as a result of actions taken or remedies pursued by or on behalf of the Fund in order to comply with any of AEOI, including FATCA and CRS, the U.S. IGA, any future IGAs, any similar agreements involving or affecting any other jurisdictions, or any of the relevant underlying legislation or regulations.

Investors and prospective investors are encouraged to consult their own tax advisors regarding any potential impact FATCA may have on an investment in the Master Fund or the Offshore Fund.

#### Investment Program Risks

*Short Sales.* The Funds may enter into transactions, known as "short sales," in which it sells a security it does not own in anticipation of a decline in the market value of the security. Short sales by the Funds that are not made "against the box" theoretically involve unlimited loss potential since the market price of securities sold short may continuously increase. The Funds may mitigate such losses by buying the securities sold short before the market price has increased significantly. Under adverse market conditions, the Funds might have difficulty purchasing securities to meet its short sale delivery obligations, and might have to sell portfolio securities to raise the capital necessary to meet its short sale obligations at a time when fundamental investment considerations would not favor such sales.

*Derivatives.* Derivative instruments, or "derivatives," include futures, options, swaps, structured securities and other instruments and contracts that are derived from, or the value of which is related to, one or more underlying securities, financial benchmarks, currencies or indices. Derivatives allow an investor to hedge or speculate on the price movements of a particular security, financial benchmark, currency or index at a fraction of the cost of investing in the underlying asset. The value of a derivative depends largely upon price movements in the underlying asset. Therefore, many of the risks applicable to trading the underlying asset are also applicable to derivatives of such asset. However, there are a number of other risks associated with derivatives trading. For example, because many derivatives are "leveraged," and thus provide significantly more market exposure than the money paid or deposited when the transaction is entered into, a relatively small adverse market movement can not only result in the loss of the entire investment, but may also expose the Funds to the possibility of a loss exceeding the original

amount invested. Derivatives may also expose investors to liquidity risk, as there may not be a liquid market within which to close or dispose of outstanding derivatives contracts, and to counterparty risk. The counterparty risk lies with each party with whom the Funds contract for the purpose of transacting over-the-counter derivative investments (the “Counterparty”). In the event of the Counterparty’s default, the Funds will only rank as an unsecured creditor and risks the loss of all or a portion of the amounts it is contractually entitled to receive, including any initial collateral pledged to the counterparty. The Funds also have counterparty risk to prime brokers, futures commission merchants or other custodians who clear any listed derivatives on behalf of the Funds.

*Futures and Related Options.* YCM may buy and sell futures contracts and related options on behalf of the Funds. A futures contract is an agreement between two parties to buy and sell a specific quantity of a commodity (including a securities index or an interest-bearing security) for a set price at a future date. The Funds may also buy and sell call and put options on futures or on securities indexes in addition to or as an alternative to purchasing or selling futures contracts, or, to the extent permitted by applicable law, to earn additional income. The use of futures and options involves certain special risks. Futures and options transactions involve costs and may result in losses. Certain risks arise because of the possibility of imperfect correlations between movements in the prices of futures and options and movements in the prices of the underlying securities, securities index, currencies or other commodities or of the securities or currencies in the Funds’ portfolio which are the subject of the hedge (to the extent the Funds use futures and options for hedging purposes). As with other derivatives, futures contracts are “leveraged” and may provide significantly more exposure than the money paid or deposited when the futures contract is entered into. The successful use of futures and options further depends on YCM’s ability to forecast market, security, currency or interest rate movements correctly. Other risks arise from the Funds’ potential inability to close out its futures or options positions, and there can be no assurance that a liquid market will exist for any futures contract or option at a particular time. The use of futures and options for purposes other than hedging is regarded as speculative. Certain regulatory requirements may also limit the Funds ability to engage in futures and options transactions.

*Non-U.S. Securities.* Investments in non-U.S. securities involve certain factors not typically associated with investing in U.S. securities, such as risks relating to (i) currency exchange matters, including fluctuations in the rate of exchange between the U.S. dollar (the currency in which the books of the Funds are maintained) and the various non-U.S. currencies in which the Funds’ portfolio securities will be denominated and costs associated with conversion of investment principal and income from one currency into another; (ii) differences between the U.S. and non-U.S. securities markets, including the absence of uniform accounting, auditing and financial reporting standards and practices and disclosure requirements, and less government supervision and regulation; (iii) political, social or economic instability; (iv) imposition or changing of non-U.S. income, capital gains, withholding or other taxes; (v) differences in market access and liquidity, including less efficient means of gaining exposure (either long or short) to securities; and (vi) the extension of credit, especially in the case of sovereign debt. The Funds may invest in the securities of foreign issuers that subject the Funds and/or the investors in the Funds directly or indirectly to taxation and/or tax-filing obligations in foreign jurisdictions, including withholding taxes on dividends, interest and/or capital gains. Such foreign taxes and/or tax filing obligations may be reduced or eliminated by applicable income tax treaties or other potential exclusions or exemptions, though claiming such benefit may be complex, and may require investors to file tax returns in other countries. Subject to applicable limitations, an investor may be entitled to claim, for U.S. Federal income tax purposes, a credit for its allocable share of any foreign tax incurred by the Funds, including withholding taxes. Alternatively, to the extent allowed by the Code, an investor may elect to deduct its share of such foreign taxes for U.S. Federal income tax purposes.

*Leverage.* Subject to applicable margin and other limitations, the Funds may borrow funds in order to make additional investments and thereby increase both the possibility of gain and risk of loss. Consequently, the effect of fluctuations in the market value of the Funds’ portfolio would be amplified.

Interest on borrowings will be a portfolio expense of the Funds and will affect the operating results of the Funds. Also, the Funds could potentially create leverage via the use of instruments such as options, futures and other derivative instruments.

*Options.* Investing in options can provide a greater potential for profit or loss than an equivalent investment in the underlying asset. In the case of the purchase of an option, the risk of loss of an investor's entire investment (i.e., the premium paid plus transaction charges) reflects the nature of an option as a wasting asset that may become worthless when the option expires. Where an option is written uncovered, the seller may be liable to pay substantial additional margin, and the risk of loss is unlimited, as the seller will be obligated to deliver, or take delivery of, an asset at a predetermined price which may, upon exercise of the option, be significantly different from the current market value.

*Extraordinary Corporate Transactions.* The Funds may employ a strategy, among others, that seeks to profit from changes in the price of securities of companies involved in extraordinary corporate transactions. The difference between the price paid by the Funds for securities of a company involved in an announced extraordinary corporate transaction and the anticipated value to be received for such securities upon consummation of the proposed transaction will often be very small. Since the price bid for the securities of a company involved in an announced extraordinary corporate transaction will generally be at a significant premium above the market price prior to the announcement, if the proposed transaction appears likely not to be consummated or in fact is not consummated or is delayed, the market price of the securities will usually decline sharply, perhaps by more than the YCM's anticipated profit, even if the security's market price returns to a level comparable to that which exists prior to the announcement of the transaction.

*Mergers and Other Similar Transactions.* The Funds may purchase securities at prices slightly below the anticipated value of the cash, securities or other consideration to be paid or exchanged for such securities, in a proposed merger, exchange offer, tender offer, spin-off or other similar transaction. Such purchase price may be substantially in excess of the market price of the securities prior to the announcement of the merger, exchange offer, tender offer, spin-off or other similar transaction and may be in excess of the value of the announced transaction. If the proposed merger, exchange offer, tender offer, spin-off or other similar transaction later appears less likely or unlikely to be consummated or in fact is not consummated or is delayed, the market price of the security purchased by the Funds may decline sharply and result in losses to the Funds if such securities are sold, transferred or exchanged for securities or cash, the value of which is less than the purchase price. In certain transactions, the Funds may not be "hedged" against market fluctuations. This can result in losses, even if the proposed transaction is consummated. In addition, a security to be issued in a merger or exchange offer may be sold short by the Funds in the expectation that the short position will be covered by delivery of such security when issued or may be sold short to otherwise hedge a long position. If the merger or exchange offer is not consummated or appears less likely to be consummated, the Funds may be forced to cover its short position at a higher price than its short sale price, resulting in a loss.

*Takeovers.* The Funds may also purchase securities above the offer price for a security which is the subject of a takeover bid, if YCM determines that the offer price is likely to be increased, either by the original bidder or by another party. However, if market conditions change, the offer price is not increased, or if no transaction is consummated, substantial losses may result.

*Tender Offers.* The consummation of mergers, exchange offers, tender offers, spin-offs and other similar transactions can be prevented or delayed by a variety of factors. An exchange offer or a tender offer by one company for the securities of another may be opposed by the management or shareholders of the target company on the grounds that the consideration offered is inadequate or for other reasons, and this opposition may result in regulatory action and/or litigation which delays or prevents consummation of the transaction. Even if the transaction has been agreed upon by the management of the companies involved, its consummation may be prevented by the intervention of a government regulatory agency, litigation

brought by a shareholder or, in the case of a merger, the failure to receive the necessary shareholder approvals, market conditions resulting in material changes in securities prices, and other circumstances, including, but not limited to, the failure to meet certain conditions customarily specified in acquisition agreements. Even if the defensive activities of a target company or the actions of regulatory authorities fail to defeat a transaction, they may result in significant delays, during which the Funds' capital will be committed to the transaction and interest charges on any funds borrowed to finance the Funds' activities in connection with the transaction may be incurred. Offerors in tender or exchange offers customarily reserve the right to cancel such offers for many reasons, including an insufficient response from shareholders of the target company. An exchange offer or a tender offer will often be made for less than all of the outstanding securities of an issuer, with the provision that, if a greater number is tendered, securities will be accepted *pro rata*. Thus, after the completion of a tender offer, and at a time when the market price of the securities has declined below the Funds' cost, the Funds may have returned to it, and be forced to sell at a loss, a portion of the securities they tendered.

*Distressed Securities: Generally.* The fact that certain of the companies in whose securities the Funds may invest are in transition, out of favor, financially leveraged or troubled, or potentially troubled, and may be or have recently been involved in major strategic actions, restructurings, bankruptcy, reorganization or liquidation, means that their securities are likely to be particularly risky investments although they also may offer the potential for correspondingly high returns. Such companies' securities may be considered speculative, and the ability of such companies to pay their debts on schedule could be affected by adverse interest rate movements, changes in the general economic climate, economic factors affecting a particular industry, or specific developments within such companies. In addition, there is no minimum credit standard that is a prerequisite to the Funds' investment in any instrument, and a significant portion of the obligations and preferred stock in which the Funds invest may be less than investment grade.

*Distressed Securities: Credit and Market Risk.* Investment in the securities of financially troubled issuers and operationally troubled issuers involves a high degree of credit and market risk. Although the Funds will invest in select companies that, in the view of YCM, have the potential over the long-term for capital growth, there can be no assurance that such financially troubled issuers or operationally troubled issuers can be successfully transformed into profitable operating companies. There is a possibility that the Funds may incur substantial or total losses on its investments. During an economic downturn or recession, securities of financially troubled or operationally troubled issuers are more likely to go into default than securities of other issuers. In addition, it may be difficult to obtain information about financially troubled issuers and operationally troubled issuers.

*Distressed Securities: Volatility.* Securities of financially troubled issuers and operationally troubled issuers are less liquid and more volatile than securities of companies not experiencing financial difficulties. The market prices of such securities are subject to erratic and abrupt market movements and the spread between bid and asked prices may be greater than normally expected. In addition, it is anticipated that many of the Funds' portfolio investments may not be widely traded and that the Funds' investment in such securities may be substantial relative to the market for such securities. As a result, the Funds may experience delays and incur losses and other costs in connection with the sale of its portfolio securities.

*Reorganization.* Investments in the debt or equity of companies involved in reorganization proceedings typically entail a number of risks that do not normally apply to investments in financially sound companies. For example, if YCM's evaluation of the anticipated outcome of a reorganization or the timing of such outcome should prove incorrect, the Funds could experience losses. A wide variety of considerations make any evaluation of the outcome of an investment in such a company uncertain. Such considerations include, for example, the possibility of litigation between the participants in a reorganization or liquidation proceeding or a requirement to obtain mandatory or discretionary consents from various governmental authorities or others. The uncertainties inherent in evaluating such

investments may be increased by legal and practical considerations that limit the access of YCM to reliable and timely information concerning material developments affecting a company or that cause lengthy delays in the completion of a reorganization or liquidation proceeding. Competition from other investors may also render it difficult or impossible for the Funds to achieve intended results or promptly effect transactions. Investments in companies operating in workout or bankruptcy modes also present additional legal risks, including fraudulent conveyance, voidable preference and equitable subordination risks.

*Creditors Committees.* Some of the investments the Funds will make may require active monitoring and representation on official and unofficial creditors committees for the company. Accordingly, the Funds may seek representation on such committees from time to time if YCM, in its discretion, determines that such representation is necessary or advisable to protect or further the Funds' interests. Serving on an official or unofficial committee increases the possibility that the Funds will be deemed an "insider" or a "fiduciary" of the company they have so assisted and may restrict the Funds' trading of their investments in such company. Should such assistance be provided before a company enters bankruptcy proceedings, the bankruptcy court, under certain conditions such as a finding of fraud or inequitable conduct, may invoke the doctrine of "equitable subordination" with respect to any claim or equity interest held by the Funds in such company and subordinate any such claim or equity interest in whole or in part to other claims or equity interests in such company. Claims of equitable subordination may also arise outside of the context of the Funds' managerial activities. In addition, if representation on a creditors committee of a company causes the Funds, the General Partner or YCM to be deemed an affiliate or related party of the company, the securities of such company held by the Funds may become restricted securities, which are not freely tradable. As the Funds will, to the extent permitted by applicable law (including without limitation, ERISA), indemnify the General Partner, YCM or any other person serving on a committee on their behalf for claims arising from their breaches of those obligations, indemnification payments could adversely affect the return on the Funds' investment in a reorganization company.

*Restructuring: Litigation Risks.* As a result of the Funds' investments and the possibility that YCM may participate in restructuring activities, it is possible that the Funds may become involved in litigation respecting creditor disputes and similar issues among classes of claimants. Litigation entails expense and the possibility of counterclaims against the Funds including the General Partner and YCM and ultimately judgments may be rendered against the Funds for which the Funds do not carry insurance.

*Fraud in the Marketplace.* Instances of fraud and other deceptive practices committed by senior management of certain companies in which the Funds invests may undermine YCM's due diligence efforts with respect to such companies, and if such fraud is discovered, negatively affect the valuation of the Funds' investments. In addition, when discovered, financial fraud may contribute to overall market volatility that can negatively impact the Funds' investment program.

#### *Other Possible Risks*

There is no assurance that the above list is complete or that there are not other risks that may exist now or may arise in the future.

## **ITEM 9. DISCIPLINARY INFORMATION**

Item 9 is not applicable to YCM, as it has no reportable material legal or disciplinary events.

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

### **Related Broker-Dealers**

Neither YCM nor any of our management persons is registered or have an application pending to register as a broker-dealer or a registered representative.

**Related Futures Commission Merchant/Commodity Pool Operator/Commodity Trading Advisor**

Neither YCM nor any of our management persons is registered or have an application pending to register as a futures commission merchant, commodity pool operator, a commodity trading advisor, or as an associated person of any of the foregoing entities.

**Related General Partner**

The General Partner, an affiliate of YCM serves as general partner of the Master Fund and the Long Focused Master Fund. YCM doesn't believe this relationship currently presents any conflicts of interest with clients. The Offshore Fund invests all, or substantially all, of its assets in the Master Fund. The Long Focused Offshore Fund invests all, or substantially all, of its assets in the Long Focused Master Fund.

**Affiliated Adviser**

YCM does not currently have any affiliated advisers.

**ITEM 11. CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

**Code of Ethics**

YCM has adopted a Code of Ethics which describes the general standards of conduct that YCM expects of all owners and personnel (collectively referred to as "employees") and focuses on specific areas where employee conduct has the potential to adversely affect client and investors' interests.

The following basic principles guide all aspects of YCM's business and represent the minimum requirements to which YCM expects employees to adhere:

1. The Funds', SMA's and investors' interests come before employees' personal interests;
2. YCM must fully disclose all material facts about conflicts of which it is aware between YCM and its employees' interests on the one hand and the Funds', SMA's and investors' interests on the other;
3. Employees must operate on YCM's behalf and their own behalf consistently with YCM's disclosures to and arrangements with the Funds, SMA and investors regarding conflicts and its efforts to manage the impacts of those conflicts;
4. YCM and its employees must not take inappropriate advantage of their positions of trust with or responsibility to the Funds, SMA or investors; and
5. YCM and its employees must always comply with all applicable securities laws.

*Personal securities trading*

Trading in personal accounts is subject to review and, in many cases, prior approval by the Chief Compliance Officer ("CCO"). Employees are generally prohibited from trading most Reportable Securities (as defined in the Code of Ethics, which includes but is not limited to: stocks, exchange traded funds, bonds and options) in personal accounts. Employees will be allowed: (i) to invest in private placements or other private investments (subject to the prior approval of the CCO); (ii) to trade in



exchange traded funds, both long and short, (subject to the prior approval of the CCO); (iii) to trade Reportable Securities in personal accounts to hedge exposures resulting from private placements or other private investments; and (iv) to trade Reportable Securities to unwind a legacy position(s) previously held or a position(s) held prior to employment with YCM. Employees may request special permission to transact in Reportable Securities contrary to the above policy. Such request should be made via Schwab Compliance Technologies (“SCT”) and must be pre-approved by the CCO. All trades in Reportable Securities must be pre-approved by the CCO. Employees request this approval via SCT. Employees are prohibited from participating in IPOs in their personal accounts.

Employees are required to submit reports of personal securities trades on a quarterly basis, and securities holdings annually. Reporting is generally completed in SCT. These are reviewed by the Chief Compliance Officer to ensure compliance with YCM’s policies.

#### *Inside information*

The code of ethics contains a policy regarding Company Inside Information and Firm Inside Information. Company Inside Information is material nonpublic information about the issuer of a security or the security itself. Firm Inside Information is information about decisions YCM is making or actively contemplating making about securities transactions and holdings.

If an employee has any reason to believe he/she may have Company Inside Information, the following actions should be taken:

- a) The employee must report the matter immediately to the CCO, disclosing all information believed to be relevant;
- b) The employee must not buy or sell any security to which the information relates – for any personal accounts or for any Fund, SMA or other investor account; and
- c) The employee must not communicate the information to anyone within or outside YCM, other than the CCO or management. In addition, the employee must take care that the information is secure.

Neither YCM nor any employee may trade any security of an issuer while in possession of Company Inside Information.

If an employee believes he/she may have Firm Inside Information, the employee must not buy or sell any security to which the information relates for any personal accounts.

#### *Gifts and outside business activities*

Employees should always act in the best interests of YCM and its clients and investors and should avoid any activity that might create an actual or perceived conflict of interest or impropriety in the course of YCM’s business relationships. Employees should not give or accept any gifts or entertainment that have the likelihood of inappropriately influencing their own or another person’s decisions regarding business transactions with YCM. An employee must report promptly to the CCO any personal gift with an estimated value greater than \$300 presented to the employee by someone outside YCM. Employees may not give or accept more than six gifts or entertainment events per year, regardless of value, to or from the same person or entity without approval from the CCO.

No employee may serve as a director of a publicly held company without prior approval by the CCO based upon a determination that service as a director would be in the best interests of a Fund, the SMA or YCM. Except for service as public company directors (which is subject to the procedure in the previous sentence), employees may not engage in significant business activities outside of their activities for YCM without first disclosing those activities to the CCO. YCM may prohibit activities that the CCO, in his or her discretion, believes (i) may pose a significant conflict of interest with YCM’s activities, (ii) could result in interruption in service to its funds or (iii) could result in adverse publicity for YCM.

This summary of the code of ethics is qualified in its entirety by the code of ethics of YCM, which is available at no cost to investors and prospective investors upon request sent to Kyle Knutson at [kyle@yostfunds.com](mailto:kyle@yostfunds.com).

### **Conflicts of Interest**

The material reportable conflicts of interest encountered by a Fund or the SMA include those discussed below, although the discussion below does not necessarily describe all of the conflicts that may be faced by a Fund or the SMA. Other conflicts may be disclosed throughout this brochure and in the offering documents of each Fund or the investment management agreement between YCM and the SMA and these materials should be read in their entirety.

YCM currently manages the Funds and the SMA and the General Partner and YCM may manage other client accounts, some of which may have objectives similar to those of the Funds or the SMA, including other collective investment vehicles or separately managed accounts which may be managed by the General Partner and/or YCM or any of their affiliates and in which the General Partner and YCM or any of its affiliates may have an equity interest.

The governing documents of the Funds require that the General Partner and YCM act in a manner that they consider fair, reasonable and equitable in allocating investment opportunities to the Funds but do not otherwise impose any specific obligations or requirements concerning the allocation of time, effort or investment opportunities to the Funds or any restrictions on the nature or timing of investments for the accounts of the Funds and for the General Partner's and YCM's own account or for other accounts that the General Partner, YCM, or their affiliates may manage. The General Partner and YCM are not obligated to devote any specific amount of time to the affairs of the Funds or the SMA, and are not required to accord exclusivity or priority to the Funds or the SMA in the event of limited investment opportunities arising from the application of speculative position limits or other factors.

When YCM determines that it would be appropriate for a Fund, the SMA and one or more other investment accounts to participate in an investment opportunity, YCM will seek to execute orders for all of the participating investment accounts in a manner it considers to be equitable. If YCM has determined to invest at the same time for more than one of the investment accounts, YCM will generally place orders for all such entities or accounts contemporaneously, and such orders may not be filled at the same price. Similarly, if an order on behalf of more than one entity or account cannot be fully executed under prevailing market conditions, YCM will allocate the trade among the different entities or accounts on a basis that it considers equitable. There may be times when a Fund, the SMA or another investment account buys a security when a Fund, the SMA or another investment account sells a security, or vice versa. Such instances may happen when capital inflows or outflows differ between a Fund, the SMA or another investment account, when YCM decides to change position sizes in a Fund, the SMA or another investment account or at other times as determined by YCM. Situations may occur where a Fund or the SMA could be disadvantaged because of the investment activities conducted by YCM for other investment accounts. There may be times where trades for a Fund, the SMA or another investment account will not be effectuated at the same time and may result in differences in holding periods and pricing.

Investors in the Master Fund and the Offshore Fund should be aware that a performance allocation may be due to the General Partner even if an investor's investment balance is below its high water mark. Investors in the Long Focused Master Fund and the Long Focused Offshore Fund should be aware that a performance allocation may be due to the General Partner even if the value of an investor's investment balance has declined. The performance allocation or performance fee made to the General Partner or YCM by the Funds and the SMA may create an incentive for the General Partner or YCM to make investments that are riskier or more speculative than would be the case in the absence of such performance allocation or performance fee.

The Funds' organizational documents do not prohibit the General Partner or YCM, or their respective general partners, or their employees, members and/or principals or any other partner from buying or selling securities or commodity interests for their own account. YCM maintains compliance policies and procedures, including personal trading policies, which are designed to reduce potential conflicts of interest (see "Code of Ethics" above). With respect to such personal accounts, the General Partner, YCM, their general partners or their employees, members and/or principals may generally not invest in Reportable Securities except as described in "Code of Ethics" above. The General Partner, YCM and their employees, officers and affiliates ("*Affiliates*") may engage for their own accounts, or for the accounts of others, in other business ventures of any nature, and the Funds and the SMA have no right to participate in or benefit from the other management activities of the General Partner and YCM and the Affiliates shall not be obligated to account to the Funds or the SMA for any profits or benefits made or derived therefrom, nor shall they have any obligation to disclose or refer to the Funds or the SMA any of the investment or service opportunities obtained through such activities.

Pursuant to the Tax Cuts and Jobs Act, passed on December 20, 2017, the holding period of a capital asset must exceed three years for gain from the disposition of such asset to be treated as long-term capital gain (and subject to preferential tax rates) with respect to certain partnership interests. Typically, for limited partners the holding period must only exceed one year for gain to be treated as long-term capital gain. It is expected that the interest of the General Partner of the Funds will be subject to the three-year holding period rules. This would result in a conflict of interest between the General Partner and the limited partners with respect to certain investments. The General Partner will endeavor to utilize a uniform investment strategy which determines the timing of the disposition of investments based on various factors, including but not limited to, valuations, industry trends and market opportunities. However, there can be no assurances that this potential conflict of interest will not result in the Funds taking on market risk with respect to the timing of the disposition of certain investments.

YCM's authority to use "soft dollar" credits generated by a Fund's or the SMA's securities transactions to pay for expenses that might otherwise have been borne by YCM may give YCM an incentive to select brokers or dealers for Fund or SMA transactions, or to negotiate commission rates or other execution terms, in a manner that takes into account the soft dollar benefits received by YCM rather than giving exclusive consideration to the interests of a Fund or the SMA.

In addition, subject to YCM's obligations to seek best execution, YCM may consider referrals of investors in selecting brokers. This presents a conflict of interest in that YCM may have an incentive to select or recommend a broker based on its interest in receiving client referrals rather than on YCM's clients' interest in receiving most favorable execution.

## **ITEM 12. BROKERAGE PRACTICES**

YCM is responsible for the placement of the portfolio transactions of the Funds and the SMA and the negotiation of any commissions paid on such transactions. Portfolio securities normally are purchased or sold through brokers on securities' exchanges or directly from the issuer or from an underwriter or market maker for the securities. Purchases or sales of portfolio instruments through brokers involve a commission to the broker. Purchases or sales of portfolio securities from dealers serving as market makers include the spread between the bid and the ask price.

The Offshore Fund invests all, or substantially all, of its assets in the Master Fund. The Long Focused Offshore Fund invests all, or substantially all, of its assets in the Long Focused Master Fund. Therefore, at this time, all investment activity for the Funds takes place at the Master Fund and the Long Focused Master Fund and all securities transactions for the Funds settle and clear with the Master Fund's or the

Long Focused Master Fund's accounts. As discussed previously, YCM will allocate trades between the Funds and the SMA and future investment accounts on a basis that it considers equitable.

The Master Fund's securities trades will be cleared through Morgan Stanley and Co. LLC, Bank of America Merrill Lynch or JPMorgan Chase Bank, N.A. or certain affiliates of the above (the "Prime Brokers") pursuant to the terms of clearing agreements with YCM or the Master Fund. The Long Focused Master Fund's securities will be cleared through Morgan Stanley and Co. LLC or certain affiliates of Morgan Stanley and Co. LLC. The SMA's securities trades will be cleared with custodians appointed by the owner of the SMA. Certain over the counter transactions may be executed with counterparties as determined by YCM. Securities transactions are executed by brokers selected by YCM in its sole discretion and without the consent of the Funds or the SMA. In placing portfolio transactions, YCM will seek to obtain the best execution for the Funds and the SMA, taking into account the following factors: the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any); outsourced trading services, the operational efficiency with which transactions are effected, the size of the order and difficulty of execution; the financial strength, integrity and stability of the broker; the firm'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 brokers satisfying YCM's other selection criteria.

In addition, subject to YCM's obligations to seek best execution, YCM may consider referrals of investors in selecting brokers. This presents a conflict of interest in that YCM may have an incentive to select or recommend a broker based on its interest in receiving client referrals rather than on YCM's clients' interest in receiving most favorable execution. YCM's prime brokers and executing brokers may from time-to-time make capital introductions. However, YCM does not have any formal arrangements, procedures or policies to direct trades to brokers in return for client or investor introductions or referrals. YCM executes transactions with a broker where an investor in the Offshore Fund is employed. No transactions were directed to this broker based on client referrals.

YCM is authorized to pay higher prices for the purchase of securities from or accept lower prices for the sale of securities to brokerage firms that provide it with such investment and research information or to pay higher commissions to such firms if YCM determines such prices or commissions are reasonable in relation to the overall services provided. Research 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 or appraisal services; discussions with research personnel; and invitations to attend conferences or meetings with management or industry consultants. YCM is not required to weigh any of these factors equally. Information so received is in addition to and not in lieu of services required to be performed by YCM, and YCM's fee is not reduced as a consequence of the receipt of such supplemental research information. Research services provided by broker-dealers used by the Funds or the SMA may be utilized by YCM or its affiliates in connection with its investment services for other accounts and, likewise, research services provided by broker-dealers used for transactions of other accounts may be utilized by YCM in performing its services for the Funds or the SMA. Since commission rates in the United States are negotiable, selecting brokers on the basis of considerations which are not limited to applicable commission rates may at times result in higher transaction costs than would otherwise be obtainable.

In addition to research services, YCM may be offered other non-monetary benefits by broker-dealers that it may engage to execute securities transactions on behalf of the Funds or the SMA. These benefits may be available for use by the General Partner or YCM in connection with transactions in which the Funds or the SMA will not participate. The availability of these benefits may influence YCM to select one broker rather than another to perform services for the Funds or the SMA. Nevertheless, YCM will attempt to assure either that the fees and costs for services provided to the Funds or the SMA by brokers offering these benefits are not materially greater than they would be if the services were performed by equally

capable brokers not offering such services or that the Funds or the SMA also will benefit from the services.

YCM has the option to use “soft dollars” generated by the Funds and the SMA to pay for third party research and research related services and products. The term “soft dollars” refers to the receipt by an investment adviser of products and services provided by brokers, without any cash payment by the investment adviser, based on the volume of revenues generated from brokerage commissions for transactions executed for clients of the investment adviser. The products and services available from brokers include both internally generated items (such as research reports prepared by employees of the broker) as well as items acquired by the broker from third parties (such as quotation equipment). Section 28(e) of the United States Securities Exchange Act of 1934, as amended (the “Exchange Act”), provides a “safe harbor” to investment advisers who use soft dollars generated by their advised accounts to obtain investment research and brokerage services that provide lawful and appropriate assistance to the investment adviser in the performance of investment decision-making responsibilities. In the event that YCM elects to use soft dollars, it intends to limit such use to services that fall within the safe harbor afforded by Section 28(e) of the Exchange Act. The General Partner and YCM do not currently intend to (but may in the future) have a broker pay a third party with “soft dollars” for services acquired by the broker for the benefit of the General Partner or YCM.

The use of brokerage commissions to obtain investment research services creates a conflict of interest between YCM and the Funds and the SMA, because the Funds and the SMA pay for such products and services that are not exclusively for the benefit of the Funds or the SMA and that may be primarily or exclusively for the benefit of YCM. To the extent that YCM is able to acquire these products and services without expending its own resources (including management fees paid by the Funds and the SMA), YCM’s use of “soft dollars” would tend to increase YCM’s profitability. In addition, the availability of these non-monetary benefits may influence YCM to select one broker rather than another to perform services for the Funds or the SMA. YCM may have an incentive to select or recommend a broker based on YCM’s interest in receiving the research or other products or services, rather than on the Funds’ or the SMA’s interest in receiving most favorable execution.

During its last fiscal year, YCM received investment and research reports and information from brokers, access to analysts at brokers, access to management meetings and invitations to conferences from brokers with whom it traded. During their last fiscal years, YCM and the General Partner did not have a broker pay a third party with “soft dollars” for any services or research acquired by the broker for the benefit of the General Partner or YCM.

## **ITEM 13. REVIEW OF ACCOUNTS**

### **Oversight and Monitoring**

YCM provides continuous advisory services for the Funds and the SMA. The portfolio investments of each Fund and the SMA are primarily reviewed by a team of investment professionals, which currently includes the Portfolio Manager, Senior Analyst and two analysts.

### **Reporting**

The Funds have engaged an independent public accounting firm, KPMG LLP, to prepare audited financial statements of the Funds within 120 days of the end of each fiscal year (or such shorter period as may be set forth in a Fund’s operative documents) or as soon as reasonably practicable thereafter. YCM also furnishes unaudited monthly reports reviewing the Funds’ and the SMA’s performance for such month as well as quarterly letters. Investors in a Fund receive an investor statement from the Fund’s administrator, ALPS Alternative Investment Services, LLC, each month which shows capital activity, income (loss), management fees and a pro-forma calculation of any performance reallocation. Investors may contact

YCM at any time to request information about a Fund's or the SMA's positions, performance or request other information related to a Fund or the SMA. The SMA has the ability to review balances, positions, transactions and profit and loss daily through the custodian's website.

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

YCM does not currently have any arrangements whereby someone who is not a client provides an economic benefit to YCM for providing investment advice or other advisory services to the Funds.

YCM does not currently have any arrangements in place whereby YCM compensates any person for client referrals.

#### **ITEM 15. CUSTODY**

Item 15 is not applicable to YCM, as the Funds' "qualified custodian" is not required to send account statements. The Fund's administrator sends monthly account statements to investors in the Funds. Investors in the Funds receive audited financial statements within 120 days of the end of each fiscal year. The SMA has direct access to the custodian account where the SMA's positions and cash are held.

#### **ITEM 16. INVESTMENT DISCRETION**

YCM provides investment advice directly to its Funds and the SMA pursuant to a written investment management agreement with each Fund and the SMA, subject to the discretion and control of the General Partner or the board of directors of the applicable Fund, and not directly to the investors in the Funds. Powers of attorney and any restrictions on YCM's authority are set forth in the organizational documents and subscription documents of the Funds and the investment management agreement between YCM and the SMA.

#### **ITEM 17. VOTING CLIENT SECURITIES**

YCM will treat voting rights of securities held in its clients', Funds' or the SMA's portfolios in a manner that it believes is in its clients', Funds' or the SMA's best interests. YCM may also abstain from voting proxies at its discretion. Other than in certain limited circumstances, YCM will vote proxies along with management's recommendation(s). In situations where YCM does not wish to vote along with management's recommendations(s), the portfolio manager or analyst will instruct the Chief Compliance Officer as to how to vote the proxy or to abstain from voting the proxy. In the event that a client's, Fund's or the SMA's portfolio has a long position and a short position in the same security, YCM will generally abstain from voting a proxy related to the long position.

The Chief Compliance Officer will monitor the potential for material conflicts of interest relating to any proxies voted by YCM. In the event of a material conflict of interest, the CCO and the portfolio manager will determine how the proxy should be voted. The Firm may consult an independent third party to assist in resolving conflicts of interest.

The custodian or prime broker of an account held by a client, a Fund or the SMA may loan securities owned by YCM clients, Funds or the SMA to a third party in accordance with its agreement with the client, Fund or the SMA. If a client, Fund or the SMA has a margin balance with a custodian or prime broker, the custodian or prime broker may be eligible to rehypothecate a certain amount of long positions in accordance with rules provided by the SEC. If a long position is rehypothecated over record date,

YCM may not be eligible to vote those securities. If YCM is lending fully paid long securities, it may not be able to vote those securities unless the securities are recalled prior to the record date.

This summary of YCM's proxy voting policies and procedures is qualified in its entirety by YCM's proxy voting policies and procedures. YCM will make information regarding how proxies were voted available, upon request, to any client and a copy of YCM's proxy voting policies and procedures is available to any client upon request sent to Kyle Knutson – [kyle@yostfunds.com](mailto:kyle@yostfunds.com).

## **ITEM 18. FINANCIAL INFORMATION**

Item 18.A is not applicable to YCM, as it does not require or solicit prepayment of fees six months or more in advance.

YCM is not currently aware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to the Funds.

Item 18.C is not applicable to YCM, as it has not been subject to a bankruptcy petition during the past ten years.