

**Item 1. Cover Page**



**Form ADV  
Part 2A Brochure**

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**March 29, 2019**

This brochure provides information about the qualifications and business practices of **White Elm Capital, LLC** (the “Adviser”). If you have any questions regarding the contents of this brochure, please contact us at 203-742-6000 and/or [compliance@whiteelmcap.com](mailto:compliance@whiteelmcap.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

This brochure does not constitute an offer to sell or the solicitation of an offer to purchase any securities of any entities described herein. Any such offer or solicitation will be made solely to qualified investors by means of a private placement memorandum and related subscription materials.

Registration with the SEC does not imply a certain level of skill or training.

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

## **Item 2. Material Changes**

### **Annual Update**

This brochure is filed as the annual update to the Form ADV, Part 2A. Since the Adviser's last annual update of its brochure dated March 31, 2018, no material changes have occurred with respect to the Adviser, however certain clarifying amendments and general updates have been incorporated into this brochure dated March 29, 2019.

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## **Item 4. Advisory Business**

### **General Description of Advisory Firm**

White Elm Capital, LLC (the “Adviser”), a Delaware limited liability company, is an investment adviser with its principal place of business in Greenwich, Connecticut. The Adviser commenced operations as an investment adviser in September 2007. Matthew Iorio, the Managing Member and founder of the Adviser, has served as the Adviser’s sole portfolio manager (“Portfolio Manager”) since its inception and is the Adviser’s principal owner.

### **Description of Advisory Services**

The Adviser provides investment advisory services on a discretionary basis to three pooled investment vehicles (i.e., hedge funds) intended for institutional and other sophisticated investors: White Elm Capital Partners, L.P., a Delaware limited partnership (the “Onshore Fund”), White Elm Capital Offshore, Ltd., an exempted company incorporated under the laws of the Cayman Islands (the “Offshore Fund” and together with the Onshore Fund, the “Feeder Funds”) and White Elm Master Offshore, Ltd., an exempted company incorporated under the laws of the Cayman Islands (the “Master Fund”) (each, a “Fund,” and collectively, the “Funds”). The Feeder Funds invest substantially all of their assets through the Master Fund.

The Adviser provides the following advisory services: (i) development of investment policy; (ii) asset allocation; (iii) portfolio implementation and management and (iv) performance evaluation. The Adviser has full discretionary authority with respect to investment decisions and its advice with respect to each Fund is made in accordance with the investment objectives and guidelines as set forth in the Fund’s offering memorandum (if applicable) and investment management agreement.

### **Availability of Tailored Services for Individual Clients**

The Adviser tailors its advisory services for each Fund based on any restrictions on investing in certain securities or types of securities imposed by the Fund’s offering memorandum (if applicable) and investment management agreement. For more detailed information regarding the Funds’ restrictions, please refer to the applicable Fund’s offering memorandum. The Adviser does not tailor its advisory services to the individual needs of investors in the Funds and does not accept investor-imposed investment restrictions.

### **Client Assets Under Management**

While the Adviser invests the Funds’ assets primarily in publicly traded equity securities, it has broad and flexible investment authority. Accordingly, the Funds’ investments may at any time include long or short positions in U.S. or non-U.S. publicly traded or privately issued or negotiated common stocks, preferred stocks, stock warrants and rights, corporate debt, bonds, notes, structured notes or other debentures or debt participations,

convertible securities, fixed income securities, swaps, options (purchased or written), futures contracts, commodities, forward contracts and other derivative instruments, partnership interests and other securities or financial instruments including those of investment companies. The Adviser's net assets under management are \$327.8 million as of December 31, 2018, all of which are managed on a discretionary basis.

## **Item 5. Fees and Compensation**

### **Advisory Fees and Compensation**

The Adviser charges each Fund investment management fees based on the value of the Fund's assets under management, generally calculated at an annual rate of 1.5% or 1.75% (subject to certain conditions). The Adviser has also offered existing investors in the Funds the opportunity to make additional investments subject to a 1% discount to management fees in an amount up to their balance in the Funds at the time the new investment is made (subject to certain conditions). Additionally, the Adviser is entitled to receive performance-based incentive allocations, which is compensation that is based on a share of capital gains on or capital appreciation of a Fund's assets, generally calculated at a rate of 17% or 20% (subject to certain conditions). This allocation is paid to the Adviser or to a related person of the Adviser in accordance with the relevant Fund's offering documents. The Funds will not pay an investment management fee and an incentive allocation at both the Feeder Fund level and the Master Fund level. The Adviser (or a related person of the Adviser, in accordance with the relevant Fund's offering documents), in its sole discretion, generally waives or modifies the foregoing fees and allocations for investors in the Funds that are principals, employees, members or affiliates of the Adviser, and may do so for relatives of such persons and for certain large or strategic investors.

### **Payment of Fees**

The Adviser deducts the investment management fee from the Funds monthly in advance by instructing the applicable custodian and administrator. Although the Funds' offering documents do not permit the Funds' underlying investors to redeem or withdraw from the Funds mid-month, a pro rata portion of the management fee would be returned to any investor redeeming/withdrawing mid-month if such redemptions/withdrawals occurred.

### **Additional Fees and Expenses**

In addition to paying investment management fees and, if applicable, performance-based incentive allocations, investors in the Funds will also be subject to other expenses which typically include, but are not limited to, Fund legal, compliance (including, without limitation, expenses attributable to regulatory filings which are made with respect to assets of the Funds (including, without limitation, Section 13, Section 16, Form PF filings and any similar non-U.S. filing obligations), and expenses incurred in connection with tax compliance (including FATCA compliance)), audit and accounting expenses (including third party accounting services); organizational expenses; administrator fees and expenses; shareholder proxy voting service fees; custodial fees; investment expenses (whether or not the related investments are consummated) such as commissions, research fees and expenses (including research-related travel); interest on margin accounts and other indebtedness; borrowing charges on securities sold short; Fund-related insurance costs (including D&O insurance costs of the Adviser); directors' fees and expenses (if applicable) and any other expenses related to the purchase, sale or transmittal of Fund assets. Investors in each Fund bear the expenses of the Fund pro rata in accordance with

their account balances or shareholdings (as applicable). Additionally, the Feeder Funds bear their pro rata share of the expenses associated with the Master Fund.

If any of the above expenses or other expenses are incurred jointly for the benefit of more than one Fund, the Adviser will seek to allocate such expenses among Funds in a manner that is fair and reasonable. However, expense allocation decisions will involve potential conflicts of interest (e.g., expense allocations may depend on inherently subjective determinations). The Adviser may consider the following factors, among others, to allocate particular expenses among Funds depending on the circumstances: each Fund's pro rata share of the expenses based on assets under management, each Fund's relative participation or use related to the expense, the nature or source of the product or service, the relative benefits derived by each Fund from the product or service or other relative factors. To the extent that expenses to be borne by the Fund are paid by the Adviser (in excess of its ratable share) or an affiliate thereof, the Fund will reimburse the Adviser or such affiliate for such expenses.

For more detailed information on fees and expenses, please see the applicable Fund's offering memorandum and audited financial statements.

Please refer to Item 12 of this brochure for a discussion of the Adviser's brokerage practices.

#### **Additional Compensation and Conflicts of Interest**

Neither the Adviser nor its officers, members or employees accept compensation (e.g., brokerage commissions) for the sale of securities or other investment products.

## **Item 6. Performance-Based Fees and Side-by-Side Management**

The Adviser and its investment personnel provide investment management services to the Funds. As described in Item 5, the Adviser (or a related person) is entitled to be paid performance-based compensation by the Funds. Such performance-based compensation may create an incentive for the Adviser to make investments that are riskier or more speculative than would be the case in the absence of such performance-based compensation arrangements. In addition, the Adviser's investment personnel are typically compensated on a basis that includes a performance-based component. Furthermore, certain client accounts may have higher management fees or more favorable performance-based compensation arrangements than other accounts. When the Adviser and its investment personnel manage more than one client account, a potential exists for one client account to be favored over another client account. The Adviser and its investment personnel may have a greater incentive to favor client accounts that pay the Adviser (and indirectly the Portfolio Manager) higher fees.

The Adviser has adopted and implemented policies and procedures intended to address conflicts of interest relating to the management of multiple accounts, including accounts with multiple fee arrangements, and the allocation of investment opportunities. The Adviser reviews investment decisions for the purpose of ensuring that all accounts with substantially similar investment objectives are treated equitably. The performance of similarly managed accounts is also regularly compared to determine whether there are any unexplained significant discrepancies. Please also see Item 12 for a description of the Adviser's procedures relating to the allocation of investment opportunities.



**Item 7. Types of Clients**

The Adviser's clients consist of the Funds. Any subscription minimums, which may be negotiable by a Fund's General Partner or a Fund's Board of Directors (as applicable), along with other eligibility provisions are disclosed in the offering memorandum for the applicable Fund.

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

### **Methods of Analysis and Investment Strategy**

The Adviser utilizes fundamental research and is quantitative in its approach to company valuation to make investment decisions and recommendations. The Adviser employs the following investment strategies:

**Equity.** The Adviser's equity strategy is based upon fundamental, company-specific research. In addition, the Funds invest in diversified sectors globally in developed and emerging markets across all market caps. The Adviser conducts a quantitative assessment of each equity position, based on the company's expected return, to optimize position sizing and risk exposures across each Fund's portfolio.

**Short Selling.** The Adviser engages in short selling strategies. In a short sale transaction, the Adviser sells a security it does not own in anticipation that the market price of that security will decline. The Adviser makes short sales (i) as a form of hedging to offset potential declines in long positions in similar securities; (ii) in order to maintain flexibility and (iii) for profit.

**Hedging.** The Adviser utilizes a variety of financial instruments such as derivatives, including options, forwards and futures, for, among other things, risk management purposes. The Adviser may seek to hedge against currency fluctuations.

**Leverage.** The Adviser's investment program utilizes leverage which involves the borrowing of funds from brokerage firms, banks and other institutions in order to be able to increase the amount of capital available for marketable securities investments.

These strategies and investments involve risk of loss to the Funds and Fund investors must be prepared to bear the loss of their entire investment.

### **Material, Significant or Unusual Risks Relating to Investment Strategies**

The risks below summarize the material risks related to the Adviser's investment strategy. For more detailed information regarding the applicable Fund's risks, refer to its offering memorandum.

**Short Selling Risk.** The Adviser may establish short positions in indices, exchange-traded funds and common stocks. Short selling involves selling securities which are not owned by the short seller and borrowing them for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the investor to profit from a decline in market price to the extent such decline exceeds the transaction costs and the costs of borrowing the securities. The extent to which a Fund engages in short sales will depend upon the Adviser's investment strategy and opportunities. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing

the cost to a Fund of buying those securities to cover the short position. There can be no assurance that a Fund will be able to maintain the ability to borrow securities sold short. In such cases, the Fund can be “bought in” (i.e., forced to repurchase securities in the open market to return to the lender). There also can be no assurance that the securities necessary to cover a short position will be available for purchase at or near prices quoted in the market. Purchasing securities to close out a short position can itself cause the price of the securities to rise further, thereby exacerbating the loss.

**Hedging.** There can be no assurances that a particular hedge is appropriate, or that certain risk is measured properly. Further, while the Adviser may enter into hedging transactions to seek to reduce risk, such transactions may result in poorer overall performance and increased (rather than reduced) risk for the Adviser’s investment portfolios than if the Adviser did not engage in any such hedging transactions.

**Issuer-Specific Changes.** Changes in the financial condition of an issuer or counterparty, changes in specific economic or political conditions that affect a particular type of security or issuer, and changes in general economic or political conditions can increase the risk of default by an issuer or counterparty, which can affect a security’s or instrument’s value. The value of securities of smaller, less well-known issuers can be more volatile than that of larger issuers. Smaller issuers can have more limited product lines, markets, or financial resources.

**Leverage.** Leverage results in the Funds controlling substantially more assets than the Funds have equity. Leverage increases the Funds’ returns if the Funds earn a greater return on investments purchased with borrowed funds than the Funds’ cost of borrowing such funds. However, the use of leverage exposes the Funds to additional levels of risk, including (i) greater losses from investments than would otherwise have been the case had the Funds not borrowed to make the investments; (ii) margin calls or interim margin requirements which may force premature liquidations of investment positions and (iii) losses on investments where the investment fails to earn a return that equals or exceeds the Funds’ cost of borrowing such funds. In the event of a sudden, precipitous drop in value of the Funds’ assets, the Funds might not be able to liquidate assets quickly enough to repay its borrowings, further magnifying its losses.

### **Material, Significant or Unusual Risks Relating to the Types of Securities that are Primarily Recommended**

The risks below summarize the material risks associated with the types of securities that are primarily recommended. For more detailed information regarding the applicable Fund’s risks, refer to its respective offering memorandum.

**Equity Securities.** The value of equity securities fluctuates in response to issuer, political, market, and economic developments. Fluctuations can be dramatic over the short as well as long term, and different parts of the market and different types of equity securities can react differently to these developments. For example, large cap stocks can react differently from small cap stocks, and “growth” stocks can react differently from

“value” stocks. Issuer, political, or economic developments can affect a single issuer, issuers within an industry or economic sector or geographic region, or the market as a whole. Changes in the financial condition of a single issuer can impact the market as a whole. Terrorism and related geo-political risks have led, and may in the future lead, to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally.

**Derivatives.** Swaps, certain options and other custom derivative or synthetic instruments are subject to the risk of nonperformance by the counterparty to such instrument, including risks relating to the financial soundness and creditworthiness of the counterparty. In addition, investments in derivative instruments may involve a high degree of leverage, meaning the overall contract value (and, accordingly, the potential for profits or losses in that value) is much greater than the modest deposit used to buy the position in the derivative contract. Derivative securities can also be highly volatile. The prices of derivative instruments and the investments underlying the derivative instruments may fluctuate rapidly and over wide ranges and may reflect unforeseeable events or changes in conditions, none of which can be controlled by the Fund or the Adviser. Further, transactions in derivative instruments may not be executed on recognized exchanges, which may expose the Fund to greater risks than regulated exchange transactions that provide greater liquidity and more accurate valuation of securities.

**Emerging Markets.** There are greater risks associated with investments in securities of issuers located in less developed countries than investments in securities of issuers located in the U.S. and other developed markets. For example, political and economic structures in these countries may be less established and may change rapidly. These countries also are more likely to experience high levels of inflation, deflation, or currency devaluation, which can harm their economies and securities markets and increase volatility. Restrictions on currency trading that may be imposed by emerging market countries may have an adverse effect on the value of the securities of companies that trade or operate in such countries.

**Non-U.S. Securities.** Non-U.S. securities, non-U.S. currencies, and securities issued by U.S. entities with substantial non-U.S. operations can involve additional risks relating to political, economic, or regulatory conditions in non-U.S. countries. These risks include fluctuations in non-U.S. currencies; withholding or other taxes; trading, settlement, custodial, and other operational risks; and the less stringent investor protection and disclosure standards of some non-U.S. markets. One or more of these factors can make non-U.S. investments, especially those in emerging markets, more volatile and potentially less liquid than U.S. investments. In addition, non-U.S. markets can perform differently from the U.S. market.

**Security Futures and Options.** In connection with the use of futures contracts and options, there may be an imperfect correlation between the change in market value of a security and the prices of the futures contracts and options in the Funds’ accounts. In addition, the Funds’ investments in security futures and options may encounter a lack of a

liquid secondary market for a futures contract and the resulting inability to close a futures position prior to its maturity date.

### **Additional Risks Relating to the Adviser**

**Cybersecurity Risk.** The information and technology systems used by the Adviser and key service providers to the Adviser and the Funds to carry out routine business operations may be vulnerable to potential damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons, security breaches and usage errors by their respective professionals. Although the Adviser has implemented various protections designed to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, it may be necessary for the Adviser or service provider to make a significant investment to fix or replace them and to seek to remedy the effect of these issues. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in the operations of the Adviser or the Funds and result in a failure to maintain the security, confidentiality or privacy of sensitive data including personal information. A cybersecurity breach could expose both the Adviser and the Funds to substantial costs (including, without limitation, those associated with forensic analysis of the origin and scope of the breach, increased and upgraded cybersecurity, identity theft, unauthorized use of proprietary information, litigation, adverse investor reaction, the dissemination of confidential and proprietary information and reputational damage), civil liability as well as regulatory inquiry and/or action. Furthermore, the Adviser and the Funds cannot control the cybersecurity plans, strategies, systems, policies and procedures put in place by service providers to the Funds, the issuers in which the Funds invests, counterparties with which the Funds engage in transactions, governmental and other regulatory authorities, exchange and other financial market operators, banks, brokers, dealers, insurance companies, and/or other financial institutions.

**Risk Management.** Although the Adviser attempts to identify, monitor and manage significant risks, these efforts do not take all risks into account and there can be no assurance that these efforts will be effective. Moreover, many risk management techniques, including those employed by the Adviser, are based on historical market behavior, but future market behavior may be entirely different and, accordingly, the risk management techniques employed on behalf of the Funds may be incomplete or altogether ineffective. Similarly, the Adviser may be ineffective in implementing or applying risk management techniques. Any inadequacy or failure in risk management efforts could result in material losses to the Funds.

**Systems and Operational Risk.** The Adviser relies on certain financial, accounting, data processing and other operational systems and services that are employed by the Adviser and/or by third party service providers, including prime brokers, the third party administrator, market counterparties and others. Many of these systems and services require manual input and are susceptible to error. These programs or systems may be subject to certain defects, failures or interruptions. For example, the Adviser and the

Funds could be exposed to errors made in the confirmation or settlement of transactions, from transactions not being properly booked, evaluated or accounted for or related to other similar disruptions in the clients' operations. In addition, despite certain measures established by the Adviser and third party service providers to safeguard information in these systems, the Adviser, the Funds and their third party service providers are subject to risks associated with a breach in cybersecurity which may result in damage and disruption to hardware and software systems, loss or corruption of data and/or misappropriation of confidential information. Any such errors and/or disruptions may lead to financial losses, the disruption of client trading activities, liability under applicable law, regulatory intervention or reputational damage.

**Item 9. Disciplinary Information**

There have been no legal or disciplinary events that are material to a prospective or current client's or investor's evaluation of the Adviser's advisory business or the integrity of the Adviser's management.

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

### **Broker-Dealer Registration Status**

Neither the Adviser nor any of its management persons is registered, or has an application pending to register with the SEC, as a broker-dealer or a registered representative of a broker-dealer.

### **Commodities-Related Registration**

Neither the Adviser nor any of its management persons is registered, or has an application pending to register, as a futures commission merchant, commodity pool operator, commodity trading advisor, or associated person of any of the foregoing entities. The Fund's General Partner or the Adviser, as the case may be, is currently eligible for and relies on an exemption from registration with the Commodity Futures Trading Commission ("CFTC") as a Commodity Pool Operator. The Adviser also relies on an exemption from registration with the CFTC as a Commodity Trading Adviser.

### **Material Relationships or Arrangements with Industry Participants**

Neither the Adviser nor any of its management persons has any relationship or arrangement that is material to its advisory business or to its clients with any related persons required to be reported under this Item.

The Adviser has not previously entered into and does not currently intend to enter into any "side letter" agreements with investors affording preferential treatment with respect to fees, liquidity or disclosure (enhanced transparency) for any investors in the private funds it manages. However, upon request, the Adviser and the Funds have provided some representations to state entity and other investors regarding certain regulatory, tax and other matters pertaining to those investors.

The Adviser may make available to investors or prospective investors in the Funds certain portfolio information pertaining to the Funds, subject to certain limitations. Access to such information will be granted only upon receipt by the Adviser of an executed non-disclosure agreement. The Funds and the Adviser each reserve the right to withhold such information and/or cease dissemination of such information entirely at any time.

### **Material Conflicts of Interest Relating to Other Investment Advisers**

The Adviser does not recommend or select other investment advisers for its clients for which it receives compensation directly or indirectly from those advisers that creates a material conflict of interest, nor does the Adviser have other business relationships with those advisers that create a material conflict of interest.



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

### **Code of Ethics**

The Adviser has adopted a code of ethics (“Code”), which is designed to foster compliance with applicable federal statutes and regulatory requirements, minimize circumstances that may lead to or give the appearance of conflicts of interest with clients, insider trading, or unethical business conduct as well as promote a culture of high ethical standards. Among other things, the Code governs personal securities trading by the Adviser’s personnel.

Under the Code, each member or employee and their household members are generally prohibited from purchasing Reportable Securities, as defined in Rule 204A-1 under the Investment Advisers Act of 1940, as amended (“Investment Advisers Act”), for their personal accounts. Solely to the extent a member or employee’s personal account contains Reportable Securities acquired prior to such member or employee’s date of hire, such member or employee may continue to hold those positions and such Reportable Securities may only be sold with the prior written approval from the Adviser’s designated officers. Although open-end exchange-traded-funds (“ETFs”) are technically exempt from reporting, the Adviser requires that all transactions in ETFs must be reported and pre-cleared. In addition, the Code requires employees to disclose their personal securities holdings and transactions to the Advisor on a periodic basis. The Adviser allows the purchase and sale of private securities (e.g., limited partnership and/or limited liability company interests) with prior written approval from the Adviser’s designated officers. Such approval may be granted in limited occasions depending on the circumstances and only if such approval would not be contrary to what is in the best interest of the Funds. In the case of private funds sponsored by the Adviser, a completed subscription agreement is evidence of pre-approval. As a result, some personnel may be investors in the Funds; however, it is generally the policy of the Adviser not to favor any one Fund over another in making advisory recommendations, subject to the suitability of those recommendations to a particular Fund and the specified investment objectives and restrictions of such Fund.

Notwithstanding the restrictions on trading Reportable Securities as described above, an employee may have an account that trades in such securities if, among other things, (i) the employee has delegated to an investment manager full investment discretion over the account and (ii) the employee and the third-party manager each periodically certify that the employee does not exercise influence or control over the account, as any such account may not be subject to the reporting requirements under Rule 204A-1. Depending on the relationship with the third-party manager, the Adviser will from time to time request an employee’s holdings and/or transactions in such an account.

The Adviser also maintains insider trading policies and procedures (the “Insider Trading Policies”) that are designed to prevent the misuse of material, non-public information. The Adviser’s personnel are required to certify their compliance with the Code, and the

Insider Trading Policies, on a periodic basis. The Adviser's Insider Trading Policies prohibit the Adviser and its personnel from trading for the Funds or themselves, or recommend trading, in securities of a company while in possession of restricted material, non-public information about the relevant issuer in violation of the law ("Inside Information"). By reason of its various activities, the Adviser may become privy to Inside Information or be restricted from effecting transactions in investments that might otherwise have been initiated. The Adviser has designed and implemented policies in order to comply with the requirements of the federal securities laws relating to insider trading. Among other things, those policies and procedures seek to control and monitor the flow of Inside Information (if any) to and within the Adviser, as well as prevent trading on the basis of Inside Information in violation of the law.

The Adviser and/or its related persons may give and/or receive gifts, services or other items to/from any person or entity that does business with or potentially could conduct business with or on behalf of the Adviser. To ensure that these exchanges are conducted in a manner that does not adversely affect the Funds and in a manner consistent with the fiduciary duty owed by the Adviser to the Funds, the Adviser has adopted policies and procedures governing gifts and business entertainment, which include quarterly disclosure of gifts and business entertainment in excess of certain de minimis thresholds and pre-clearance by the Chief Compliance Officer prior to giving/receiving gifts above a certain de minimis threshold.

Prospective and current clients or investors may obtain a copy of the Code by contacting the Chief Compliance Officer by email at [compliance@whiteelmcap.com](mailto:compliance@whiteelmcap.com) or by telephone at 203-742-6000.

#### **Client Transactions in Securities Where the Adviser has a Material Financial Interest**

To the extent that cross transactions may be viewed as principal transactions due to the ownership interest in a Fund by the Adviser and its personnel, the Adviser will either not effect that transaction or comply with the requirements of Section 206(3) of the Investment Advisers Act, including that the Adviser will provide written disclosure to the Fund and obtain the applicable consent.

#### **Investing in Securities that the Adviser or a Related Person Recommends to Clients**

Please refer to Code of Ethics above for a description of the Adviser's personal trading policy.

#### **Conflicts of Interest Created by Contemporaneous Trading**

This is not applicable.

## **Item 12. Brokerage Practices**

### **Factors Considered in Selecting or Recommending Broker-Dealers for Client Transactions**

The Adviser considers a number of factors in selecting a broker-dealer to execute transactions (or series of transactions) and determining the reasonableness of the broker-dealer's compensation. Such factors may include, but are not limited to, quality of execution; reputation, financial strength, integrity and stability; block trading and block positioning capabilities; willingness to execute difficult transactions; willingness and ability to commit capital; access to underwritten offerings and secondary markets; ongoing reliability; overall costs of a trade (i.e., net price paid or received) including commissions, markups, markdowns or spreads in the context of the Adviser's knowledge of negotiated commission rates currently available and other current transaction costs; nature of the security and the available market makers; desired timing of the transaction and size of trade; confidentiality of trading activity; market intelligence regarding trading activity; and the receipt of prime brokerage and related services, including capital introduction and introductions to management and research and industry information. In selecting a broker-dealer to execute transactions (or series of transactions) and determining the reasonableness of the broker-dealer's compensation, the Adviser is not required to solicit competitive bids and does not have an obligation to seek the lowest available commission cost. It is not the Adviser's practice to negotiate "execution only" commission rates, thus a client may be deemed to be paying for research, brokerage or other services provided by a broker-dealer that are included in the commission rate. The Adviser periodically evaluates the broker-dealers used by the Adviser to execute client trades.

**Research and Other Soft Dollar Benefits.** The Adviser receives research or other products or services other than execution from a broker-dealer and/or a third party in connection with client securities transactions. This is known as a "soft dollar" relationship. The Adviser limits the use of "soft dollars" to obtaining research and brokerage services that constitute research and brokerage within the meaning of Section 28(e) of the Securities Exchange Act of 1934, as amended ("Section 28(e)"). Research services within Section 28(e) may include, but are not limited to, research reports (including market research); certain financial newsletters and trade journals; software providing analysis of securities portfolios; corporate governance research and rating services; attendance at certain seminars and conferences; discussions with research analysts; meetings with corporate executives; consultants' advice on portfolio strategy; data services (including services providing market data, company financial data and economic data); advice from broker-dealers on order execution; and certain proxy services. Brokerage services within Section 28(e) may include, but are not limited to, services related to the execution, clearing and settlement of securities transactions and functions incidental thereto (i.e., connectivity services between an adviser and a broker-dealer and other relevant parties such as custodians); trading software operated by a broker-dealer to route orders; software that provides trade analytics and trading strategies; software used to transmit orders; clearance and settlement in connection with a

trade; electronic communication of allocation instructions; routing settlement instructions; post trade matching of trade information; and services required by the SEC or a self-regulatory organization such as comparison services, electronic confirms or trade affirmations.

The use of client commissions (or markups or markdowns) to obtain research and brokerage products and services raises conflicts of interest. For example, the Adviser will not have to pay for the products and services itself. This creates an incentive for the Adviser to select or recommend a broker-dealer based on its interest in receiving those products and services.

The Adviser periodically reviews and evaluates its soft dollar practices to determine in good faith whether, with respect to any research or other products or services received from a broker-dealer, the commissions used to obtain those products and services were reasonable in relation to the value of the brokerage, research or other products or services provided by the broker-dealer. This determination will be viewed in terms of either the specific transaction or the Adviser's overall responsibilities to the accounts or portfolios over which the Adviser exercises investment discretion.

Research and brokerage services obtained by the use of commissions arising from a client's portfolio transactions may be used by the Adviser in its other investment activities, including for the benefit of other client accounts, and such benefits may not be proportionate to commission dollars related to the provision of such research or services.

During the Adviser's last fiscal year, as a result of client brokerage commissions (or markups or markdowns), the Adviser and/or its related persons acquired research services within Section 28(e) including research reports (including market research); certain financial newsletters and trade journals; software providing analysis of securities portfolios; attendance at certain seminars and conferences; discussions with research analysts; meetings with corporate executives; consultants' advice on portfolio strategy; data services (including services providing market data, company financial data and economic data); advice from broker-dealers on order execution; and acquired brokerage services within Section 28(e) including services related to the execution, clearing and settlement of securities transactions and functions incidental thereto (i.e., connectivity services between the Adviser and a broker-dealer and other relevant parties such as custodians); trading software operated by a broker-dealer to route orders; software used to transmit orders; and clearance and settlement in connection with a trade.

The Adviser has entered into "client commission arrangements" pursuant to which the Adviser may execute transactions through a broker-dealer and request that the broker-dealer pay a portion of the earned commissions or commission credits to another firm that provides research and other eligible products/services to the Adviser. The Adviser excludes from use under these arrangements those products and services that are not eligible under Section 28(e) and applicable regulatory interpretations.

In some instances, the Adviser obtains a product or service that is used, in part, by the Adviser for Section 28(e) eligible purposes and, in part, for other purposes. In such instances, the Adviser will make a good faith effort to determine the relative proportion of the product or service used to assist the Adviser in carrying out its investment decision-making responsibilities and the relative proportion used for administrative or other purposes outside Section 28(e). Such determination will be made based on the actual use of the product or service by the Adviser's personnel. The proportion of the product or service attributable to assisting the Adviser in carrying out its investment decision-making responsibilities will be paid through brokerage commissions generated by client transactions and the proportion attributable to administrative or other purposes outside Section 28(e) will be paid for by the Adviser from its own resources. The determination of the appropriate allocation of "mixed use" products and services creates a potential conflict of interest between the Adviser and clients.

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

**Directed Brokerage.** The Adviser does not permit a client to specify the particular broker-dealer(s) through which the Adviser executes transactions.

### **Order Aggregation**

As discussed above, the Onshore Fund and the Offshore Fund invest substantially all of their assets through the Master Fund. Portfolio investments are generally traded and held on behalf of the Master Fund. However, in certain instances, it may be advantageous to trade at the Feeder Fund level instead. The Adviser will aggregate trade orders on behalf of the Funds when the Adviser reasonably believes that aggregation is consistent with its duty to obtain best execution, internal risk management parameters and the terms of the investment guidelines and restrictions of each Fund for which trades are being aggregated. Aggregated orders must be allocated among eligible Funds in a manner which is fair, equitable and consistent and does not favor one Fund or group of Funds. Allocations to eligible Funds are generally made such that each eligible Fund reaches the targeted position size in a trade order and/or in proportion to the prior day's net asset value of each eligible Fund (i.e., "pro rata"). There may, however, be occasions when non-pro rata allocations would be considered equitable under the circumstances, particularly when illiquid securities or those of limited availability (such as initial public offerings or private placements) are involved or where a de minimis amount of an order is traded. Non-pro rata allocations may be made based on various considerations, including, but not limited to, the following: (i) Fund guidelines; (ii) risk parameters; (iii)

regulatory and tax terms; (iv) timing and (v) partial fills. In such circumstances, the Adviser seeks to ensure that allocations are made in a manner that is fair and equitable over time and that all such allocations are supported by proper documentation.

The Adviser may, but is not obligated to, bunch orders for the purchase or sale of the same securities for the Funds, where the Adviser deems this to be appropriate, in the best interests of client accounts and consistent with applicable regulatory requirements. Allocations made pursuant to the methodology should not subject the Adviser to criticism of favoring one client over another. The Adviser does not receive any additional compensation of any kind as a result of an aggregated trade order. Each Fund that participates in an aggregated trade order participates at the average price for all of the Adviser's transactions of that type in that security on a given business day executed with the same counterparty or broker, with transaction costs shared pro rata based on each Fund's participation in the transaction.

## **Item 13. Review of Accounts**

### **Frequency and Nature of Review**

The holdings in each Fund's account are reviewed each business day by the Managing Member, Matthew Iorio. These holdings are monitored in light of trading activity, significant corporate developments and other activities which may dictate a change in portfolio positions. Before deciding whether or not to purchase or sell a particular security on behalf of a client account, each client account that could or currently holds such security will be reviewed in full. In addition, client accounts are reviewed periodically from the standpoint of the specific investment objectives of the client and as specific conditions may dictate.

### **Factors Prompting a Non-Periodic Review of Accounts**

A review of a client account may be triggered by any unusual activity or special circumstances.

### **Content and Frequency of Regular Account Reports**

The Adviser provides annual audited financial statements within 120 days following the end of the applicable Fund's fiscal year end to each Fund investor. In addition, all investors in each Fund receive various electronic or written reports in the ordinary course from the Adviser or from a Fund's administrator, which include monthly estimates of the Fund's performance, reports that set forth various monthly financial data and information about the Fund's performance, periodic investor letters from management and monthly capital account statements. Additionally, investors in the Onshore Fund receive Schedule K-1s, preceded by account-level tax estimates to assist in tax planning. Investors in the Offshore Fund may, upon request, receive PFIC tax reporting.

The Adviser may also provide additional information to investors from time to time that it deems advisable. The Adviser is regularly available to meet with investors upon request to discuss the portfolio, performance, investment theses and the Funds generally.

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

### **Economic Benefit for Providing Services to Clients**

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

### **Compensation to Non-Supervised Persons for Client Referrals**

The Adviser does not currently engage the services of solicitors to assist the Adviser in securing advisory clients or investors in the Funds, but may do so in the future. Any such arrangements would be in compliance with Rule 206(4)-3 under the Investment Advisers Act or other relevant SEC guidance.



## **Item 15. Custody**

The Adviser is deemed to have custody of client funds and securities because, for example, it has the authority to obtain client funds or securities by deducting advisory fees from a client's account or otherwise withdrawing funds from a client's account. In addition, the Adviser, or an affiliate, is deemed to have custody of its private funds in its capacity as the general partner of the Onshore Fund. Account statements related to the Funds are sent by qualified custodians to the Adviser and the Funds' administrator. The Adviser is subject to Rule 206(4)-2 under the Investment Advisers Act (the "Custody Rule"). However, the Adviser is not required to comply (or is deemed to have complied) with certain reporting requirements of the Custody Rule with respect to each Fund, such as delivery of quarterly account statements directly from the qualified custodian to the underlying Fund investors, because the Adviser complies with the provisions of the so-called "audited funds exception," which, among other things, requires that each Fund be subject to audit at least annually by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, and requires that each Fund distribute its audited financial statements prepared in accordance with U.S. GAAP to all investors within 120 days of the end of each Fund's fiscal year.

## **Item 16. Investment Discretion**

The Adviser provides investment advisory services on a discretionary basis to clients. Please see Item 4 for a description of any limitations clients may place on the Adviser's discretionary authority.

The Adviser entered into an investment management agreement with each Fund, pursuant to which the Adviser was granted discretionary trading authority.

The Adviser's investment decisions and advice with respect to each Fund are subject to each Fund's investment objectives and guidelines, as set forth in the offering documents.

The Adviser's traders may on occasion experience errors with respect to trades made on behalf of the Funds. A trading error is a deviation from the applicable standard of care in the placement, execution or settlement of a trade for a Fund (i.e., the resulting trade differs from the original intent of the Portfolio Manager when authorizing the trade). Trade errors can result from a variety of situations, including for example, when the wrong security is purchased or sold, when the correct security is purchased or sold but for the wrong account, when the wrong amount is purchased or sold (e.g., 1,000 shares instead of 10,000 shares are traded), when a misallocation among client accounts occurs, when a security is purchased or sold in violation of investment restrictions or other failure to follow specific Fund directives or the purchase of a security is not legally authorized for the Fund's account. For purposes of these policies and procedures, trade errors do not include unprofitable investments, errors caught and corrected before execution, ticket re-writes and similar mistakes that incorrectly reflect properly executed trades (i.e., administrative errors) and errors made by persons other than the Adviser (e.g., broker-dealers). Generally, the Adviser will pursue reimbursement from third parties for errors made by persons other than the Adviser (e.g., broker-dealers), unless it determines that reimbursement should not be pursued and such rationale will be documented. The Adviser endeavors to detect trade errors prior to settlement and correct them in an expeditious manner.

The Adviser is required by the terms of the Funds' offering memoranda to reimburse losses suffered by a Fund as a result of a trade error due to gross negligence, willful misconduct or a violation of applicable law caused by the Adviser. However, in the Adviser's sole discretion, it may reimburse the Fund for trade errors not due to the Adviser's gross negligence, willful misconduct or a violation of applicable law. The Chief Compliance Officer ensures the Adviser maintains appropriate documentation that supports the rationale for the resolution of all trade errors, including reimbursement decisions. In addition, the Adviser does not correct a trade error made in one Fund by reallocating the erroneous trade to another Fund. The Adviser also will not directly or indirectly use soft dollars to correct trade errors.

## **Item 17. Voting Client Securities**

### **Proxy Voting**

The Adviser retains proxy-voting authority for securities purchased for the Funds. The Adviser has adopted Proxy Voting Policies and Procedures (the “Proxy Policies”) that are designed to ensure that in cases where the Adviser votes proxies with respect to securities purchased for the Funds, such proxies are voted in the best interests of each Fund. In voting proxies, the Adviser utilizes the services of a third-party proxy agent. In general, the Adviser believes that voting proxies in accordance with the proxy agent’s recommendations will be in the best interests of the Funds, which is why the Adviser will by default vote proxies in accordance with those recommendations. In situations where management’s recommendations differ from the proxy agent’s recommendations, the analyst responsible for the position will inform the Chief Compliance Officer or designee how he/she would like to vote the proxy. The Chief Compliance Officer or designee will document any proxy vote that differs from the proxy agent’s recommendations and the justification for voting against them. This process helps to document and mitigate the effects of any potential conflicts of interest. For all other proposals that are not addressed by the proxy agent’s recommendations, the Adviser will make such decisions on a case-by-case basis in a manner that serves the best interests of the Funds.

If a material conflict of interest between the Adviser and a Fund exists, the Adviser will determine whether voting in accordance with the guidelines set by the third-party proxy agent is in the best interests of the Funds or take some other appropriate action as set forth in the Proxy Policies.

The Adviser may abstain from voting if it deems that abstaining is in the best interests of the Funds. For example, the Funds have securities lending agreements and may be unable to vote securities that have been lent or rehypothecated by the prime brokers.

Prospective and current clients or investors may obtain a copy of the Adviser’s Proxy Policies and information about how the Adviser voted a client’s proxies, free of charge, by contacting the Chief Compliance Officer by email at [compliance@whiteelmcap.com](mailto:compliance@whiteelmcap.com) or by telephone at 203-742-6000.

### **Class Actions**

To the extent a collective action lawsuit (a “class action”) arises in relation to a security owned by a Fund, the Adviser will determine whether participation in such action is in the Fund’s best interest after considering any costs that may be incurred in connection therewith, as well as any monetary recovery that is reasonably likely to result from such participation. Any proceeds received by a Fund in connection with any class action will be allocated on a pro rata basis to the Fund investors in such Fund at the time such proceeds are received.

**Item 18. Financial Information**

The Adviser is not required to include a balance sheet for its most recent fiscal year because it does not solicit the pre-payment of fees greater than \$1,200 per client, six months or more in advance. Further, the Adviser is not aware of any financial condition reasonably likely to impair its ability to meet contractual commitments to clients, and has not been the subject of a bankruptcy petition at any time during the past ten years.