

PART 2A OF FORM ADV: FIRM BROCHURE

Discovery Capital Management, LLC

March 29, 2019

This brochure (the “Brochure”) provides information about the qualifications and business practices of Discovery Capital Management, LLC (“Discovery”), an investment adviser registered with the United States Securities and Exchange Commission (the “SEC”). If you have any questions about the contents of this Brochure, please contact us at (203) 956-7950. This information has not been approved or verified by the SEC or by any state securities authority.

This Brochure is not: (i) an offer or agreement to provide advisory services to any person; (ii) an offer to sell interests (or a solicitation of an offer to purchase interests) in any pooled investment fund advised by Discovery; (iii) a complete discussion of the strategies, risks, or conflicts of interest associated with any pooled investment fund advised by Discovery; or (iv) to be relied on in determining whether to invest in a fund or establish an advisory relationship with Discovery. *The information provided in this Brochure about any pooled investment fund is qualified in its entirety by reference to the relevant fund constituent documents and offering materials (“Fund Documentation”).*

Additional information about Discovery is also available on the SEC’s website at www.adviserinfo.sec.gov.

Registration with the SEC or with any state securities authority does not imply a certain level of skill or training and does not in any way constitute an endorsement by the SEC of an investment adviser’s skill or expertise.

Discovery Capital Management, LLC

20 Marshall Street, Suite 310 South Norwalk, CT 06854

Tel: (203) 956- 7950 Fax: (203) 354-1450

Item 2. Material Changes

This Brochure is filed as the annual update to Discovery Capital Management, LLC's Form ADV Part 2A. Discovery notes the following material changes since the filing of Discovery's latest Form ADV Part 2A in June 2018:

- Discovery operates closed-end funds to invest in late stage growth equity companies. The funds represent a new strategy and fund structure and, accordingly, certain potential risks and conflicts of interests are described in this updated Brochure.

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Item 4. Advisory Business

Discovery is a Connecticut limited liability company with its principal place of business in South Norwalk, Connecticut. Discovery was formed in April 1999 and commenced operations as an investment adviser in August 1999. Robert K. Citrone is the principal owner of Discovery Capital Management Holding Co., L.P., which is the sole owner and managing member of Discovery.

Discovery, together with two affiliated investment advisers under common control with Discovery (for purposes of this Brochure those affiliated advisers are included in the term “Discovery”), provides investment management services to its clients, which are generally pooled investment funds (the “Funds”), and Mr. Citrone is the portfolio manager for the Funds. Discovery’s compliance program is equally applicable to all of the affiliated advisers and Mr. Citrone is the managing member and principal owner of each of the affiliated advisers.

Discovery provides discretionary investment advisory services to Funds intended for sophisticated investors and institutional investors. The general investment program of these Funds is to make investments in equity, debt and currencies across emerging and developed markets. Discovery specializes in multi-asset class investing across global financial markets and uses a combination of “Global Macro” and “Equity Long-Short” strategies to identify investment opportunities. Discovery utilizes (i) fundamental, top-down global macro analysis, including political and policy risk assessment, to identify opportunities in countries and asset classes, and (ii) fundamental, bottom-up research for industry, company, and security selection. The Funds are generally open-end and offer different combinations of concentrations, liquidity, leverage, and strategy overweighting based on the specific investment objectives and strategies of the Fund as described in the relevant Fund Documentation. Each Fund may impose restrictions on investing in certain securities or certain types of securities, consistent with such Fund’s investment strategy, policies or restricted list.

Discovery manages various closed-end private equity funds which invest in late stage growth equity companies. The portfolio companies are illiquid, private companies that Discovery has identified in connection with its investments strategies described above.

Discovery also provides advisory services as a sub-adviser to a private fund for which neither Discovery nor an affiliate is the sponsor, general partner or managing member (or equivalent). Discovery provides advisory services only to that portion of such private fund’s assets that are included in a managed account established for Discovery. The managed account follows a similar investment program as that of the Funds.

Discovery does not participate in any wrap fee programs.

As of December 31, 2018, Discovery had approximately \$14,835,063,237 regulatory assets under management on a discretionary basis.

Item 5. Fees and Compensation

Advisory Fees

Each investor in a Fund may be charged an investment management fee based on the value of the Fund's assets under management attributable to the investor and, if applicable, a performance-based allocation or fee, which is compensation that is based on a share of capital gains on or capital appreciation of the assets of the Fund. Investment management fees, if applicable, are generally paid quarterly or monthly in arrears and performance-based allocations or fees are generally allocated annually or upon a realization event for a private equity vehicle (as described below). For each Fund for which Discovery serves as investment manager and an affiliate serves as general partner, the investment management fee and the performance-based allocation or fee, as applicable, are deducted from the Fund's assets (and from each investor account accordingly) by the Fund's custodian upon an instruction from Discovery or its affiliated general partner and may be paid to Discovery or the affiliated general partner. Fees charged to Fund investor accounts may also be different depending on the series or class of a Fund interest held by an investor.

For certain private equity funds, Discovery receives an investment management fee based on the aggregate cost basis of all portfolio company investments (including cash equivalents and hedging transactions, but excluding cash) at the end of each calendar quarter during the year. The general partner, an affiliate of Discovery, is also eligible to receive a performance-based profit allocation ("Carried Interest") with respect to realized investments, which may be subject to a preferred rate of return, as further described in the Fund Documentation.

Fees charged to the Funds (and the investors in the Funds) are generally not negotiable; however Discovery waives or reduces fees charged to the investor accounts held by Discovery employees and certain strategic investors. The specific payment terms and other conditions of the investment management fee and performance compensation paid to Discovery or its affiliates are set out in the relevant Fund Documentation.

For managed account clients, Discovery bills the client separately for fees that are separately negotiated with the client.

Other Expenses

In addition to paying investment management fees and, if applicable, performance-based allocations, distributions or fees, Fund or other client accounts will also be subject to other expenses such as:

- directors' fees and expenses, including reasonable travel, hotel and other related expenses properly incurred by directors attending Fund-related meetings (in the case of Funds having a board of directors),
- legal, administrator, accounting, auditing and other professional expenses including, but not limited to, regulatory, compliance (including expenses related to various filings (or portions thereof) a Fund is required to make or Discovery is required to make as a result of managing a Fund's portfolio, including Form PF, and fees and expenses related to registration, filing and/or reporting requirements in any jurisdiction in which a Fund's interests are offered or sold in addition to AML services provided by Maples Compliance Services (Cayman) limited services as the required AML officers for all of DCM's Cayman Island vehicles)) (to the extent related to a client or its investments),
- all federal, state and local taxes and filing fees payable by the client,
- research expenses (including subscription fees for services such as Bloomberg and Reuters and fees for expert networks and research consultants),
- Fund-related insurance costs (including directors and officers and errors and omissions insurance

for Discovery and affiliates and directorship liability) (if applicable to a client),

- all investment expenses including commissions, interest on margin accounts and other indebtedness,
- fees and expenses of any third-party valuation and/or pricing services (and related software and subscriptions),
- custodial fees, registrar and transfer agent fees,
- bank service fees, and
- other reasonable expenses related to the purchase, sale or transmittal of a client's assets.

To the extent such expenses are incurred for the benefit of multiple clients, Discovery will make a good faith allocation (generally *pro rata* based on asset size of the client account) of such expenses among its clients.

Client assets are often invested in money market mutual funds, ETFs or other registered investment companies. In these cases, the client will bear its *pro rata* share of the investment management fee and other fees of such money market mutual funds, ETFs or other registered investment companies, which the client will incur in addition to the investment management fee and incentive allocation received by Discovery or an affiliate.

In the event client assets are invested in a private fund or managed account that charges a performance-based fee in any fiscal year, any performance-based fee or allocation payable to Discovery or its affiliate that would otherwise apply to the relevant client account for such fiscal year will be reduced dollar-for-dollar by the amount of such performance fee, which reduction will, in the case of a Fund, be applied on a *pro rata* basis in accordance with each investor's interest in the Fund as of the end of such fiscal year. The client(s) will, however, bear any fixed or asset-based management fees and expenses of any unaffiliated private fund or managed account in which client assets are invested.

For those fund assets that are invested in a master-feeder structure the feeder funds bear a *pro rata* share of the expenses associated with the related master fund. In addition, clients will incur brokerage and other transaction costs. Please refer to Item 12 of this Firm Brochure for a discussion of Discovery's brokerage practices.

Other Compensation

Discovery and/or its members may provide management consulting or other services to, or serve on the board of directors of, other companies including companies in which a Fund may invest. In general, the Funds would keep any fees earned through such activities except with respect to the Discovery Global Citizens Fund, which would not be entitled to participate in any fees earned through such activities (other than commitment fees or similar fees with respect to the Discovery Global Citizens Fund's assets).

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

Discovery and its investment personnel provide investment management services to multiple portfolios for multiple clients. As noted in Item 5, Discovery or an affiliated general partner is paid performance-based compensation by the Funds. Discovery's investment personnel are typically compensated on a basis that includes a performance-based component. In addition, certain client accounts may have higher asset-based fees or performance-based compensation arrangements than other accounts.

Accordingly, Discovery and its investment personnel have a greater incentive, and face a conflict of interest, to favor client accounts that pay Discovery (and indirectly the investment personnel) higher performance-based compensation and advisory fees. In addition, Discovery will receive performance based compensation on unrealized appreciation that may result in Discovery and investment personnel receiving greater performance-based compensation than is the case when net appreciation is based only on realized gains. Performance-based compensation may encourage Discovery to overvalue assets in order to increase the amount of its performance-based compensation. Discovery has adopted valuation policies and procedures designed to mitigate this potential conflict.

Investment Allocations Among Clients

Discovery is committed to allocating investment opportunities among clients in a manner that is on a fair and equitable basis and has adopted and implemented policies and procedures that are intended to address the conflicts of interest relating to the management of multiple accounts, including accounts with multiple and different fee arrangements, and the allocation of investment opportunities. Discovery's procedures relating to the allocation of investment opportunities generally require that accounts with the same investment objective and strategy participate in investment opportunities *pro rata* based on the asset size of the accounts.

Clients with different investment strategies (resulting from factors such as different leverage relative to other client accounts, risk profile, liquidity levels, or concentration limits) will often participate together in investment opportunities. In those instances, clients are allocated investment opportunities according to pre-determined allocation percentages ("Allocation Percentages") that Discovery sets on a monthly basis. Discovery calculates the Allocation Percentages by taking into account each client's asset size and the factors set out above for each particular investment strategy. The Allocation Percentages are set each month and applied prospectively to allocations occurring during the month. From time to time, for any given investment opportunity, there may be deviations from the Allocation Percentages due to:

- (i) a client's investment objectives and strategies;
- (ii) client risk profiles;
- (iii) restrictions placed on a client's portfolio by the client or by applicable law;
- (iv) nature and liquidity of the security to be allocated;
- (v) size of available position;
- (vi) current market conditions;
- (vii) account liquidity, account requirements for liquidity and timing of cash flows;
- (viii) a client's diversification or concentration (including the actual, relative or potential exposure to the type of investment opportunity in terms of its existing portfolio);

- (ix) lender covenants and other similar limitations;
- (x) composition of a client's portfolio, availability of other suitable investments for a client;
- (xi) asset class restrictions;
- (xiii) industry and other allocation targets;
- (xiv) tax implications;
- (xv) legal, contractual or regulatory constraints;
- (xvi) any other relevant limitations imposed by or conditions set forth in the applicable offering and organizational documents of each client; and
- (xvii) other situations in which Discovery determines in its discretion that such deviation is appropriate.

The factors above are not listed in order of importance or priority and Discovery is not required to, and does not, consider all of the factors described above in any particular investment and some factors may be more or less important depending upon the nature of the particular investment and attendant circumstances.

Allocations will be made among client accounts eligible to participate in initial public offerings ("IPOs") and secondary offerings on a *pro rata* AUM basis, except when Discovery determines in its discretion that a *pro rata* allocation is not appropriate, which may include situations when (i) only a de minimis amount of an IPO is available to be purchased, (ii) a client's investment guidelines explicitly prohibiting participation in IPOs or secondary offerings, and (iii) a client's status as a "restricted person" under applicable regulations.

Investment allocations are monitored by Discovery's Chief Compliance Officer, and Discovery operations personnel review investment allocations intraday in order to ensure accurate booking of trades according to the allocation policy. The performance of similarly managed accounts is also regularly compared to determine whether there are any unexplained significant discrepancies.

Subject to any restrictions contained in the offering and/or organizational documents of a client or any side letter or other terms negotiated with respect to the client, in general, (i) neither a client nor an investor in a Fund has a right to participate in any co-investment opportunity, (ii) decisions regarding whether and to whom to offer co-investment opportunities are made in the sole discretion of Discovery, (iii) co-investment opportunities may, and typically will, be offered to some and not other investors in the Funds, in the sole discretion of Discovery, and (iv) certain persons other than clients and investors in the Funds (e.g., third parties) may be offered co-investment opportunities, in the sole discretion of Discovery.

For private equity funds, if the general partner determines to offer a co-investment opportunity in one of such funds' portfolio companies, investors will each be offered capacity in each such opportunity in a percentage equal to the percentage of aggregate capital commitments. To the extent an investor does not elect to use such capacity, such opportunity may be offered to third parties (including other clients of Discovery). Other persons, including clients of the Discovery and non-clients, have invested in certain targeted portfolio companies for the private equity funds through existing special purpose vehicles ("SPVs") and may invest in additional opportunities through additional vehicles

Item 7. Types of Clients

Discovery's clients consist of pooled investment vehicles

The minimum subscription amount for investors in the Funds is generally \$1 million, but this amount may vary and is set out in the relevant Fund Documentation. With respect to the Funds, any initial and additional subscription minimums are disclosed in the relevant Fund Documentation. The general partners of the Funds may generally waive the applicable minimum at their respective discretion.

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

The following is a summary of the investment strategies and methods of analysis employed by Discovery on behalf of its clients. This summary should not be interpreted to limit in any way Discovery's investment activities. Discovery may offer any advisory services, provide advice with respect to any investment strategies and make any investments, including those that may not be described in this Brochure, that Discovery considers appropriate, subject to each client's investment objectives and guidelines. Specific descriptions of such strategies and methods are included in the relevant Fund Documentation and any description below is qualified in its entirety by the Fund Documentation. There can be no assurance that the investment objective of any client will be achieved and Investing in securities involves a substantial risk of loss that clients and investors should be prepared to bear.

Methods of Analysis and Investment Strategies

Discovery utilizes a variety of methods and strategies to make investment decisions and recommendations.

Objective: The investment objective of the Funds is to seek high risk-adjusted total returns by making directional and relative value investments, long and short, primarily through investment positions in equity, debt (primarily sovereign debt), local interest rates, currencies and commodities across emerging and developed markets.

Strategy: Discovery attempts to identify investment opportunities with attractive risk-return characteristics by employing a combination of "Global Macro" and "Equity Long-Short" strategies to identify investment opportunities. Discovery will utilize (i) top-down global macro analysis, including political risk assessment, to identify opportunities in countries and asset classes and (ii) fundamental, bottom-up research for industry and security selection.

Philosophy: Discovery believes that superior global macro investing is a function of proper top-down analysis and asset allocation, whereas superior performance within an asset class, country or industry, is driven by proper bottom-up analysis and security selection. Discovery further believes that being nimble—having the ability to quickly adjust the risk profiles of its clients' portfolios—and retaining portfolio flexibility are critical to managing portfolio risk. Thus, attempting to maintain a high degree of portfolio liquidity will be a core component of Discovery's investment strategy and risk management process. Discovery intends to look for investment opportunities across emerging and developed markets. Discovery has significant experience investing in emerging markets and believes that a significant portion of investment performance in emerging markets is driven by country selection.

Strategy Implementation: Discovery will utilize on-the-ground research as a primary tool for assessing attractive directional and relative value investments in the countries in which it is considering to make, or has made, an investment. This assessment will typically involve frequent in-country due diligence trips. These due diligence trips may include meetings with local market participants, research analysts and/or executives "on the ground." In making investment decisions, Discovery may also often consult with outside macro research consultants. Discovery will apply its dual research process, local in-country due diligence, experience, as well as independent outside research, to select what it believes are the most attractive investment opportunities from the investment alternatives it finds through its evaluation of multiple asset classes, markets, countries and industries. These opportunities may be positioned long or short and in multiple asset classes. Prior to establishing an investment position, Discovery will analyze key variables, which may include events identified from local due diligence, potential catalysts for change and/or its competitive advantage in each position. As investments reach selected targets, they may be replaced with new ideas. Positions may also be reduced, increased or eliminated if Discovery's conviction level changes due to new information, events or valuations. Discovery will generally use this screening process when analyzing various investment ideas.

The investment strategy summarized above represents Discovery's current intentions, is general in nature and is not exhaustive. Except as specified by particular clients, there are no limits on the types of securities in which Discovery may take positions on behalf of its clients, the types of positions that it may take, the concentration of its investments or the amount of leverage that it may use. Discovery may use any trading or investment techniques, whether or not contemplated by the expected investment strategies described

above. In addition, there are limitations in describing any investment strategy due to its complexity, confidentiality and indefinite nature. Depending on conditions and trends in securities and commodities markets and the economy generally, Discovery may pursue any objectives or use any techniques that it considers appropriate and in clients' interests.

The management style offered by Discovery may be deemed speculative and is not intended as a complete investment program. It is designed for sophisticated investors who fully understand and are capable of bearing the risk of the loss of their entire investment. No guarantee or representation is made that clients will achieve their investment objectives.

Material Risks (Including Significant, or Unusual Risks) Relating to Investment Strategies

Set out below is a brief summary of some of the important risks that a Fund or other client may encounter relating to Discovery's investment strategies. Before deciding to invest in a Fund, prospective investors should consider carefully all of the risk factors and other information in the Fund Documentation. Please refer to the relevant Fund Documentation for a more detailed discussion of risk factors as applicable to each Fund.

Global Macro. There can be no assurance that Discovery will be able to accurately predict macroeconomic events. In recent years, U.S. and global financial markets and the broader current financial environment have been, and continue to be, characterized by uncertainty, volatility and instability.

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

Currency Risks. Investments that are denominated in a non-U.S. currency are subject to the risk that the value of a particular currency will change in relation to one or more other currencies. As a result, a client could realize a net loss on an investment, even if there were a gain on the underlying investment before currency losses were taken into account.

Hedging. While intended to limit or reduce investment risk, hedging can also be expected to involve transaction costs and may inherently limit or reduce the potential for profit. Hedges are often imperfectly inversely correlated with the underlying exposure Discovery seeks to hedge, there can be no assurances that a particular hedge is appropriate, or that certain risk is measured properly.

Possible Ineffectiveness of Risk Reduction Techniques. Discovery may employ various risk reduction strategies designed to minimize the risk of clients' trading positions. A substantial risk remains, nonetheless, that such strategies will not always be possible to implement, and when possible will not always be effective in limiting losses. If Discovery analyzes market conditions incorrectly, or employs a risk reduction strategy that does not correlate well with client investments, such risk reduction techniques could increase rather than mitigate losses. These risk reduction techniques may also increase volatility and/or result in a loss if the counterparty to the transaction does not perform as promised. Moreover, even though Discovery may employ "stop loss" orders on individual positions, there is no assurance that any such order will be executed at or near the desired "stop loss" level.

Concentration. Client accounts may not be diversified among a wide range of types of securities, countries or industry sectors. Accordingly, client portfolios may be subject to more rapid change in value than would be the case if Discovery were required to maintain a wider diversification among types of securities and other instruments, geographic areas or sectors.

Leverage. Performance may be more volatile since Discovery usually employs leverage on behalf of client accounts.

Short Selling Risk. Discovery's investment program includes a significant amount of short selling. Short selling transactions expose a client account to the risk of loss in an amount greater than the initial investment, and such losses can increase rapidly and without limit. Short selling activities have been subject to increased regulatory scrutiny, including the imposition of restrictions on short selling certain securities and reporting requirements. Regulatory initiatives affecting the financial markets are ongoing and changes in short-selling-related regulations may continue to occur, potentially with little notice.

Commodities. Commodity investments are affected by business, financial market or legal uncertainties. There can be no assurance that Discovery will correctly evaluate the nature and magnitude of the various factors that could affect the value of and return on its commodity investments. Prices of commodity investments may be volatile, and a variety of factors that are inherently difficult to predict, such as domestic or international economic and political developments, may significantly affect the results of the client's portfolio and the value of its investments. In addition, the value of the client's portfolio may fluctuate as the general level of interest rates fluctuates.

Special Situations. Discovery may invest client assets in companies involved in (or the target of) acquisition attempts or tender offers, or companies involved in work-outs, liquidations, spin-offs, reorganizations, bankruptcies and similar transactions. Likewise, a client's investment may be in markets or companies in the midst of a period of economic or political instability. Because there is substantial uncertainty concerning the outcome of transactions involving financially troubled companies or situations in which a client may invest, there is a potential risk of loss by the client of its entire investment in such companies.

Discovery's primary strategy uses frequent trading, which results in significantly higher commissions and charges to client accounts due to increased brokerage costs, which will offset client profits.

Risks (Including Significant or Unusual Risks) Associated With Particular Types of Securities.

Set out below is a brief summary of some of the important risks that a Fund may encounter relating to the types of securities or financial instruments that may be held in a Fund account. Before deciding to invest in a Fund, you should consider carefully all of the risk factors and other information in the Fund Documentation. Please refer to the relevant Fund Documentation for a more detailed discussion of risk factors as applicable to each Fund.

Non-U.S. Securities. Foreign securities, foreign currencies, and securities issued by U.S. entities with substantial foreign operations can involve additional risks relating to political, economic, or regulatory conditions in foreign countries.

Emerging Markets. Investing in emerging market debt or equity involves certain risks and special considerations not typically associated with investing in other more established economies or securities markets.

High Yield Securities. These securities (i) may be unrated or rated in the lower rating categories by the various credit rating agencies, (ii) are subject to greater risk of loss of principal and interest than higher rated securities and (iii) are generally considered to be predominantly speculative with respect to the issuer's capacity to pay interest and repay principal.

Equity Securities. The value of equity securities fluctuates in response to issuer, political, market, and economic developments. Fluctuations can be dramatic over the short term as well as long term, and different parts of the market and different types of equity securities can react differently to these developments.

Interest Rate Risks. Generally, the value of fixed-income securities changes inversely with changes in interest rates. As interest rates rise, the market value of fixed-income securities tends to decrease. Conversely, as interest rates fall, the market value of fixed-income securities tends to increase. This risk is greater for long-term securities than for short-term securities.

Lack of Liquidity of Fund Assets/Restricted Securities. Client portfolios may, at any time, have significant illiquid investments, which include restricted securities purchased directly from an issuer in a private placement with no guarantee of when such securities will be available for public resale through a registration of such securities. Such investments may be thinly traded, making their purchase or sale at desired prices or in desired quantities difficult or impossible. With respect to restricted securities, unless and until registration of such securities occurs, there may be no market for the securities, the sale of any such securities may be possible only at substantial discounts, and it may be extremely difficult at times to value any such investments accurately.

Portfolio Valuation. In light of the difficulty in valuing restricted or thinly traded securities, there is a risk that a shareholder who redeems all or part of its investment while such investments are in the portfolio will be paid an amount less than it would otherwise be paid if the actual value of such investments is higher than the value attributed to the investment. Similarly, there is a risk that such shareholder might, in effect, be overpaid if the actual value of the investments in the restricted or thinly traded securities is lower than the value attributed. In addition, there is a risk that an investment in a Fund by a new shareholder (or an additional investment by an existing shareholder) could dilute the profitability of such investments to existing limited partners that do not make corresponding additional investments. Because of the overall size and nature of a client portfolio's restricted or thinly traded securities, the values at which such investments can be liquidated may differ, sometimes significantly, from interim valuations.

Volatility. The prices of some of the instruments traded by Discovery have been subject to periods of excessive volatility in the past, and such periods may continue. Price movements are influenced by many unpredictable factors, such as market sentiment, inflation rates, interest rate movements and general economic and political conditions.

While volatility can create profit opportunities, it can also create the specific risk that historical or theoretical pricing relationships will be disrupted, causing what should otherwise be comparatively low risk positions to incur significant losses. On the other hand, the lack of volatility can also result in losses for certain positions that profit from price movements.

Commodity Futures and Options. Commodity futures markets are highly volatile and are influenced by factors such as changing supply and demand relationships, governmental programs and policies, national and international political and economic events and changes in interest rates. In addition, because of the low margin deposits normally required in commodity futures trading, a high degree of leverage may be typical of a pooled investment vehicle engaging in commodity futures trading. As a result, a relatively small price movement in a commodity futures contract may result in substantial losses to such a pooled investment vehicle. Commodity options, like commodity futures contracts, are speculative, and their use involves greater than ordinary investment risk.

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 client's account. In addition, Discovery's 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.

Derivatives. Swaps, and 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 require 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 such 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 client or Discovery.

Fixed-Income and Debt Securities. Investment in fixed-income and debt securities such as bonds, notes and asset-backed securities, subject a client's portfolio to the risk that the value of these securities overall will decline because of rising interest rates. Similarly, portfolios that hold such securities are subject to the risk that the portfolio's income will decline because of falling interest rates. Investments in these types of securities will also be subject to the credit risk created when a debt issuer fails to pay interest and principal

in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the price of that debt to decline. Lastly, investments in debt securities will also subject the investments to the risk that the securities may fluctuate more in price, and are less liquid, than higher-rated securities because issuers of such lower-rated debt securities are not as strong financially, and are more likely to encounter financial difficulties and be more vulnerable to adverse changes in the economy.

Investments in Restricted Securities. Discovery may be prevented from buying or selling certain publicly traded securities if Discovery or its affiliates acquire material, non-public information with respect to such securities. In addition, with respect to a publicly traded security that a client already holds, such security will be placed on a "restricted securities list" and will not be traded until the material, non-public information becomes public or is no longer material.

Investments in Private Companies. The Funds, and specifically DSF1, make investments in the equity of private companies at various stages in their development involve a high degree of business and financial risk. Private companies with limited operating history may require substantial additional capital to support expansion or to achieve or maintain a competitive position, may produce substantial variations in operating results from period to period or may operate at a loss. The technologies and markets of such companies may not develop as anticipated, even after substantial expenditures of capital. Such companies may face intense competition, including competition from established companies with much greater financial and technical resources, more extensive development, manufacturing, marketing and service capabilities, and a greater number of qualified managerial and technical personnel.

Portfolio Concentration. Private equity funds intend to invest in a limited number of investments. Such funds will be highly concentrated and will be subject to more rapid change in value than would be the case if the funds were less concentrated.

Valuation of Private Company Investments. Fund investments in private companies generally will be difficult to value accurately. Interests in SPVs acquired from other Funds will be purchased based on the value of the underlying position in the portfolio company, as determined by a third-party valuation agent with corroboration from third-party transactions in the relevant positions. The acquisition price for other portfolio companies and the ongoing valuations for all Fund investments may be based on significant input from Discovery and its viewpoints and not solely on objective and observable market prices.

Chinese-Related Risks. The Funds, and certain private equity funds, invest in companies located in China and therefore the Funds will be subject to political, regulatory, and legal risks related to China. Political changes, social instability, and adverse diplomatic developments in China could result in the imposition of additional government restrictions including expropriation of assets, confiscatory taxes or nationalization of some or all of the property held by the company in China. The Chinese government strictly regulates the payment of foreign currency denominated obligations and sets monetary policy, and may introduce new laws and regulations that have an adverse effect on a Fund. Although China has begun the process of privatizing certain sectors of its economy, privatized entities, including those in which a Fund may invest, may lose money and/or be re-nationalized. Disclosure and regulatory standards in emerging market countries, such as China, are in many respects less stringent than U.S. standards. There is substantially less publicly available information about Chinese issuers than there is about U.S. issuers. Legal principles relating to corporate affairs and the validity of corporate procedures, directors' fiduciary duties and liabilities, and stockholders' rights often differ under Chinese law from those that may apply in the United States and other countries. Chinese laws providing protection to investors, such as laws regarding the fiduciary duties of officers and directors, are still developing and will not provide investors, such as the Fund, with protection in all situations where protection would be provided by comparable law in the United States.

Item 9. Disciplinary Information

Discovery has no legal or disciplinary events required to be disclosed pursuant to this Item 9.

Item 10. Other Financial Industry Activities and Affiliations

Commodities-Related Registration.

Discovery and certain affiliates are registered with the Commodity Futures Trading Commission as commodity pool operators.

Material Relationships or Arrangements with Industry Participants.

Discovery is not obligated by contract to buy, sell or recommend for one client any security or other investment that may be bought, sold or recommended for other clients or for Discovery's own account or affiliated persons' accounts. In the event of an actual conflict, Discovery will endeavor to fairly allocate the investment opportunity as set out in Item 6 to resolve conflicts with respect to investment opportunities in a manner they deem fair and equitable under the prevailing facts and circumstances. As a result of an allocation conflict, Discovery's or an affiliate's account may be required to sell the investment, which may affect the price of the investment made by a Fund or other client.

Each of the Funds has entered, and may in the future enter, into agreements, or "side letters," with certain prospective or existing limited partners or shareholders whereby such investors may be subject to terms and conditions that are more advantageous than those set forth in the relevant Fund Documentation. For example, such terms and conditions may provide for special rights to make future investments in a fund or managed account; special redemption rights; a waiver of redemption penalties to be paid by the investor and/or other redemption-related terms; rights to receive reports from the fund on a more frequent basis or that include information not provided to other investors; and such other rights as may be negotiated by the Fund and such investors. The modifications are solely at the discretion of the Fund and may, among other things, be based on the size of the investor's investment in the fund, an agreement by an investor to maintain such investment in the Fund for a significant period of time, or other similar commitment by an investor to the Fund.

Board Memberships

Discovery's investment professionals may serve as directors of companies in which a Fund or other client invests. In addition to any fiduciary duties owed to a Fund or other client, as a director of a company, an investment professional also owes a fiduciary duty to the company. Board memberships may place an investment professional in a position where they must make a decision that is not in the best interests of a Fund. Investment professionals serving as directors may receive non-public information as a result of their duties and such knowledge may restrict a Fund's or other client's ability to buy or sell securities of the relevant company.

Personal Interests in Other Funds and Businesses

Discovery investment professionals that have ownership interests in certain of the Funds, third-party managed funds, or businesses may have an incentive to favor those third-party funds or businesses (and therefore themselves) over certain of the Funds. For example:

- Certain investment professionals do own and may in the future acquire additional interests in certain of the Funds.
- Mr. Citrone provides, and certain investment professionals provide or may provide, initial seed money for new funds managed by another investment adviser, may retain an economic stake in the investment adviser, or an economic stake in other financial industry related businesses.

Discovery has in place various policies and procedures designed to mitigate potential conflicts, ensure that the Funds are treated fairly, and ensure that investment professionals act in the best interests of a Fund (see, for example, Discovery's allocation procedures, as described in Item 6 above).

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

Code of Ethics

Discovery has adopted a Code of Ethics (the "Code") that obligates Discovery and its supervised persons to put the interests of Discovery's clients before their own interests and to act honestly and fairly in all respects in their dealings with clients. All of Discovery's personnel are required to comply with applicable federal securities laws. Clients or prospective clients may obtain a copy of the Code by contacting Deborah Box (Chief Compliance Officer) by email at dbbox@discap.com, or by telephone at (203) 956- 7950. See below for further provisions of the Code as they relate to the preclearing and reporting of securities transactions by supervised persons.

Discovery, in the course of its investment management and other activities, may come into possession of confidential or material nonpublic information about issuers, including issuers in which Discovery or its related persons have invested or seek to invest on behalf of clients. Discovery is prohibited from improperly disclosing or using such information for its own benefit or for the benefit of any other person, regardless of whether such other person is a client. Discovery maintains and enforces written policies and procedures that prohibit the communication of such information to persons who do not have a legitimate need to know such information and to assure that Discovery is meeting its obligations to clients and remains in compliance with applicable law. In such circumstances, Discovery will have no responsibility or liability to the client for not disclosing such information to the client (or the fact that Discovery possesses such information), or not using such information for the client's benefit, as a result of following Discovery's policies and procedures designed to provide reasonable assurances that it is complying with applicable law. Discovery's Chief Compliance Officer also maintains a list of restricted securities as to which Discovery may have acquired material nonpublic information and in which clients are not permitted to trade.

Investing in Securities Recommended to Clients

In addition, Discovery or its supervised persons may invest in the same securities that Discovery or a supervised person recommends to clients. Such practices may present a conflict where, because of the information that a supervised person has, Discovery or its supervised person are in a position to trade in a manner that could adversely affect clients (e.g., place their own trades before or after client trades are executed in order to benefit from any price movements due to the clients' trades). In addition to affecting Discovery's or its supervised person's objectivity, these practices by Discovery or its supervised persons may also harm clients by adversely affecting the price at which the clients' trades are executed. Discovery has adopted the following procedures in an effort to mitigate such conflicts:

1. Discovery's supervised persons must have all transactions relating to "reportable securities" (as defined in the Code), including ETFs and private placements, in their personal accounts pre-cleared by the Chief Compliance Officer or her delegate.
2. Discovery will require a minimum 30-day holding period for every approved security transaction and limit its supervised persons to no more than eight securities transactions per month, subject to a waiver from the Chief Compliance Officer.
3. The Code generally prohibits Discovery or its supervised persons from executing personal securities transactions of any kind in any securities that are on a restricted securities list maintained by the Chief Compliance Officer.
4. With respect to all "reportable securities," Discovery's supervised persons are required to (i) submit an Initial Holdings Report within 10 days of becoming a supervised person; (ii) make arrangements for all duplicate trade confirms and/or duplicate account statements to be sent or otherwise made accessible to the Chief Compliance Officer on a regular basis; (iii) certify on a quarterly basis all transactions in all "reportable securities" have been reported to the Chief Compliance Officer; and (iv) certify on an annual basis that all positions in "reportable securities"

have been reported to the Chief Compliance Officer.

5. Trading in the personal accounts of Discovery's supervised persons generally will be reviewed by the Chief Compliance Officer or her delegate and compared with transactions for the client accounts and reviewed against the restricted securities lists.

Clients' proxies are voted according to predetermined guidelines set out in Discovery's proxy voting policy and procedures, rather than subject to Discovery's (or its supervised person's) discretion, which mitigates potential conflicts of interest to the extent that Discovery or a supervised person owns securities that Discovery or its supervised persons also recommends to clients. Please refer to Item 17 for further information regarding Discovery's proxy voting policy and procedures.

The General Counsel and Chief Compliance Officer determine whether or not to approve any principal or cross transaction on a case-by-case basis, taking into consideration the required notice and consent requirements. Any cross transaction that is approved by the General Counsel and Chief Compliance Officer must be in accordance with the provisions of Rule 206(3)-2 under the Advisers Act.

Item 12. Brokerage Practices

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

Discovery 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 include but are not limited to net price, reputation, financial strength and stability, quality of execution, efficiency and speed of execution. In selecting a broker-dealer to execute transactions (or series of transactions) and determining the reasonableness of the broker-dealer's compensation, Discovery need not solicit competitive bids and does not have an obligation to obtain the lowest available commission cost. It is not Discovery'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. Discovery's Brokerage Committee meets periodically to evaluate the broker-dealers used by Discovery to execute client trades using the foregoing factors.

Research and Other Soft Dollar Benefits

Discovery 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. Discovery will limit the use of "soft dollars" to obtain research and brokerage services to services that constitute research and brokerage within the meaning of Section 28(e) of the Securities Exchange Act of 1934 ("Section 28(e)"). Research services within Section 28(e) may include, but are not limited to, research reports (including market research); certain limited circulation financial newsletters and trade journals; software providing analysis of securities portfolios; corporate governance research and rating services; attendance at certain seminars and conferences (excluding related travel and entertainment); 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.

When Discovery uses client commissions to obtain Section 28(e) eligible research and brokerage products and services, Discovery determines 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 Discovery's overall responsibilities to the accounts or portfolios over which Discovery exercises investment discretion. Discovery's Brokerage Committee meets periodically to review and evaluate its soft dollar policies and procedures and their implementation.

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

Discovery may cause clients to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for soft dollar benefits (known as paying-up), resulting in higher transaction costs for clients.

Research and brokerage services obtained by the use of commissions arising from a client's portfolio transactions may be used by Discovery in its other investment activities, including for the benefit of other client accounts. In the event that soft dollar commissions are used to obtain particular research and

brokerage services that only apply to certain of Discovery's clients, the commissions generated from such other clients' trading would effectively be used to obtain such services. During Discovery's last fiscal year, as a result of client brokerage commissions (or markups or markdowns), Discovery and/or its related persons acquired research reports (including market research), certain financial newsletters and trade journals; attended certain seminars and conferences; had discussions with research analysts; held meetings with corporate executives; and received data services (including services providing market data, company financial data and economic data).

Discovery has entered into "client commission arrangements" pursuant to which Discovery executes transactions through a broker-dealer and requests that the broker-dealer allocate a portion of the commissions or commission credits to another firm that provides research and other products to Discovery. Discovery 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, Discovery may obtain a product or service that is used, in part, by Discovery for Section 28(e) eligible purposes and, in part, for other purposes. In such instances, Discovery will make a good-faith effort to determine the relative proportion of the product or service used to assist Discovery 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 Discovery's personnel. The proportion of the product or service attributable to assisting Discovery 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 Discovery from its own resources. The determination by Discovery of the appropriate allocation of "mixed use" products and services creates a potential conflict of interest between Discovery and clients. All such determinations are reviewed by the Brokerage Committee.

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

Generally, investors in the Funds and other clients cannot direct brokerage.

Order Aggregation

Discovery often purchases or sells the same security for many clients contemporaneously and using the same executing broker and it is Discovery's practice, when in the best interest of all participating clients, to aggregate client orders in those situations. Such aggregation may enable Discovery to obtain for clients a better commission rate based upon the volume of a particular transaction and potentially a better price for the transaction. In cases where trading or investment restrictions are placed on a client's account, Discovery may be precluded from aggregating that client's transaction with others. In such a case, the client may pay a higher commission rate and/or receive a less favorable price for the transaction than clients who are able to participate in an aggregated order. When an aggregated order is completely filled, Discovery allocates the securities purchased or proceeds of sale among the participating accounts in accordance with Discovery's allocation procedures (see Item 6 for details about Discovery's allocation policy). Adjustments or changes may be made under certain limited circumstances, such as to avoid odd lots or excessively small allocations. When orders are aggregated, each participating account will generally receive the weighted average share price for all transactions in a particular security effected to fill such orders on a given business day and transaction costs will be shared *pro rata* based upon each account's participation in the transaction. If an aggregated order is only partially filled, Discovery's procedures provide that the securities or proceeds are to be allocated in a manner seeking to be fair and equitable to clients. Depending on the investment strategy pursued and the type of security, this may result in an allocation to

all participating clients that is inconsistent with the Allocation Percentages (as described in Item 6) then in effect.

Trade Errors

If it appears that a trade error has occurred, Discovery will review the relevant facts and circumstances to determine an appropriate course of action and trade errors will be corrected by Discovery as soon as practicable. In the event that a client account incurs a trade error as a result of Discovery's gross negligence, willful misconduct, bad faith, or fraud, Discovery will reimburse any losses while the client will retain any gains from the error. Trade error results, other than those caused by Discovery's breaching the standard of care above, are borne by the client account, regardless of whether the result is a gain or loss.

Item 13. Review of Accounts

Each Fund is reviewed by the portfolio manager and other trading and operations personnel of Discovery on a continuous basis to determine whether securities positions should be maintained in view of current market conditions (by the portfolio manager) as well as with respect to certain regulatory and legal matters (by the trading, compliance and operations staff). Matters reviewed include specific securities held, adherence to investment guidelines and the performance of each client account.

Investors in the Funds receive reports pursuant to the terms of the relevant Fund Documentation.

Item 14. Client Referrals and Other Compensation

Discovery has engaged placement agents, who are not supervised persons, in connection with offering interests in certain Funds. Generally, such persons will receive an annual fee or an amount equal to a percentage of capital commitments for interests made by such potential investors to such Fund that are subsequently accepted. Discovery may enter into other arrangements with, and compensate, solicitors or placement agents for investor referrals to the Funds..

Item 15. Custody

Each Fund is audited 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 each Fund distributes its audited financial statements on an annual basis to all investors no later than 120 days after the end of the applicable Fund's fiscal year end.

Item 16. Investment Discretion

Discovery provides investment advisory services on a discretionary basis to clients. Discovery's advice with respect to the Funds is provided in accordance with the investment objectives, limitations, and guidelines as set out in the relevant Fund Documentation. Prior to assuming discretion in managing a Fund's assets, Discovery enters into an investment management agreement or other agreement that sets forth the scope of Discovery's discretion.

Unless otherwise instructed or directed by a discretionary client, Discovery has the authority to determine

- (i) the securities to be purchased and sold for the client account (subject to restrictions on its activities set forth in the applicable investment management agreement and any written investment guidelines) and
- (ii) the amount of securities to be purchased or sold for the client account. Due to differences in client risk tolerances, investment restrictions, cash flows, and other criteria, there may be differences among clients in invested positions and securities held.

Similarly, Discovery's investment decisions and advice with respect to a managed account will be in accordance with the investment objectives and guidelines in such managed account's investment management agreement, as well as any other instructions provided by the client to Discovery.

Item 17. Voting Client Securities

To the extent Discovery has been delegated proxy voting authority on behalf of its clients, Discovery complies with its proxy voting policies and procedures that are designed to ensure that in cases where Discovery votes proxies with respect to client securities, such proxies are voted in the best interests of its clients. In voting proxies, Discovery utilizes the services of a third-party proxy agent that typically votes in favor of routine corporate housekeeping proposals, including election of directors (where no corporate governance issues are implicated), selection of auditors and increases in or reclassification in common stock, and typically votes against proposals that make it more difficult to replace members of a board of directors. The guiding principle by which Discovery votes is to vote in the best interests of each client by maximizing the economic value of the relevant Fund's holdings, taking into account the relevant client's investment horizon, the contractual obligations under the relevant advisory agreements or comparable documents, and all other relevant facts and circumstances at the time of the vote.

Under Discovery's proxy voting policy, the Chief Compliance Officer may authorize a vote that is contrary to typical votes described above if she, in consultation with the analyst covering the issuer to which the vote relates, determines that such a vote is in the best interests of Discovery's clients and the vote does not involve a conflict of interest between Discovery and its clients. If a material conflict of interest between Discovery and a client exists, Discovery will determine whether voting in accordance with the guidelines set forth in the proxy voting policies and procedures is in the best interests of the client or take some other appropriate action. Discovery may retain independent fiduciaries, consultants, or professionals to assist with voting decisions and/or to delegate voting or consent powers to such fiduciaries, consultants or professionals.

Clients may obtain a copy of Discovery's proxy voting policies and procedures and information about how Discovery voted a client's proxies by contacting Deborah Box (Chief Compliance Officer) by email dbox@discap.com or by telephone at (203) 956-7950.

Item 18. Financial Information

This Item is not applicable.