

SONICA CAPITAL

Item 1. Cover Page

PART 2A of FORM ADV: The Brochure

Sonica Capital LLC
120 East 23rd Street, 5th Floor
New York, NY 10010
Tel: (212) 319-5780
Fax: (212) 504-9560
<http://www.sonicacapital.com/>

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This brochure provides information about the qualifications and business practices of Sonica Capital LLC (the “Adviser” or “Sonica”). If you have any questions about the contents of this brochure, please contact us at (212) 319-5780 or via email at info@sonicapital.com. This information has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Additional information about Sonica 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.

This brochure is for informational purposes only. It does not convey an offer of any type and is not intended to be, and should not be construed as, an offer to sell, or the solicitation of an offer to buy, any interest in any entity, investment, or investment vehicle.

Item 2. Material Changes

There have been no material changes to the Adviser's Form ADV Part 2A since its most recent annual updating amendment dated March 30, 2018.

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Item 4. Advisory Business

Sonica Capital LLC, a Delaware limited liability company, is an investment adviser with its principal place of business in New York, New York. Sonica commenced operations on November 1, 2008 and has been registered as an investment adviser with the SEC since 2012. Alexander Fodor is the Managing Member of the Adviser.

The Adviser serves as: (i) the investment manager of Sonica Galian Master Ltd. (the “Master Fund”), a private fund organized under the laws of the Cayman Islands, (ii) the investment manager of Sonica Galian Ltd. (together with the Master Fund, the “Funds”), a private fund organized under the laws of the Cayman Islands that invests all of its assets through the Master Fund, and (iii) sub-adviser to a private fund through a separately managed account arrangement (referred to herein as the separately managed account). References throughout this document to “clients” refer to the Funds and the separately managed account.

Interests in the Funds are offered on a private placement basis, in compliance with the exemption provided by Section 3(c)(7) of the Investment Company Act of 1940, as amended (the “1940 Act”), to persons who are sophisticated investors and qualified purchasers, and subject to other conditions that are set forth in the offering documents of the Funds.

The Adviser may, from time to time, serve as the investment adviser or management company for additional funds or products.

Sonica provides investment advisory services on a discretionary basis to the Funds and the separately managed account.

The Adviser does not participate in wrap fee programs.

The Adviser provides advice to clients based on specific investment objectives and strategies (see *Item 8* for a discussion of the Adviser’s strategies). Sonica bases its advice to clients on the investment objectives and restrictions (if any) set forth in the applicable offering memorandum, organizational documents, limited partnership agreement, investment management agreement, sub-advisory agreement, subscription agreements or other agreements, as the case may be (each, a “Governing Document,” and collectively, the “Governing Documents”).

The Adviser does not permit investors in the Funds to impose limitations on the investment activities described in the relevant Governing Documents. Under certain circumstances, the Adviser will contract with a separately managed account client to adhere to limited risk and/or operating guidelines imposed by that client. The Adviser negotiates such arrangements on a case by case basis.

As of February 28, 2019, the Adviser had \$35,594,470 of regulatory assets under management, all of which are managed on a discretionary basis.

Item 5. Fees and Compensation

The Adviser's fees and compensation are described in its clients' Governing Documents. All of the Adviser's clients are "qualified purchasers" (as defined in Section 2(a)(51) of the 1940 Act).

Fees from the Funds

The Adviser is paid management fees from the Funds, which are charged each quarter in advance on the first day of the quarter. If a new investor account is established during a quarter or an investor makes an addition to its account during a quarter, the management fee will be charged as of the effective date of the subscription or the date of the additional contribution and will be prorated for the number of months remaining in the quarter. The Funds' management fees are generally not refundable if the advisory contract is cancelled prior to the end of a payment period.

The Adviser (or one of its related persons) may also be eligible to receive a performance-based allocation from the Funds, which is compensation that is based on a share of capital gains on or capital appreciation of the Funds' assets, subject to a loss carryforward.

The Adviser may waive or modify its management fee and performance-based compensation in its discretion.

The Adviser calculates fees and deducts payment from investor asset balances in the Funds. Management fees are deducted quarterly in advance and performance-based fees are deducted annually.

The Adviser deducts management fees from Fund accounts by instructing the Fund's custodian. Management fees are deducted and paid to the Adviser or its affiliates from the assets of the relevant client accounts.

Fees from the Separately Managed Account

As noted above, the Adviser's compensation schedule with respect to the separately managed account is contained in such account's Governing Documents. The separately managed account does not pay management fees to the Adviser or its related persons. Generally, an entity that shares owners with the Adviser receives performance-based compensation from the separately managed account on a monthly basis.

Expenses

The Adviser will render its services to the Funds at its own expense and will be responsible for its overhead expenses including: office rent; furniture and fixtures; stationery; secretarial/internal administrative services; salaries and bonuses; entertainment expenses; employee insurance and payroll taxes.

All other expenses will be paid by the Funds and will include the fees payable to the Adviser; Fund legal, compliance, administrator, audit and accounting expenses (including third party accounting services); shareholder proxy voting services; organizational expenses; investment expenses such as commissions (see *Item 12 – Brokerage Practices*), research fees and expenses (including research related travel); interest on margin accounts and other indebtedness; borrowing charges on securities sold short; custodial fees; bank service fees; Fund-related insurance costs; directors' fees and expenses; and any other expenses reasonably related to the purchase, sale or transmittal of Fund assets.

The expenses that are charged to separately managed accounts are determined on case by case basis.

The Adviser also allocates a portion of certain clients' capital to money market funds or exchange-traded funds. In addition to the fees and expenses discussed above, clients will indirectly incur similar fees and

expenses if the Adviser invests their capital in such funds, as these funds in turn pay similar fees and expenses to their investment managers and other service providers.

Neither the Adviser nor its supervised persons accepts compensation for the sale of securities or other investment products, including asset-based sales charges or service fees.

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

As noted in Item 5 above, the Adviser (or its related person) may be eligible to receive performance-based compensation in connection with its provision of advisory services to its clients. Such performance-based compensation creates a potential 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.

The terms of the performance-based compensation differ between the Funds and the separately managed account. This results in a potential conflict of interest when we allocate opportunities among these accounts because we will have an incentive to favor accounts that have higher performance-based compensation.

To avoid such a conflict of interest, the Adviser seeks to allocate investment opportunities between client accounts on a fair and equitable basis under the circumstances existing at such time based upon a number of factors, including, but not limited to: (i) each client's investment or risk restrictions or guidelines (including with respect to concentration), (ii) legal, regulatory and tax considerations, (iii) relative amounts of capital available for new investments, (iv) the overall portfolio composition of each client account, (v) liquidity, and (vi) the desire to avoid *de minimis* allocations and odd lots. When allocating investment opportunities, the Adviser does not take into account the performance-based compensation to which its clients are subject.

Item 7. Types of *Clients*

Investors in the Funds and the separately managed account are generally high net worth individuals and institutional investors that qualify as “accredited investors” (as defined in Rule 501 under the Securities Act of 1933, as amended, and “qualified purchasers.” The minimum initial investment in the Funds is generally \$1,000,000. The Adviser may waive such minimum under certain circumstances. If the Adviser determines to require a minimum investment for any separately managed account, it will make that determination on a case by case basis.

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

The Funds – Methods of Analysis and Investment Strategies

The Adviser utilizes a variety of methods and strategies to make investment decisions and recommendations. The methods of analysis include fundamental research, charting analysis, cyclical analysis as well as use of technical analytical tools and approaches. The investment objective of the Adviser is to achieve superior returns while preserving capital primarily through long and short investments in equity securities.

The Adviser employs the following investment strategy:

The Adviser will employ a research-based approach focused on Quality, Value and Fundamentals. The Adviser believes that a strategy based on the foregoing generates superior returns while limiting risk.

The Adviser will aim to purchase securities of companies with good businesses (Quality) priced at a discount to their perceived intrinsic values (Value) that are growing (Fundamentals) and to short securities of companies with bad businesses (Quality) priced at a premium to their perceived intrinsic values (Value) that are shrinking (Fundamentals). The Adviser believes that this approach will allow the Funds to benefit from the narrowing of the gap between intrinsic value and market value as well as from the growth or shrinkage of the intrinsic value.

Regarding Quality, the Adviser believes that return on equity ("ROE") is the key financial metric in assessing the quality of a company and will purchase securities of companies with high ROEs and short securities of companies with low ROEs. A high ROE is often indicative of a strong franchise and/or a strong competitive position which can equate to pricing power. In addition, the sustainability and direction of ROE is critical to the evaluation of quality. As such, the Adviser and its investment personnel will spend considerable time understanding the primary drivers of the ROE of a given company.

In evaluating Quality, the Adviser will also consider the business' revenue consistency, balance sheet and management. The Adviser will seek to purchase securities of companies with strong balance sheets and good "owner" management teams and to short securities of companies with weak balance sheets and poor management teams. A strong balance sheet gives a company financial flexibility to increase dividends, to repurchase stock and/or to reinvest in the business. It also allows a company to survive in a weak economic environment, often gaining share from more leveraged competitors. A good management team runs the business well and makes capital allocations that increase shareholder value. In both cases, the Adviser will focus on securities of companies that have what it believes are understandable business models and somewhat predictable revenues, purchasing securities of companies with consistent revenues and shorting securities of companies with inconsistent revenues.

As a matter of Value, the Adviser seeks to invest the assets of the Funds in securities of companies that are priced meaningfully below or above their perceived intrinsic values. The Adviser believes that investing in securities where there is a significant discrepancy between intrinsic value and market value increases the likelihood of capital appreciation while also reducing investment risk. The Funds will aim to purchase securities where the perceived intrinsic values are meaningfully above the market values and to short securities where the perceived intrinsic values are meaningfully below the market values.

With respect to Fundamentals, the Adviser will place emphasis on business fundamentals and how trends in business fundamentals affect the short- to medium-term performance of the security. The Adviser will aim to purchase securities of companies with improving business fundamentals and intrinsic values that are growing and on shorting securities of companies with deteriorating business fundamentals and intrinsic values that are shrinking. An adherence to business fundamentals provides another layer of limiting investment risk.

The Adviser will source potential investments from sector knowledge, quantitative screens and professional networks. The Adviser will implement its investment strategy through an analysis of financial statements as well as primary research on businesses and industries. The research may include discussions with management teams, customers, suppliers, competitors, industry experts, sell-side analysts and other related parties.

To maximize returns and preserve capital, the Adviser will aim to size positions opportunistically, based on identified catalysts.

The Adviser's investment advisory services involve substantial risks to the investors that should be considered carefully. Certain risk factors that may be considered applicable are outlined below. Additional risk factors are outlined in the Funds' Governing Documents. It should be noted, however, that there may be other risk factors applicable to such an investment that are not identified but that might still result in material losses to investors. Although the Adviser may attempt to manage these risks through careful research, ongoing monitoring of investments, and appropriate hedging techniques, there can be no assurance that the securities and other instruments purchased which are the focus of its strategies will increase in value or that the Adviser's accounts will not incur significant losses. Prospective investors should also consult their own legal, investment, tax, and other advisers, and the relevant Governing Document, as to whether an investment with the Adviser is appropriate for them.

These methods and investments involve risk of loss to clients and clients must be prepared to bear the loss of their entire investment.

Separately Managed Account – Methods of Analysis and Investment Strategies

The separately managed account pursues substantially the same investment strategies as the Funds (as described above), subject to certain guidelines and/or restrictions that have been negotiated with its adviser. Accordingly, this account is subject to substantially the same risks as the Funds. The adviser of the separately managed account is advised to refer to the account's Governing Documents for details concerning its particular investments.

Certain Risk Factors

An investment in the Funds or other accounts managed by the Adviser is speculative and involves a high degree of risk. The Funds have substantial limitations on investors' ability to redeem their shares, and no secondary market for the Funds' interests exists or is expected to develop. In managing client accounts, the Adviser utilizes investment techniques, including short selling, the use of leverage and trading in options, that involve significant risks. All of these risks, and other important risks, are described in detail in the Funds' Governing Documents (which have also been provided to the adviser of the separately managed account). Prospective investors are strongly urged to review the applicable Governing Documents carefully and consult with their own financial, legal and tax advisors, before investing in a Fund or appointing the Adviser to manage a client account.

Item 9. Disciplinary Information

This Item is not applicable to Sonica.

Item 10. Other Financial Industry Activities and Affiliations

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

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, a commodity trading advisor, or is an associated person of any of the above.

The Adviser may in the future enter into agreements or “side letters,” with certain prospective or existing investors whereby such investors may be subject to terms and conditions that are more advantageous than those set forth in the Governing Document. Such terms and conditions may provide for special rights to make future investments; special redemption rights, relating to frequency or notice; a waiver or rebate in fees or redemption penalties to be paid by the investor and/or other terms; rights to receive reports on a more frequent basis or that include information not provided to other investors (including, without limitation, more detailed information regarding portfolio positions) and such other rights as may be negotiated by the Adviser and such investor. The modifications are solely at the discretion of the Adviser.

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

The Adviser has adopted a Code of Ethics (the “Code”) to help ensure that it conducts its business in accordance with all applicable laws and regulations and in an ethical and professional manner. All of the Adviser’s personnel are also required to comply with applicable federal securities laws. See below for further provisions of the Code as they relate to the preclearing and reporting of securities transactions by related persons.

The Adviser, 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 the Adviser or its related persons have invested or seek to invest on behalf of clients. The Adviser 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. The Adviser 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 the Adviser is meeting its obligations to clients and remains in compliance with applicable law. In certain circumstances, the Adviser may possess certain confidential or material, nonpublic information that, if disclosed, might be material to a decision to buy, sell or hold a security, but the Adviser will be prohibited from using such information for the client’s benefit. In such circumstances, the Adviser will have no responsibility or liability to the client for not disclosing such information to the client (or the fact that the Adviser possesses such information), or not using such information for the client’s benefit, as a result of following the Adviser’s policies and procedures designed to provide reasonable assurances that it is complying with applicable law.

The Adviser or its related persons have a greater portion of their personal assets invested in certain client accounts. As a result, the Adviser has a conflict of interest in allocating investment opportunities among client accounts. To mitigate this conflict, the Adviser will seek allocate investment opportunities among client accounts on a fair and equitable basis. (See *Item 6 – Performance-Based Fees and Side-by-Side Management*)

The Adviser does not effect any cross trades between client accounts.

Employees are generally prohibited from engaging in personal trading without the prior written consent of the Adviser’s Chief Compliance Officer. Prohibitions relating to personal trading also generally apply to any spouse or minor child, or an immediate family member of an employee living in the same household as such employee.

All of the Adviser’s employees are required to disclose their securities transactions on a quarterly basis and holdings on an annual basis. Trading in employee accounts will be reviewed by the Chief Compliance Officer.

The Adviser will provide a copy of the Code to a client or prospective client upon request.

Selection of Brokers

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 include the ability of the broker to provide liquidity, financial stability of the broker, the actual executed price of the security and the broker's commission rates, research (including economic forecasts, investment strategy advice, fundamental and technical advice on individual securities, valuation advice and market analysis), custodial and other services provided by such brokers and/or dealers that are expected to enhance the Adviser's general portfolio management capabilities, the size and type of the transaction, the difficulty of execution and the ability to handle difficult trades, the operational facilities of the brokers and/or dealers involved (including back office efficiency), ability to maintain confidentiality; and the ability to handle a block order for securities and distribution capabilities. In selecting a broker-dealer to execute transactions (or series of transactions) and determining the reasonableness of the broker-dealer's compensation, the Adviser need not 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 which are included in the commission rate.

The Adviser has established a Best Execution Committee, which meets on a quarterly basis to evaluate, among other things, the execution that it is receiving from broker-dealers, taking into account the factors described above.

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. When engaging in soft dollar transactions, the Adviser complies with the safe harbor requirements of Section 28(e) of the Securities Exchange Act of 1934, as amended. Under this provision, in exercising its discretionary authority to select or arrange for the selection of brokers for execution of transactions for its clients, and, subject to its duty to obtain best execution, the Adviser may consider the value of research and brokerage products and services (collectively, "Research") provided by such brokers. 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 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 believes that this conflict is mitigated because of its duty to seek best execution when selecting brokers for execution of transactions.

The Adviser periodically reviews and evaluates its soft dollar practices and arrangements. Where a product or service obtained with client commission dollars provides both research and non-research

assistance to the Adviser, the Adviser will make a reasonable allocation of the cost which may be paid for with client commission dollars.

Research and brokerage services obtained by the use of commissions arising from a client's portfolio transactions will generally be used to services all client accounts and not exclusively in connection with the management of the client account that generated the particular soft dollar credits. Because certain client accounts are not expected to generate soft dollar credits, the Adviser does not expect to allocate soft dollar benefits to client accounts proportionately to the soft dollar credits the accounts generate.

During the last fiscal year, soft dollar payments made on behalf of the Adviser were for the following: real time stock quotes, market data and research, independent macroeconomic research publications and independent equity research.

From time to time the Adviser may participate in capital introduction programs arranged by broker dealers, including firms that serve as prime brokers to one or more Funds or recommend these Funds as an investment to clients. The Adviser may place client portfolio transactions with firms which 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.

Aggregation of Orders

Aggregation, or "bunching," describes a procedure whereby an investment adviser combines the orders of two or more clients into a single order for the purpose of obtaining better prices and lower execution costs. Aggregation opportunities for the Adviser generally arise when more than one client is capable of purchasing or selling a particular security based on the factors set forth in Item 6 above relating to the allocation of investment opportunities.

To the extent that a security is purchased or sold for more than one client, the Adviser will generally aggregate orders for such security unless aggregation is not consistent with its duty to seek best execution. When the Adviser aggregates trades, each client that participates in an aggregated order will participate at the average price for all of the transactions in that security on a given business day, with transaction costs shared *pro rata* based on each client account's participation in the transaction.

Trade Errors

If it appears that a trade error has occurred, the Adviser will review the relevant facts and circumstances to determine an appropriate course of action. To the extent that a trade error occurs, the Adviser will reimburse the relevant client for losses resulting from such error to the extent it is required to do so under the relevant Governing Documents.

The Adviser does not currently participate in directed brokerage.

Portfolio Review

Each client account is reviewed by the Managing Member of the Adviser on a regular basis to determine whether securities positions should be maintained in view of current market conditions with respect to such client accounts.

The Adviser has retained an independent third-party administrator, which reconciles cash and security positions on a daily basis with the records of the Funds' respective prime broker. Sonica regularly reconciles its internal records regarding client accounts.

Reports to Clients/Investors

In addition to the information and reports described below, investors may be provided with information (including position level information) about the Adviser and the Funds and/or other clients in response to questions and requests, and/or in connection with due diligence meetings and other communications, but such information will not be distributed to other investors and prospective investors who do not request such information. Each investor is responsible for asking such questions as it believes are necessary in order to make its own investment decisions and must decide for itself whether the limited information provided by the Adviser is sufficient for its needs.

The Funds

Investors in the Funds typically receive monthly performance estimates by the first business day following each month end and a monthly statement from the administrator indicating current market value of their interests after each month end. Investors in the Funds also receive quarterly letters. In addition, investors in the Funds receive annual audited financial statements within 120 days of year end.

Separately Managed Account

Currently, the Adviser does not provide the adviser of the separately managed account with any reporting. Nonetheless, the adviser of the separately managed account will have full, real-time transparency as to all transactions and holdings in such account, and will be better able to assess the future prospects of a portfolio that is substantially similar to the portfolios of the Funds.

Item 14. Client Referrals and Other Compensation

As stated in Item 12, the Adviser may and has in the past entered into capital introduction agreements with certain financial institutions under which the financial institution does not receive compensation for this service. The Adviser may execute transactions with a broker or dealer that (i) provides Sonica with the opportunity to participate in capital introduction events sponsored by the broker-dealer or (ii) refers investors to the Funds, in each case as long as the Adviser is satisfying its best execution responsibilities and is not selecting the broker-dealer in recognition of the opportunity to participate in such capital introduction events or the referral of investors.

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.

The Adviser does not currently use solicitors for client referrals and does not directly or indirectly compensate any person for referring investors to the Funds. Additionally, the Adviser does not currently select or recommend broker-dealers based on whether the Adviser or its related persons receive client referrals.

Item 15. Custody

Sonica is deemed to have custody of the assets of the Funds and intends to comply with Rule 206(4)-2 under the Investment Advisers Act of 1940, as amended, by meeting the conditions of the pooled vehicle annual audit provision.

Sonica does not have custody over the assets in the separately managed account.

Item 16. Investment Discretion

The Adviser provides investment advisory services on a discretionary basis to clients as discussed in Item 4. Prior to assuming discretion in managing a client's assets, the Adviser enters into an investment management agreement or similar agreement that sets forth the scope of the Adviser's discretion.

The Adviser has discretionary authority to manage securities accounts on behalf of its clients. The investors in the Funds generally may not place any limits on the Adviser's authority beyond the limitations set forth in the relevant Governing Document. On a case by case basis, owners/advisers of the separately managed accounts that the Adviser may manage (including the separately managed account) may negotiate certain risk and/or operating guidelines to which the Adviser will adhere when exercising its discretionary authority over such accounts.

Item 17. Voting Client Securities

The Adviser will generally have voting discretion over client securities. Clients are generally not able to direct their votes in a particular situation. The Adviser has adopted proxy voting policies and procedures, which are summarized below.

In the absence of specific voting guidelines from the client or conflicts of interest, the Adviser will vote all proxies in the best interests of each client, which may result in different voting results for proxies for the same issuer. In addition, the Adviser may determine to abstain from voting a proxy if it believes that such action is in the best interests of one or more clients. The Adviser may take into account the following factors, among others, in determining if a specific proposal is in the best interests of a particular client: (i) whether the proposal was recommended by management and the Adviser's opinion of management; (ii) whether the proposal acts to entrench existing management; and (iii) whether the proposal fairly compensates management for past and future performance. If the Adviser deems that the issue being voted upon is not material for the Adviser and its clients, it will not be obligated to vote on such matter.

The Adviser's policies and procedures contain procedures designed to address potential conflicts of interest that may arise between the Adviser and its clients. The Adviser has sole and exclusive authority and responsibility to vote all proxies on behalf of its clients. Therefore, clients may not direct how the Adviser should vote on a particular proxy.

Upon request, the Adviser will provide a client with a copy of its proxy voting policies and procedures and information about how the client's proxies were voted.

Item 18. Financial Information

This item is not applicable to Sonica.

Item 19. Requirements for State-Registered Advisers

This item is not applicable to Sonica.