

1SHARPE CAPITAL LLC

PART 2A OF FORM ADV

FIRM BROCHURE

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This brochure provides information about the qualifications and business practices of 1Sharpe Capital LLC (“1Sharpe Capital” or the “Firm”). If you have any questions about the contents of this brochure, please contact us at (510) 788-5000. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Any reference to 1Sharpe Capital as a registered investment adviser does not imply a certain level of skill or training.

Additional information about 1Sharpe Capital is also available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2: Material Changes

This is the annual amendment to Form ADV Part 2A for the year ended December 31, 2018. There were no material updates since the last amendment filed on March 29, 2018.

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Item 4: Advisory Business

Item 4.A.

1Sharpe Capital LLC (“**1Sharpe Capital**” or the “**Firm**”), a Delaware limited partnership, was founded on August 23, 2016 by Rob Bloemker and Gregor Watson, the principal owners of 1Sharpe Capital.

Item 4.B.

1Sharpe Capital is a private investment fund manager focused on investments in combination of loans and securities, focusing on assets with secure income and market pricing potential for capital appreciation. 1Sharpe Capital provides its advisory services to privately offered domestic and offshore investment vehicles (each vehicle a “**Fund**” and collectively, the “**Funds**” or “**Clients**”) pursuant to investment management agreements (“**IMAs**”) under which 1Sharpe Capital is granted investment discretion subject to the policies and restrictions imposed by the relevant IMAs and limited partnership agreements (each, an “**LPA**”) for each such Fund.

Each Fund is formed to pool investment assets of its investors (each a “**Limited Partner**” and, collectively, “**Limited Partners**” and the Limited Partners, collectively with the Funds’ general partner, as defined in Item 10.C. below, (each a “**General Partner**”) the shall be referred to as the “**Partners**”) for the purpose of investing in a combination of loans and securities to earn absolute returns with relatively low correlation to the broader equity or fixed income markets.

Item 4.C.

The Firm tailors its advisory services to each Fund it manages in accordance with the terms of the relevant offering memorandum or mandate for such Fund, as applicable. Investors in the Funds generally cannot obtain services tailored to their individual specific needs.

The Firm or the General Partner may enter into separate agreements or side-letters with certain Limited Partners to waive certain terms, or to allow such Limited Partners to invest on different terms than those specifically described in a Fund’s offering memorandum, including, without limitation, with respect to fees, liquidity or depth of information provided to such investors concerning the Fund. Under certain circumstances, these side-letters could create preferences or priorities for such Limited Partners with respect to other Limited Partners.

Item 4.D.

1Sharpe Capital does not participate in, nor does it sponsor, wrap fee programs.

Item 4.E.

1Sharpe Capital had \$924,702,541 in regulatory assets under management on a discretionary basis as of December 31, 2018. 1Sharpe Capital does not manage client assets on a non-discretionary basis.

Item 5: Fees and Compensation

Item 5.A.

1Sharpe Capital is compensated for its advisory services based upon the amount of each Limited Partner's monthly account balance. The management fee shall be applied to the balance in the Limited Partner's participation account ("**Participation Account**") as of that month-beginning. The

1Sharpe Capital is generally entitled to a performance fee in the form of an incentive allocation ("**Incentive Allocation**"). Incentive Allocations will generally equal 20% of the appreciation in the relevant Participation Account for the applicable period (which will reflect the effects of management fees and other expenses), subject to the "loss carryforward" procedure. The Fund will make an Incentive Allocation from a Limited Partner only if and to the extent the increase in the Limited Partner's Participation Account for the applicable period exceeds the Limited Partner's "loss carryforward" amount at the beginning of the period. A Limited Partner's loss carryforward amount generally consists of unrecovered losses from prior periods. The purpose of this procedure is to prevent the Fund from making Incentive Allocations based on appreciation that merely restores prior losses experienced by a Limited Partner. This is sometimes referred to as a "high water mark" procedure.

In general, the fees for the Funds are not negotiable. Firm may, by agreement with particular Limited Partners reduce or waive the management fee or Incentive Allocations attributable to those Limited Partners.

Details regarding 1Sharpe Capital's management fees are set forth in each Fund's relevant offering memorandum or LPA.

The Funds are offered only to "qualified purchasers," as defined in 2(a)(51)(A) of the Investment Company Act of 1940, as amended.

Item 5.B.

Pursuant to the terms of each Fund's LPA, the Firm is authorized to deduct management fees from each Limited Partner's capital account on a monthly basis.

Item 5.C.

Each Fund's offering memorandum and/or LPA contains information regarding the fees and expenses of the Funds managed by the Firm. Each Fund will bear its own organizational costs and the costs involved in the initial offer and sale of Fund interests, including costs of preparing, revising, reproducing, and disseminating, this memorandum, other offering materials, and supplemental materials. Each Fund will generally bear its own operating costs which may include, among other things: commissions and other transaction-related costs; interest and other financing-related costs; costs of systems, facilities, and third party services for order placement, order management, clearance and settlement, and risk management; costs directly related to researching, acquiring, holding, and/or monitoring and administering investments (including portfolio management systems); costs of servicing and collecting income from loans and other debt instruments; costs of quotation, computerized news, pricing, or statistical services; audit, accounting, tax preparing and reporting, and other professional fees and expenses; legal fees (including fees paid to the General Partner's counsel for services in connection with the Fund's activities); governmental fees and

taxes (other than taxes specially allocated to certain Limited Partners); custodial fees; costs of reporting to Limited Partners; costs of Fund governance activities; costs of compliance with regulatory or reporting requirements attributable to the Fund's activities; fees and expenses paid or reimbursed to the Fund administrator; costs in connection with the ongoing offer and sale of Fund interests; and all other costs reasonably related to the Fund's operations or the purchase, sale, or transmittal of its assets.

Item 5.D.

Each Fund pays 1Sharpe Capital a management fee, in advance, on a monthly basis commencing on each Fund's specified closing date, in respect of the Limited Partners therein. Fees are not reimbursable in the event of an early termination of either a Fund or a Limited Partner's participation in a Fund.

Item 5.E.

None of 1Sharpe Capital or any of its supervised persons accept compensation for the sale of securities or other investment products.

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

As noted in Item 5 above, 1Sharpe's Funds are subject to performance-based fees. 1Sharpe Capital understands that there exist certain potential conflicts of interest associated with the presence of a performance-based fee. Such a fee may create an incentive for the Firm to cause a Fund to make investments that are riskier or more speculative than would be the case if there were no performance-based fee. Differences in performance-based fees, particularly if some Funds would pay higher performance-based fees, creates an incentive for 1Sharpe Capital to direct the best investment ideas to, or allocation investments in favor of, the account that pays the higher performance-based fee. However, 1Sharpe Capital manages the Funds in accordance with its investment strategy and any restrictions set forth in the Fund's governing documents so that Limited Partners are aware of the applicable investment strategy, restrictions, and risks.

Item 7: Types of Clients

1Sharpe Capital provides investment advice to Funds domiciled in Delaware and Cayman Islands. The minimum investment amount in a Fund is generally \$1,000,000. This amount may be higher or lower depending on each Fund's offering memorandum and management discretion and the relevant general partner retains the right to waive such minimum amount.

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

Item 8.A.

The Firm seeks to earn consistently high absolute returns with relatively low correlation to the broader equity or fixed income markets, with an emphasis on capital preservation. The Firm strives to deliver high risk-adjusted total returns by causing the Funds to invest in a combination of loans and securities, focusing on assets with secure income and market pricing with potential for capital appreciation. The Firm's principal strategy is fundamental value investing in income producing assets, while attempting to protect

against, and capitalize on, the market's tendency to dramatically alter pricing of these assets through economic and credit cycles. Each Fund will attempt to shorten maturity, increase credit protection, reduce leverage, and/or increase liquidity of investments when yields, spreads, and pricing are generally unfavorable, and associated risks high. When the General Partner believes market opportunities are attractive, and the reward for assuming greater risk outweighs the potential downside, it may cause a Fund to lengthen maturity, take greater credit risk, increase leverage, and/or acquire less liquid investments. Each Fund's investment strategy entails substantial risks that Clients should be prepared to bear.

Item 8.B. and Item 8.C.

The following summary identifies and provides a brief explanation of the material risks related to the Firm's significant investment strategies and should be carefully evaluated before making an investment with the Firm; however, the following does not intend to identify all possible risks of an investment with the Firm or provide a full description of the identified risks of an investment in any of the Funds. Additional information regarding the material risks related to the Firm's significant investment strategies is set forth in each Fund offering memoranda and/or LPA.

Mortgage Loans and Mortgage Backed Securities. Each Fund may make significant investments in residential mortgage-backed securities ("RMBS"), commercial mortgage-backed securities ("CMBS"), and pools of residential and commercial mortgage loans, which may be purchased directly or indirectly through the acquisition of securitization interests. These investments may include mortgage loans of various types (including Alt-A, subprime, and pay-option adjustable rate mortgage loans, in addition to traditional first lien mortgage loans) and may be performing or non-performing. Mortgage loans are subject to certain specific risks, and the mortgage loan pools underlying RMBS and CMBS are subject to all of the special risks associated with such mortgage loans, including those described below and elsewhere in this memorandum. Further, investing in certain mortgage loans, RMBS, and CMBS involves the general risks typically associated with investing in traditional fixed-income securities (including interest rate and credit risk), and certain additional risks and special considerations, including the risks of principal prepayment and defaults as well as the risk of investing in real estate.

Mortgage Loans, Generally. The risks of investing in mortgage loans reflect the risks of investing in real estate securing the mortgage loans (as the risks of investing in RMBS and CMBS reflect the risks of investing in real estate securing the loans included in the applicable securitization). Such risks include the effect of local and other economic conditions, the possibility of changes in the structure or effectiveness of the government sponsored enterprises, Fannie Mae, Freddie Mac, and Ginnie Mae, the ability of borrowers to make payments, and, in the case of mortgage loans backed by commercial real estate, the ability to attract and retain buyers or tenants. Increasing rates of delinquencies, foreclosures, and other losses on mortgage loans could, in turn, adversely affect certain other securities in which the Fund may invest.

Investment Property Loans. Each Fund intends to make substantial investments in residential mortgage loans secured by non-owner-occupied investment properties. These properties may either be rehabilitated by the borrowers and "flipped" or rented out to third parties for income. While these loans will generally be short-term and secured by personal guarantees (in addition to the underlying real estate), they may have higher default rates and/or loss severities than those residential mortgage loans secured by owner-occupied properties, due to the elevated risk that the borrowers stop making monthly payments if the financial condition of their business deteriorates or, in some cases, determine that it is in their financial interests to abandon the property. This risk is present even if the loans are conservatively underwritten with significant equity protection and have personal guarantees attached, and may be especially pronounced for borrowers with outstanding mortgage loans on more than two investment properties.

Loan Participations. Each Fund may acquire exposure to mortgages through participations in mortgage

whole loans or pools of such loans from an originator. In this arrangement, the Fund purchases an undivided ownership interest in mortgage loans evidenced by a participation certificate. Legal title remains with the originator, while the Fund becomes the beneficial owner of the loans. Acquiring exposure in this manner may present certain risks. As the holder of a participation interest rather than an underlying mortgage loan itself, a Fund has no contractual relationship with the underlying borrower; that relationship remains with the originator. Among other things, this means that a Fund is subject to the credit risk of the originator as well as the underlying borrower, since the Fund will depend upon the originator to make payments on the participation in respect of the principal and interest payments received on the underlying mortgage loan. If the originator goes into financial distress followed by bankruptcy, it may stop making loan participation payments, resulting in losses to the Fund on those investments.

Originator Relationships. Each Fund's ability to acquire mortgage loans will depend, among other things, on the Firm's ability to successfully develop and maintain relationships with loan originators. Originators may have incentives to only offer exposure to mortgage loans of lower quality, which underperform those that the originator retains. Moreover, an originator could decide to make working with it cost prohibitive or could decide to enter into exclusive or more favorable relationships with the Firm's competitors. Additionally, originators may not perform as expected, leading to disagreements or disputes, which could negatively impact or threaten the relationship's continuation. Alternatively, certain originators may face regulatory constraints that limit or prevent them altogether from doing business with the Firm, while others may elect to not reduce their exposure to mortgage loans because they believe that retaining exposure is more profitable than selling them to third parties.

Mortgage-Backed Securities. Mortgage-backed securities (other than residential "agency" mortgage-backed securities) are generally not guaranteed or insured by any governmental agency or instrumentality or by any other person. Distributions on mortgage-backed securities depend solely upon the amount and timing of payments and other collections on the related underlying mortgage loans. Mortgage-backed securities generally provide for the payment of interest and principal on a regular basis, and there exists the possibility, particularly with respect to residential mortgage-backed securities, that principal may be prepaid at any time. Different types of mortgage-backed securities are subject to varying degrees of prepayment risk. The rate of principal payments on mortgage loans is influenced by a wide variety of economic, geographic, social, and other factors, including general economic conditions, the level of prevailing interest rates, the availability of alternative financing, real estate prices, and homeowner mobility. As a result of prepayments, a Fund may reinvest assets at an inopportune time, which may expose the Fund to a lower rate of return. Further, the rate of prepayments on underlying mortgage loans affects the price and volatility of a mortgage-backed security, and may have the effect of shortening or extending the effective average life beyond what was anticipated.

Mortgage Market Disruptions and Related Issues. The residential mortgage market in the United States and elsewhere has, at certain times, experienced disruption and instability. Widespread defaults on mortgage loans and mortgage-backed securities have led to market turmoil and resulted in price volatility and ratings downgrades. In addition to risks associated with attempting to predict default and recovery rates on mortgage loans, including those underlying mortgage-backed securities acquired by a Fund, the creditworthiness and viability of the servicers of such mortgage loans are also significant risks. Illiquidity and unpredictability in these markets can make it difficult to determine whether such servicers have sufficient capital and adequate staffing levels to fulfill their servicing obligations and the extent to which such servicers are subject to regulatory risks and risk of error. A credit or regulatory event at, or other failure by, a servicer could result in losses to a Fund.

Residential mortgage loans (including the mortgage loans underlying an issue of RMBS) held by a Fund may include "non-traditional" mortgage loans, such as adjustable rate mortgage loans (or "**ARMs**") – *i.e.*, mortgage loans that offer relatively low monthly payments during the initial years of the loan that increase

(often significantly) in later years – or mortgage loans that require large “balloon” payments at specified times (unlike traditional, “self-amortizing” mortgage loans). Many borrowers enter into non-traditional mortgage loans with the hope that they will be able to refinance, or resell the underlying property, before the increased interest payments or balloon payments become due. Stress in the real estate markets, including declines in housing prices may, however, make these refinancings or resales commercially infeasible or impossible. This, in turn, may contribute to higher delinquency rates and losses on mortgage loans (and mortgage loans underlying RMBS) held by a Fund, which would adversely affect the Fund’s performance.

Loss Mitigation and Foreclosure. Mortgage loans purchased by a Fund may, in certain cases, require loss mitigation strategies and related workout tools that may entail, among other things, a substantial reduction in the interest rate and a substantial write-down of the principal of such mortgage loan. It is possible that a Fund may find it necessary or desirable to foreclose on real estate securing one or more mortgage loans purchased by the Fund. Certain mortgage loans may be non-recourse to the borrower. Thus with respect to such loans, if net amounts received through the foreclosure process are less than the amount owed to a Fund with respect to a particular loan, then the Fund will not be able to collect such deficiency and would suffer a loss. The foreclosure process can be lengthy and expensive.

Applicable Law and Regulations; Licensing Requirements. State and federal laws, public policy, and general principles of equity relating to the protection of consumers, abusive debt collection practices, and unfair, discriminatory, and deceptive practices generally may apply to the origination, servicing, purchasing, holding, and collection of a Fund’s residential mortgage loans and residential mortgage loans backing the Fund’s RMBS. Neither 1Sharpe nor any Fund can provide any assurance that the originators, servicers, and each of the other parties involved in the origination and servicing of a Fund’s mortgage loans has complied with all applicable laws, regulations, and rules at all times..

Separate and apart from the foregoing, numerous laws, regulations, and rules related to the servicing of mortgage loans, including in respect of foreclosure actions, have been enacted and/or proposed by federal, state, and local governmental authorities, including the Consumer Finance Protection Bureau created under Dodd-Frank. Such laws, regulations, and rules may delay foreclosure processes, reduce payments by borrowers, or increase reimbursable servicing expenses, which in turn would likely result in delays and reductions in the distributions to be made to a Fund as the owner of residential mortgage loans or as an investor in RMBS. Further, a Fund and other similarly-situated investors will bear the risk that future regulatory developments will result in losses on their investments, whether due to delayed or reduced distributions or reduced market value.

Reliance on Third Party Service Providers. 1Sharpe and each Fund rely heavily on loan servicing providers, custodians, prime brokers, executing brokers and counterparties, and the Fund administrator, for a variety of services that are essential to a Fund’s operations, including collecting amounts owed to the Fund on its investments, executing, clearing, and settling portfolio transactions, reporting transactions and positions, financial reporting, processing subscriptions and withdrawals, and monitoring and providing information for regulatory reporting and related purposes. If any of these service providers fails to perform its service accurately and effectively, in particular if a service provider or its personnel were to engage in fraud or theft or make material errors in performing services, a Fund’s operations could be materially impaired or the Fund could lose assets. Among other things, portfolio transactions the General Partner ordered might not be effected or the General Partner might take action based on erroneous information. Any such failures, errors, fraud or other misconduct could cause a Fund to suffer losses.

CMBS. The underlying commercial mortgage loans in a CMBS issue held by a Fund will be backed by obligations (including participation interests in obligations) that are principally secured by mortgage loans on real property (or interests therein) having a multifamily or commercial use, including regional malls or other retail space, office buildings, industrial or warehouse properties, hotels, apartments, cooperatives,

nursing homes, and senior living centers. Commercial mortgage loans are generally nonrecourse loans, lack standardized terms, tend to have shorter maturities than traditional first-lien residential mortgage loans, and may provide for the payment of all or substantially all of the principal only at maturity (as described below).

The repayment of loans secured by income-producing commercial properties is typically dependent on the successful operation of those properties rather than upon the liquidation value of the underlying real estate or the existence of independent income or assets of the borrower. The net operating income from commercial properties is subject to volatility, however, and may not be sufficient to cover debt service on the related mortgage loan at any given time. Furthermore, the net operating income from, and value of, any commercial property may be adversely affected by risks generally incidental to interests in real property, including events that the borrower or property manager, or the issuer or servicer of the related issuance of CMBS, may be unable to predict or control, such as changes in general or local economic conditions and specific industry segments; declines in real estate values; declines in rental or occupancy rates; increases in interest rates, real estate tax rates, and other operating expenses; changes in governmental rules, regulations, and fiscal policies; natural disasters; climate change; acts of war; terrorism; and social unrest and civil disturbances. Commercial real estate's value is also subject to a number of laws, such as laws regarding environmental clean-up and limitations on remedies imposed by bankruptcy laws and state laws regarding foreclosures and redemption rights.

Mortgage loans underlying a CMBS issue may lack regular amortization of principal, resulting in a single "balloon" payment due at maturity. If the underlying mortgage borrower experiences business problems, or other factors limit refinancing alternatives, these balloon payment mortgage loans are likely to experience payment delays or even default. In addition, the mortgage loans underlying a CMBS issue may lack diversification and may relate to a single loan or a limited number of loans.

Structured Finance Securities and Products. Each Fund may invest in structured finance securities and products. These investments may entail a variety of unique risks. Among other risks, the performance of a structured finance security or product will be affected by a variety of factors, including its priority in the capital structure of the related issuer, the availability of any credit enhancement, the level and timing of payments and recoveries on and the characteristics of the underlying loans or other assets that are being securitized, remoteness of those assets from the originator or transferor, the adequacy of and ability to realize upon any related collateral, and the capability of the servicer of the securitized assets. Moreover, a rapid change in the rate of defaults may have a material adverse effect on the yield to maturity. It is therefore possible that the Fund may incur losses on its investments in structured finance securities and products regardless of their ratings by the ratings agencies. Additionally, the securities in which a Fund may invest include securities that are subject to legal or contractual restrictions on their resale or for which there is a relatively inactive trading market. Securities subject to resale restrictions may sell at a price lower than similar securities that are not subject to such restrictions. Finally, structured finance securities and securitized products may be subject to prepayment risk. Special risks may be associated with the Fund's investments in structured finance products. For example, synthetic portfolio transactions may be structured with two or more tranches, each of which receives different proportions of the interest and principal distributions on a pool of credit assets. The yield to maturity of any given tranche may be extremely sensitive to the default rate in the underlying reference portfolio.

Online Marketplace Loans. Each Fund may invest in loans, or participations in loans, originated through so-called online marketplaces or "platforms" (including what have also been called "peer-to-peer" or "marketplace" lending platforms) ("**OM Loans**"). These may be consumer loans or small business loans, will generally be unsecured, and will generally have terms of five years or less. A Fund may (i) buy OM Loans directly from their originating entities pursuant to ongoing loan purchase agreements, (ii) buy portfolios of already-outstanding OM Loans from third parties in secondary market transactions, or (iii)

purchase OM Loans through online marketplaces or platforms, including OM Loan trading platforms. OM Loans bought in any of these ways present risks and uncertainties that other debt instruments do not, and the circumstances of acquisition could present some additional risks.

Investing in OM loans are present risks including but not limited to the following, which are described in detail in a Fund's offering documents: default risk; effects of economic downturn; unsecured loan risk; significance of credit obligations risk; borrower bankruptcy, death risk; reliance on, and potential unreliability of, borrower information; subprime loans; no restriction on additional debt; prepayment risk; changes in interest rates; no cross-default protection; servicing risk; originator/originating platform risk; regulatory risk; and Service Members Civil Relief Act related risk.

Limited Liquidity of Investments. At times many of a Fund's investments will be relatively illiquid. An investment may be illiquid because it is thinly traded or because the Fund's position in it is large in relation to the overall market for the security or loan. Or, as in the case of OM Loans, there may be no market. A Fund may buy investments in private placements or other transactions that subject the investments to contractual or regulatory restrictions on resale. The Fund may own (or have a short position in) securities that are relatively liquid when acquired (or sold short) but that later become illiquid. A Fund may not be able to liquidate illiquid positions if the need were to arise; rapid sales of such securities could depress the market value of those securities, reducing the Fund's profits, or increasing its losses, in the positions (and rapid purchases to cover short positions could have the corollary effect). In addition, while it does not currently intend to, a Fund may buy securities that are not immediately saleable in the public markets. Withdrawals funded out of the most liquid portion of a Fund's assets could cause the illiquid portion to be a greater percentage of the Fund's portfolio than would otherwise be optimal. The value assigned to illiquid securities (including thinly traded securities) and large blocks of securities for purposes of determining Participation Account sharing percentages and determining net profit and net loss may differ from the value a Fund is ultimately able to realize on those securities.

Portfolio Leverage. Each Fund will employ leverage opportunistically for cash management, investment acquisition, or other purposes, subject to the investment guidelines. Leverage in a Fund's portfolio could increase both the possibilities for profit and the risk of loss. If a Fund were to borrow to leverage its investments through margin borrowing, that borrowing would probably be secured by the Fund's securities and other assets. Margin borrowings typically allow the lender to demand an increase in the collateral that secures a Fund's obligations, and if the Fund were unable to provide additional collateral, the lender could liquidate the collateral to satisfy the Fund's obligations. Forced liquidation could have extremely adverse consequences, including sales at disadvantageous times and prices and the acceleration of tax consequences. Similarly, if a Fund were to borrow to leverage its investments through credit facilities or other financing arrangements with banks or other institutional lenders, those arrangements would require the Fund to pledge some or all of its assets as collateral on those borrowings, and could include cash usage limitations, including payment priorities in favor of lenders, that reduce the Fund's available cash to make additional investments. This could be because the amount a Fund is required to repay on such borrowings exceeds the amount it is able to realize on the assets it finances under those borrowing arrangements. Among other things that could cause that outcome, or otherwise reduce a Fund's returns: a failure to comply with covenants required by a lender could result in defaults, forced liquidation of assets, and losses; the borrowing arrangement's term could end at a time when a Fund does not have adequate liquid assets to repay outstanding balances, again resulting in forced liquidation and losses; and the interest rates a Fund must pay under borrowing arrangements could exceed the net interest return the Fund is able to receive on the assets that are financed under those arrangements.

Equity Securities. While not central to its strategy, each Fund may invest in equity and equity-related securities. The Fund's equity holdings will include income-generating assets, such as real estate investment trusts (REITs) or closed-end funds. These securities may occasionally provide an opportunity for the Firm

to acquire cash flows that are only available in a corporate form, or provide a more attractive method for investing than in the traditional loan or bond markets.

Short Sales. Each Fund may sell securities short as a part of its investing activities. In a short sale, a Fund sells securities it does not own, in the expectation that the market price will decline and the Fund will be able to buy replacement securities later at a lower price. To accomplish this, a Fund borrows the securities from broker or other third party. It “closes” the position by “returning” the security (buying a replacement security on the lender’s behalf). This “return” obligation does not typically have a specified “maturity” date and the lender generally may require replacement of the securities whenever it chooses. A short sale theoretically involves the risk of unlimited loss; the price at which a Fund must buy “replacement” securities could increase without limit. A Fund may experience losses on short positions that are not offset by gains on long positions.

Timing of Gains and Losses; Volatility. A Fund may need to hold some of its positions for significant periods before their success or failure becomes apparent or any gains can be realized. It may take longer for successful positions to realize their potential than for unsuccessful ones to reveal their weaknesses. Market prices of some portfolio positions may be expected to fluctuate significantly over a Fund’s holding periods, causing the Fund’s performance to be volatile over the short term.

Hedging. The Firm may deploy hedging strategies to mitigate known risk exposures inherent in the Fund’s portfolio to the extent it considers appropriate in light of current circumstances and portfolio composition. It may do so using short positions in one instrument to hedge long positions in another instrument, and vice versa, using derivative instruments, or through other risk management techniques. Hedging strategies in general are intended to limit or reduce investment risk, but they 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 the Fund seeks to hedge and, to the extent that is the case, can subject the Fund to additional risk, if prices involved in the hedging position move against the Fund. Other risks that may be involved in hedging include: (i) possible illiquidity in the market for closing out a hedging position; (ii) interest rate, spread, or other broad market movements not anticipated by the Firm; (iii) the Fund’s obligations to meet margin, collateral, or other payment requirements; (iv) a counterparty’s default or refusal to perform; and (v) impact that required segregation of the Fund’s assets to cover hedge-related obligations may have on portfolio management or the Fund’s ability to meet short term obligations. The Fund will not attempt to hedge all market or other risks inherent in its portfolio and will hedge certain risks, if at all, only partially.

Valuation. For some of a Fund’s investments there may be no trading market or the market may be or become subject to irregular trading activity, wide bid/ask spreads, and extended trade settlement periods, resulting in unreliability of pricing information. Although each Fund values most marketable securities and other instruments based on prices reported in the public markets (and will disclose to Shareholders if any valuations of publicly traded securities materially differ from such publicly-reported prices), where third party pricing of an asset is not readily available, valuation will generally be in 1Sharpe’s discretion (although when a Fund’s assets are deemed to be “plan assets” for ERISA purposes (as discussed elsewhere in this memorandum), the Fund will engage one or more independent third parties to exercise that discretion). Further, where 1Sharpe considers market-based pricing information not to be indicative of the position’s value, a Fund may assign a different (less favorable) value. As a result of these and other factors, values reflected in financial reports and used in determining investors’ sharing of a Fund’s net profit and net loss (e.g., upon new subscriptions), redemption proceeds, the Management Fee, and Incentive Allocations might not accurately reflect the amounts the Fund could obtain (or would be required to pay as to some types of derivatives positions) if it were to try to sell the security (or close the position). 1Sharpe faces conflicts of interest in making valuation decisions.

Item 9: Disciplinary Information

There are no material legal or disciplinary events related to the Firm.

Item 10: Other Financial Industry Activities and Affiliations

Item 10.A. and Item 10.B.

1Sharpe Capital and its management persons are not registered and do not have any application pending to register as a broker-dealer, a registered representative of a broker-dealer, a futures commission merchant, a commodity pool operator, a commodity trading advisor, or an associate of the foregoing entities.

Item 10.C.

1Sharpe Capital serves as the general partner to the 1Sharpe Income Fund, LP. 1Sharpe Capital GP LLC is an affiliate of 1Sharpe Capital and serves as the general partner to the 1Sharpe Opportunity Fund Ltd and the 1Sharpe Opportunity Intermediate Fund L.P.

The potential conflicts that can arise from these immediately above mentioned relationships are mitigated in a number of different ways. The principals of 1Sharpe Capital control each Fund's general partner by way of retaining 100% of the voting interests of the general partner. The policies and procedures composing the Firm's compliance program are designed to ensure that no one Client account or Limited Partner is systematically advantaged.

Except as otherwise disclosed in this Brochure, neither 1Sharpe Capital nor any of its management persons has a relationship or arrangement that is material to its advisory business or to its Clients with any related person.

Item 10.D.

1Sharpe Capital does not recommend other investment advisers to its Clients.

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

Item 11.A.

1Sharpe Capital has adopted a Code of Ethics (the "**Code**") under Rule 204A-1 of the Investment Advisers Act of 1940, as amended (the "**Advisers Act**") designed to provide that 1Sharpe Capital employees comply with applicable federal securities laws. The Code addresses, among other things, 1Sharpe Capital's standard of business conduct, requirements and restrictions relating to personal securities trading, policy regarding political contributions, policy regarding gifts and entertainment and confidentiality. 1Sharpe Capital employees must acknowledge, both initially upon employment and annually thereafter, in writing having received and read a copy of the Code.

The Code requires all employees to report personal securities holdings (initially and annually) and certify quarterly personal trading activity. All investment vehicles are designed to align the interests of Clients (including investors) with those of 1Sharpe Capital, including any of its affiliates, as all investor assets bear the equivalent risk of investing.

The Code is monitored by 1Sharpe Capital's Chief Compliance Officer and any exceptions to the Code need prior approval by 1Sharpe Capital's Chief Compliance Officer.

Please refer to the Code for additional information. 1Sharpe Capital's Code of Ethics is available to investors and prospective investors upon request by contacting the Firm's Chief Compliance Officer, Dean Shin, at (510) 788-5000, or by email at dean@1sharpe.com.

Items 11.B., 11.C. and 11.D.

1Sharpe Capital, as a fiduciary to its clients and endeavoring to be honest and truthful to its Clients at all times, permits investments in the personal accounts of Firm personnel in the same securities, and at or about the same time, that the Firm trades in Client accounts. 1Sharpe Capital is committed to fulfilling its fiduciary duty to its Clients, and acknowledges the conflict of interest that exists with trading personally in the same securities as Clients. As a means of monitoring any related conflict of interest, the Firm has implemented a Code of Ethics (described above in response to Item 11.A.). The Code of Ethics which requires, among other things, that employees must receive from the Firm's Chief Compliance Officer, or their delegate, affirmative approval of personal trading requests prior to execution of such transactions, and must disclose on an initial and annual basis the holdings of all personal accounts, as well as all account transactions on a quarterly basis.

Item 12: Brokerage Practices

Item 12.A.

1Sharpe Capital has full discretion to determine which investments to purchase and sell on behalf of its Clients. 1Sharpe Capital does not typically engage in general securities trading activities with brokers for the types of investments where traditionally commissions (including mark ups or mark downs) are charged for the execution of Client transactions. However, when closing certain investments, the legal fees and other expenses incurred to consummate transactions may be considered to be conceptually equivalent. All Client accounts share in these costs pro-rata to their amount invested. On a limited basis, if 1Sharpe Capital requires the services of a securities broker-dealer, the Firm will seek to obtain best execution on an overall basis. As necessary and appropriate at the time and if the Firm is advising more than one investment account for its Clients, 1Sharpe Capital will aggregate such of those orders as it deems appropriate and in accordance with the Fund's organizational documents and in the best interests of the Firm's Clients.

Item 12.A.1.

1Sharpe Capital does not make use of soft dollar arrangements (third-party or proprietary).

Item 12.A.2.

Not applicable. 1Sharpe Capital does not participate in selecting or recommending broker-dealers in exchange for Client referrals.

Item 12.A.3.

Not applicable. 1Sharpe Capital does not permit its Clients to provide a directed brokerage instruction and does not recommend, request or require Clients to execute transactions through specified broker-dealers.

Item 12.B.

When 1Sharpe Capital must execute a transaction on behalf of more than one Client account, it is 1Sharpe Capital's policy to aggregate trades whenever possible to achieve equal pricing across the Client accounts and to reduce transaction costs. 1Sharpe Capital may choose not to aggregate trades in avoidance of a perceived or actual conflict of interest, provided that Clients are treated fairly and equitably over time.

Item 13: Review of Accounts

Item 13.A. and 13.B.

The Funds and their portfolios are reviewed on a regular basis to determine their conformity with their risk parameters, investment objectives, and guidelines. 1Sharpe Capital continuously monitors the portfolio investments of the Funds. 1Sharpe Capital's investment personnel convene regularly to evaluate each position's conformance with the relevant Fund's offering memorandum and any investment limitations, restrictions or risk parameters.

Item 13.C.

Investors in the Funds receive quarterly Schedules of Partners' Capital indicating their capital balances and performance for the quarter within 60 days of each quarter-end (subject to delay in the event of late receipt by the Funds of any necessary information). Additionally, U.S. investors are generally issued Schedule K-1's after the close of a fiscal year-end. Audited financial statements are generally provided to investors within 120 days of a financial year-end. The reports discussed above are provided in written form.

Item 14: Client Referrals and Other Compensation

Item 14.A and B.

1Sharpe Capital does not receive economic benefits from anyone who is not a Client for providing advisory services. 1Sharpe Capital does not directly or indirectly compensate any third-party for client referrals.

Item 15: Custody

Client assets are held at a qualified custodian and not at 1Sharpe Capital. The Firm receives quarterly account statements directly from the Funds' qualified custodian, and 1Sharpe Capital, as investment adviser to the Funds, reviews those statements.

Additionally, to comply with Rule 206(4)-2 under the Advisers Act, 1Sharpe Capital has appointed an independent certified public accounting firm that is both registered with, and subject to regular inspection by, the Public Companies Accounting Oversight Board that distributes audited financial statements to investors of the Funds generally within 120 days of the fiscal year-end. The Funds are audited annually and financial statements of the Funds are prepared in accordance with U.S. Generally Accepted Accounting Principles ("GAAP"). These reports are in written form and investors should carefully review those statements.

Item 16: Investment Discretion

1Sharpe Capital has full discretion to manage assets on behalf of the Funds. This authority is granted in accordance with an IMA between 1Sharpe Capital and each of the Funds. Individual investors grant authority to the Funds to enter into an IMA with 1Sharpe Capital by signing a subscription agreement and accepting the terms of the LPA for the Fund.

Item 17: Voting Client Securities

1Sharpe Capital's primary business is asset backed loans and mortgage backed securities and it is not anticipated that 1Sharpe Capital will be in a position to vote a proxy. In the event the Firm receives a proxy as the result of an investment the Firm has made in a Client account, the Chief Compliance Officer shall, with the assistance of counsel, determine the appropriate procedure for voting such proxy on a case-by-case basis and in accordance with any applicable investment management agreement or law (e.g. ERISA). 1Sharpe Capital, as a matter of policy and as a fiduciary to its Clients, is responsible for voting proxies for portfolio securities consistent with the best economic interests of its Clients. Conflicts may arise between the interests of Clients versus the interests of 1Sharpe. In such cases, the Firm will address each such conflict, and endeavor to resolve it in a fair and equitable basis. 1Sharpe Capital will vote all proxies in the best interests of Clients, as determined by the Firm. 1Sharpe Capital will keep record of its proxy voting activity in accordance with the Firm's recordkeeping policies.

Each investor in the Funds may request information on how 1Sharpe Capital voted with respect to the securities of such Fund and obtain a copy of 1Sharpe Capital's proxy voting policies and procedures, which are set forth in its Compliance Manual, by contacting the Chief Compliance Officer, at (510) 788-5000, or by email at dean@1sharpe.com

Item 18: Financial Information

Item 18.A.

1Sharpe Capital does not require or solicit prepayment of more than \$1,200 in fees per Client, six months or more in advance.

Item 18.B.

There are no conditions that impair 1Sharpe Capital's ability to meet its contractual and fiduciary commitments to its Clients.

Item 18.C.

The Firm has not been subject to a bankruptcy petition, past or pending.