



**FORM ADV PART 2A: FIRM BROCHURE**

**March 25, 2022**

**BLUESTEM ASSET MANAGEMENT, LLC**

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Bluestem Asset Management, LLC is an investment adviser that is registered with the United States Securities and Exchange Commission. Registration with the United States Securities and Exchange Commission does not imply a certain level of skill or training.

**This brochure provides information about the qualifications and business practices of Bluestem Asset Management, LLC. If you have questions about the contents of this brochure, please contact us at (434) 243-7800. 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.**

**Additional information about Bluestem Asset Management, LLC is also available on the SEC's website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## **Item 2 – Material Changes**

Bluestem Asset Management, LLC (the “Firm” or “we” or “us”), has no material changes to report since its last brochure dated March 26, 2021. The Firm’s brochure may be requested without charge by contacting us at (434) 243-7800.

## ITEM 3

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#### **ITEM 4 — ADVISORY BUSINESS**

In 2003, the Firm, a Delaware limited liability company, established its investment adviser operations in Charlottesville, Virginia. Michael D. Bills serves as our Chief Investment Officer and managing member.

We provide discretionary investment advisory services to a single investment vehicle, Bluestem Partners, LP (hereinafter referred to as “Bluestem” or the “Fund”). Bluestem is a private fund offered to qualified institutional and individual investors that operates pursuant to an exclusion from the definition of an “investment company” under Section 3(c)(7) of the Investment Company Act of 1940 (a “3(c)(7) Fund”). Currently, we serve as general partner of the Fund.

The Fund seeks to achieve superior long-term absolute returns, net of all fees, primarily through a program of investment in private funds, managed funds and related private and co-investment entities managed by investment managers. In order to achieve this investment objective, we will select and allocate the Fund’s funds among certain underlying investment managers who we believe have exceptional skills. Our investment strategy and investment objective are tailored to the needs of the Fund as set forth in Bluestem’s Confidential Private Offering Memorandum.

As of December 31, 2021, the Firm manages \$2,483,848,255 in Fund assets on a discretionary basis.

#### **ITEM 5 — FEES AND COMPENSATION**

As stated in Item 4 above, we currently provide investment advisory services to a single private investment fund. Specific information regarding our advisory fees can be found in Bluestem’s Confidential Private Offering Memorandum. The management fee is based on the value of the Fund’s assets under management and is deducted from the Fund’s assets on a quarterly basis. In addition to the management fee, the Firm may also receive a performance-based allocation based on a share of capital gains on or capital appreciation of the Fund’s assets.

Our fees are generally not negotiable. We have the sole discretion, however, to waive or reduce our advisory fees for partners of the Fund that are principals, members, employees or affiliates of the Firm, relatives of such persons and certain other investors.

In addition to our advisory fees, the Fund will also be subject to other investment expenses such as accounting, auditing, administration, legal and other professional expenses, and certain investment expenses such as interest on funds borrowed by the Fund. Notwithstanding the foregoing, since inception, the Fund has only been allocated expenses related to: audit and tax, administration, and use of the line of credit. To date, the Firm has paid legal and other professional expenses, and certain other investment-related costs of the Fund. These expenses may, however, in the future be allocated to the Fund. Because the Fund invests assets in pooled investment vehicles, the Fund also will bear the pro rata share of the expenses of those investment entities, including, custodial fees and brokerage commissions, and possible overhead expenses (such as rent, personnel expenses, equipment, supplies, management and consulting fees

and similar expenses). In addition, the Fund will also be indirectly responsible for fees charged by the underlying investment managers with whom the Fund invests, such as fixed fees (up to 2% of net assets per annum), and incentive fees or allocations based upon a percentage of profits (up to 25% of profits). The Fund will benefit from any reduction in fees that the Firm may negotiate with any underlying investment manager.

Please refer to Item 12 of this Brochure for a discussion of our brokerage practices.

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

As noted in Item 5 of this Brochure, we may receive a performance-based fee from the Fund's assets. Performance-based fees are based on a share of capital gains on or capital appreciation of the assets of a partner above an annual hurdle and high-water mark.

## **ITEM 7 — TYPES OF CLIENTS**

As stated in Item 4 of this Brochure, we currently provide advisory services solely to the Fund. The Fund's investors are qualified purchasers and include high net worth individuals, trusts, endowments, individual retirement accounts, and other entities. The minimum initial investment for the Fund can be found in Bluestem's Confidential Private Offering Memorandum.

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

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

The Fund's investment objective is to achieve superior long-term absolute returns, net of all fees, primarily through a program of investment in private funds, managed accounts and related private and co-investment entities managed by investment managers. In identifying and evaluating an investment manager we will consider factors such as the following: (i) investment strategy, (ii) staff, (iii) organization, and (iv) terms of investment. We will overlay this evaluation with an analysis of the underlying investment manager's (i) past returns, (ii) risk factors, (iii) strategy sustainability, and (iv) overall fit with our Fund's objectives.

We expect to allocate Fund assets among a number of underlying investment managers. We anticipate that most of these underlying investment managers will be broadly classified as long/short equity and long biased equity investment managers. We believe that a long/short equity and long biased equity focus will provide sustained opportunity for the Fund. In an attempt to diversify the source of profits and reduce overall volatility, we also invest the Fund's assets with underlying investment managers outside the long/short equity and long biased equity areas including managers generally characterized as arbitrage, credit, event driven or private investment managers. We expect that most of these underlying investment managers will employ a fundamental approach to investing (long and short) in individual securities including high yield and distressed debt, convertible bonds, bank debt, preferred stock and common equity.

We may from time to time invest directly (or indirectly through a trust or other structure) in exchange traded or over-the-counter derivatives, including options, swaps, or other synthetic instruments. We do not generally anticipate that such hedging activity will exceed 2% (at cost) of the Fund's assets. Until investments of the type described above are made, we may temporarily invest the Fund's assets in securities or financial instruments such as certificates of deposit, money market funds or cash equivalents.

We anticipate that underlying investment managers may invest in securities and other financial instruments or obligations which are thinly-traded or for which no market exists and/or which are restricted as to their transferability under applicable securities laws. Under certain circumstances, such underlying investment managers may implement a mechanism, including side pockets, co-investments or similar prohibitions on withdrawals, for such investments.

### **Risks Generally**

The potential risks presented by the investment strategies include, but are not limited to, those summarized below. The below is qualified in its entirety by, and additional information is contained in, Bluestem's Confidential Private Offering Memorandum.

### ***Material Risks***

The material risks associated with the investment strategies and methods of analysis are summarized below.

The Fund may be a speculative investment for investors, and it is not intended as a complete investment program. Investment in the Fund is only suitable for persons who can bear an economic risk of loss of their investment, who have limited need for liquidity in their investment and who meet the conditions set forth in Bluestem's Confidential Private Offering Memorandum and respective subscription agreement. There can be no assurances that the Fund will achieve its investment objective.

### **Risks Associated with Bluestem's "Fund of Funds" Strategy**

*Multiple Underlying Investment Managers:* Because the Fund invests with underlying investment managers who make their trading decisions independently, it is possible that one or more of such underlying investment managers may, at any time, take positions which may be opposite from positions taken by other underlying investment managers. It is also possible that underlying investment managers retained by the Fund may on occasion be competing with each other for similar positions at the same time. Also, a particular underlying investment manager may take positions for its other clients that are opposite to the positions taken for the Fund.

*Performance-Based Compensation Arrangements with Underlying Investment Managers:* As discussed in Item 5 of this Brochure, the Fund will be indirectly responsible for an incentive fee or allocation fee payable to its underlying investment managers (up to 25% of profits) that is based on the appreciation in value of the investment over a specified period of time. In certain infrequent cases,

underlying investment managers may be paid such a fee without taking into consideration account losses. In addition, performance fee arrangements carry the risk that may incentivize certain underlying investment managers to make investments that are riskier or more speculative than would be the case in the absence of such performance-based compensation arrangements.

The Fund may be required to pay an incentive fee or allocation to the underlying investment managers who make a profit for the Fund in a particular fiscal year even though the Fund may in the aggregate incur a net loss for such fiscal year.

*Diversification:* Although we seek to diversify Fund assets by investing with a number of different underlying investment managers with different strategies and styles, it is currently anticipated that we will favor those underlying investment managers that invest primarily in equities (long or short). It is entirely possible that several of these underlying investment managers may take substantial positions in the same security or group of securities at the same time without our knowledge. Even if known, our ability to avoid such concentration would depend on our ability to reallocate assets among existing or new underlying investment managers, which might not be feasible for periods of time until withdrawals and contributions are permitted by such managers. This possible lack of diversification may subject Fund investments to more rapid change in value than would be the case if Fund assets were more widely diversified.

*Limits on Information:* Underlying investment managers that we select may not always provide us with detailed information regarding all their investments because of the proprietary nature of their investment program.

*Lack of Operating History of Underlying Investment Managers:* Underlying investment managers may have limited performance history in operating their investment entities (although such investment managers typically will have significant prior experience in the securities industry). Therefore, such investments may involve greater risks than investing with more established investment managers.

#### Risks Associated with Portfolios of Underlying Investment Managers

*Short Sales:* Underlying investment managers may engage in "short selling" of securities. Short sales can, in certain circumstances, substantially increase the impact of adverse price movements to the Fund's portfolio. A short sale involves the risk of a theoretically unlimited increase in the market price of the particular investment sold short, which could result in an inability to cover the short position and a theoretically unlimited loss. There can be no assurance that securities necessary to cover a short position will be available for purchase.

*Options:* Underlying investment managers may purchase or write options on securities. Purchasing put and call options, as well as writing such options, are highly specialized activities and entail greater than ordinary investment risks. The purchase or sale of an option involves the payment or receipt of a

premium by the investor and the corresponding right or obligation, as the case may be, to either purchase or sell the underlying security or other instrument for a specific price at a certain time or during a certain period. Purchasing options involves the risk that the underlying instrument will not change price in the manner expected, so that the investor loses the premium paid. Selling options, on the other hand, involves potentially greater risk because the investor is exposed to the extent of the actual price movement in the underlying security (which could result in a potentially unlimited loss), rather than only the loss of the premium payment received. Over-the-counter options also involve counterparty solvency risk.

*Leverage:* While the use of certain forms of leverage by underlying investment managers including margin borrowing, structured products or derivative instruments can substantially improve the return on invested capital, such use may also increase the adverse impact to which the Fund's portfolio may be subject. The use of leverage can expose the portfolio to additional levels of risk including (i) greater losses from investments than would otherwise have been the case had the underlying investment manager not borrowed to make the investments; (ii) margin calls or changes in margin requirements may force premature liquidations of investment positions; and (iii) losses on investments where the investment fails to earn a return that equals or exceeds the Fund's investment in the underlying manager. In the event of a sudden, precipitous drop in value of an underlying investment manager's investment, the underlying investment manager might not be able to liquidate assets quickly enough further magnifying the Fund's losses.

In an unsettled credit environment, the underlying investment managers may find it difficult or impossible to obtain leverage. Since leveraging its assets may be an integral part of the investment strategies of such investment managers, in such event a manager could find it difficult to implement its strategy. In addition, any leverage obtained, if terminated on short notice by a lender, could result in an investment manager being forced to unwind positions quickly and at prices below what is deemed to be fair value for the positions.

*Commodity and Futures Contracts:* Underlying investment managers may invest in commodity and futures contracts. Commodity futures markets (including financial futures) 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 is typical of a commodity futures trading account. As a result, a relatively small price movement in a commodity futures contract may result in substantial losses to the trader. Commodity futures trading may also be illiquid. Certain commodity exchanges do not permit trading in particular futures contracts at prices that represent a fluctuation in price during a single day's trading beyond certain set limits. If prices fluctuate during a single day's trading beyond those limits — which conditions have in the past sometimes lasted for several days in certain contracts — an underlying investment manager could be prevented from promptly liquidating unfavorable positions and thus be subject to substantial losses.



*Illiquidity/Valuation:* Because of the limitation on withdrawal rights and the fact that limited partnership interests are not tradable, and furthermore, due to the fact that the Fund invests with underlying investment managers who do not permit frequent withdrawals, including those who have "lock-up" periods or otherwise do not permit frequent withdrawals for significant periods of time, an investment in the Fund involves a high degree of liquidity risk. A subscription for interests in the Fund should be considered only by persons financially able to maintain their investment and who can afford a substantial loss of their investment.

Further, underlying investment managers may, at any given time, invest in securities and other financial instruments or obligations which are thinly-traded or for which no market exists and/or which are restricted as to their transferability under applicable securities laws. Such underlying investment managers may implement a side pocket mechanism or a co-investment mechanism for such investments. The sale of any such investments may be possible only at substantial discounts, and it may be extremely difficult to value accurately any such investments. In addition, certain securities in which the underlying investment managers may invest may not have a readily ascertainable market price and will be valued by the underlying investment manager. In this regard, an underlying investment manager may face a conflict of interest in valuing the securities, as their value will affect the underlying investment managers' compensation.

Because of overall size or concentration in particular markets of positions held by an underlying investment manager, the value at which investments can be liquidated may differ, sometimes significantly from interim valuations. In addition, the timing of liquidations may also affect the values obtained on liquidation. In light of the foregoing, there is a risk that a limited partner who redeems all or part of his investment from the Fund while an underlying investment manager holds private or thinly traded investments will be paid an amount less than he would otherwise be paid if the actual value of such investments is higher than the value designated by the underlying investment manager. Similarly, there is a risk that such limited partner might, in effect, be overpaid if the actual value of the private or thinly traded investment is lower than the value designated by the underlying investment manager. In addition, there is a risk that an investment by a new investor (or an additional investment by an existing investor) could dilute the interest of the other investors in such private or thinly traded investments.

*Foreign Securities:* Underlying investment managers may invest in securities of companies domiciled or operating in one or more foreign countries. Investing in these securities involves considerations and possible risks not typically involved in investing in securities of companies domiciled and operating in the United States, including instability of some foreign governments, the possibility of expropriation, limitations on the use or removal of funds or other assets, changes in governmental administration or economic or monetary policy (in the United States or abroad) or changed circumstances in dealings between nations. The application of foreign tax laws (e.g., the imposition of withholding taxes on dividend, interest or other payments) or confiscatory taxation may also affect investment in foreign securities. Higher expenses may result from investment in foreign securities than would from investment in domestic securities because of the costs that must be incurred in connection with conversions between various currencies and foreign brokerage commissions that may be higher than the United States. Foreign securities markets also may be

less liquid, more volatile and less subject to governmental supervision than in the United States. Investments in foreign countries could be affected by other factors not present in the United States, including lack of uniform accounting, auditing and financial reporting standards and potential difficulties in enforcing contractual obligations.

*Currency Risks:* Investments of underlying investment managers denominated in a foreign currency are subject to the risk that the value of a particular currency will change in relation to one or more other currencies. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments. The underlying investment managers may try to hedge these risks by investing in foreign currencies, foreign currency futures contracts and options thereon, forward foreign currency exchange contracts, or any combination thereof, but there can be no assurance that such strategies will be implemented, or if implemented, will be effective. Furthermore, the investment managers may enter into currency transactions for speculative purposes.

*Emerging Markets:* Investing in emerging markets involves additional risks and special considerations not typically associated with investing in other more established economies or securities markets. Such risks may include (i) increased risk of nationalization or expropriation of assets or confiscatory taxation; (ii) greater social, economic and political uncertainty including war; (iii) higher dependence on exports and the corresponding importance of international trade; (iv) greater controls on foreign investment and limitations on repatriation of invested capital and on the ability to exchange local currencies for U.S. dollars; (v) increased likelihood of governmental involvement in and control over the economies; and (vi) governmental decisions to cease support of economic reform programs or to impose centrally planned economies.

*Custody and Prime Brokerage Risk:* There is no guarantee that the Prime Brokers, or any other custodian that may be used from time to time, will not become bankrupt or insolvent. While both the U.S. Bankruptcy Code and the Securities Investor Protection Act of 1970 seek to protect customer property from the Prime Brokers' credit risk in the event of a bankruptcy, insolvency, failure, or liquidation of a broker-dealer, there is no certainty that, in the event of a failure of a broker-dealer that has custody of Fund or Investment Manager assets, the Fund or the Investment Manager would not incur losses due to its assets being unavailable for a period of time, the ultimate receipt of less than full recovery of its assets, or both.

The Fund, an Investment Manager and/or the Prime Brokers may appoint sub-custodians in certain non-U.S. jurisdictions to hold assets. The Prime Brokers may not be responsible for cash or assets which are held by sub-custodians in certain non-U.S. jurisdictions, nor for any losses suffered by the Fund or an Investment Manager as a result of the bankruptcy or insolvency of any such sub-custodian. The Fund and the Investment Managers may therefore have a potential exposure on the default of any sub-custodian and, as a result, many of the protections that would normally be provided to a fund by a custodian may not be available to the Fund or the Investment Managers. Under certain circumstances, including certain transactions where assets are pledged as collateral for leverage from a non-broker-dealer custodian or a non-broker-dealer affiliate of a Prime Broker, or where assets are held at a non-U.S. custodian, the securities and

other assets deposited with the custodian or broker may not be clearly identified as being assets of the Fund or an Investment Manager and the Fund or an Investment Manager could be exposed to a credit risk with regard to such parties. Custody services in certain non-U.S. jurisdictions remain undeveloped and, accordingly, there is a transaction and custody risk of dealing in certain non-U.S. jurisdictions. Given the undeveloped state of regulations on custodial activities and bankruptcy, insolvency, or mismanagement in certain non-U.S. jurisdictions, the ability of the Fund or an Investment Manager to recover assets held by a sub-custodian in the event of the sub-custodian's bankruptcy or insolvency could be in doubt, as the Fund or an Investment Manager may be subject to significantly less favorable laws than many of the protections that would be available under U.S. laws. In addition, there may be practical, or time problems associated with enforcing the Fund's rights to its assets in the case of a bankruptcy or insolvency of any such party.

*Debt Securities:* Underlying investment managers may invest in fixed income securities and other debt securities, including "high yield" bonds and preferred securities. Certain of these securities may be unrated by a recognized credit-rating agency or below investment grade, which are subject to greater risk of loss of principal and interest than higher-rated securities. The market for lower-rated securities is thin and less active than that for higher-rated securities, which can adversely affect the prices at which these securities can be sold. Investment Managers may invest in debt securities which are not protected by financial covenants or limitations on additional indebtedness. Such securities are therefore considered to be predominantly speculative and subject to credit and liquidity risks. Investment in a debt instrument will normally involve the assumption of interest rate risk.

*Interest Rate Risk:* Because underlying investment managers may invest in debt securities, the Fund is subject to interest rate risk. Generally, the value of debt securities will change inversely with changes in interest rates. As interest rates rise, the market value of debt securities tends to decrease. Conversely, as interest rates fall, the market value of debt securities tends to increase. This risk will be greater for long-term securities than for short-term securities.

*Derivative Instruments:* To the extent that underlying investment managers invest in swaps, derivative or synthetic instruments, repurchase agreements or other over-the-counter transactions or, in certain circumstances, non-U.S. securities, such underlying investment managers may take a credit risk with regard to parties with whom it trades and may also bear the risk of settlement default. These risks may differ materially from those entailed in exchange-traded transactions which generally are backed by clearing organization guarantees, daily marking-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered directly between two counterparties generally do not benefit from such protections and expose the parties to the risk of counterparty default. To the extent the Firm directly or indirectly utilizes such instruments or transactions to seek to hedge the Fund's portfolio, the risks outlined above will also apply directly to the Firm and the Fund.

*Small Cap Stocks:* At any given time, an underlying investment manager may have significant investments in smaller-to-medium sized companies of a less seasoned nature whose securities are traded in the over-the-counter market. These "secondary" securities often involve significantly greater risks than the securities of larger, better-known companies.

*Special Situations:* Underlying investment managers may invest 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. In any investment opportunity involving any such type of business enterprise, there exists the risk that the transaction in which such business enterprise is involved either will be unsuccessful, take considerable time or result in a distribution of cash or a new security the value of which will be less than the purchase price to the underlying investment manager of the security or other financial instrument in respect of which such distribution is received. Because there is substantial uncertainty concerning the outcome of transactions involving financially troubled companies in which an underlying investment manager may invest, there is a potential risk of loss to the Fund.

*Market Risk:* The profitability of a significant portion of the Fund's investment program depends to a great extent on correct assessments of the future course of price movements of securities and other investments. There can be no assurance that underlying investment managers will be able to accurately predict these price movements. Similarly, there can be no assurance that the Firm in selecting and allocating the Fund's assets among strategies and underlying investment managers, in seeking to hedge the Fund's portfolio or in determining the timing of liquidation of securities distributed to the Fund by underlying investment managers will be able to accurately predict these price movements. The securities markets have in recent years been characterized by great volatility and unpredictability. There can be no assurance that the underlying investment managers or the Firm will correctly evaluate the nature and magnitude of the various factors that could affect the value of and return on investments. Prices of investments may be volatile, and a variety of factors that are inherently difficult to predict, such as domestic or international economic and political developments, and the prospects of particular companies selected by the underlying investment managers and the Firm for investment, may significantly affect the results of the Fund's activities and the value of its investments. With respect to the Fund, there is always some, and occasionally a significant, degree of market risk.

*Investing Through Commingled Special Purpose Vehicles:* The Investment Manager may invest the Fund's assets through special purpose vehicles. Holding investments through special purpose vehicles exposes the Fund to risks not present in direct investments, particularly when the Fund participates in a special purpose vehicle in conjunction with third parties. In certain circumstances, depending on the jurisdiction of organization, applicable tax treaties and other tax, legal or business considerations, special purpose vehicles through which multiple parties make investments may not provide for complete segregation of assets and liabilities. Accordingly, if any of the other parties are unable or unwilling to meet all of their respective obligations, liabilities and/or shortfalls associated with the underlying investment in which they hold an interest through a special purpose vehicle, the Fund may be adversely affected.

#### Risks Associated with Investing in the Fund

*Absence of Regulation:* As discussed in Item 4 of this Brochure, the Fund is not registered as an investment company under the Investment Company Act of 1940. As a result, certain protections of

such Act (which, among other matters, requires a majority of an investment company's directors to be disinterested, requires securities held in custody to be segregated, regulates the relationship between the investment company and its adviser and requires investor approval before fundamental investment policies can be changed) will not be afforded to the Fund or its investors.

*Fund Expenses:* As discussed in Item 5 of this Brochure, Fund expenses (including the payment of our advisory fees by the Fund and the Fund's pro rata share of expenses of any underlying investment managers) may be a higher percentage of net assets than would be found in other investment entities. Strategies and trading utilized by certain underlying investment managers are out of our direct control and may require frequent trading, and, as a result, portfolio turnover and brokerage commission expenses may significantly exceed those of other investment entities of comparable size.

*Line of Credit:* The Fund has since inception maintained a line of credit for which it pays an annual commitment fee, as well as borrowing costs when used to facilitate payments on withdrawal and to fund investments. To the extent the Fund employs a line of credit or directly or indirectly utilizes structured products or derivative instruments to seek to hedge its portfolio, the risks outlined above under "Leverage" will also apply directly to the Fund.

*Cybersecurity Risk:* The Fund, the Firm and their service providers may be subject to operational and information security risks resulting from cyber-attacks. Cyber-attacks include, among other behaviors, stealing or corrupting data maintained online or digitally, denial of service attacks on websites, the unauthorized release of confidential information or various other forms of cybersecurity breaches. Cybersecurity attacks affecting the Fund, the Firm or their service providers may adversely impact the Fund. For instance, cyber-attacks may interfere with the processing or execution of Fund transactions, cause the release of confidential information, including private information about limited partners, subject the Fund and the Firm to regulatory fines or financial losses, or cause reputational damage.

Underlying investment managers retained by the Fund will generally be subject to the same cybersecurity risks as those outlined above. Further, similar types of cybersecurity risks are also present for issuers of securities in which the underlying investment managers retained by the Fund may invest. These risks could result in material adverse consequences for such issuers and may cause investments in such issuers to lose value.

*Effects of Health Crises and Other Catastrophes:* Health crises, such as pandemic and epidemic diseases, as well as other catastrophes that interrupt the expected course of events, such as natural disasters, war, or civil disturbance, acts of terrorism, power outages and other unforeseeable and external events, and the public response to or fear of such diseases or events, have and may in the future have an adverse effect on the Fund and the Investment Manager's operations. For example, any preventative or protective actions that governments may take in respect of such diseases or events may result in periods of business disruption, inability to obtain raw materials, supplies and component parts, and reduced or disrupted operations for portfolio companies. In addition, under such circumstances the operations, including functions such as trading and valuation, of the Investment Manager and other service providers

could be reduced, delayed, suspended, or otherwise disrupted. Further, the occurrence and pendency of such diseases or events could adversely affect the economies and financial markets either in specific countries or worldwide.

#### **ITEM 9 — DISCIPLINARY INFORMATION**

This Item is not applicable.

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

This Item is not applicable.

#### **ITEM 11 — CODE OF ETHICS, PARTICIPATION OR INTEREST IN FUND TRANSACTIONS AND PERSONAL TRADING**

##### Code of Ethics and Personal Trading

We have adopted a code of ethics (“Code”) pursuant to Rule 204A-1 under the Investment Advisers Act of 1940 (the “Advisers Act”). Our Code obligates all our members and employees (“Access Persons”) to put the Fund’s interest over their own. The purposes of the Code are to (i) educate Access Persons about the laws governing their conduct, (ii) remind Access Persons that they are in a position of trust and must act with complete propriety at all times, (iii) guard against violation of the federal securities laws, (iv) protect the Fund by deterring misconduct, and (v) establish procedures for Access Persons to follow so that we can assess whether our Access Persons are complying with our ethical principles. All Access Persons must certify that they have received, read and understand our Code, annually, or when it is amended.

Michael D. Bills, the Chief Investment Officer and managing member of the Firm, serves as the general partner of a family investment vehicle that implemented an investment strategy similar to the Fund. In the past, the family investment vehicle invested in the Fund, co-invested in some of the same underlying investment managers and invested with managers or in investments not included in the Fund’s portfolio.

Our CCO monitors compliance with the Code by reviewing the required initial, quarterly and annual reporting by Access Persons. Potential or existing Fund investors may request a copy of the Code by contacting us at (434) 243-7800.

#### **ITEM 12 — BROKERAGE PRACTICES**

To the extent the Fund makes direct transactions in individual publicly traded securities, we will consider all relevant facts and circumstances in selecting the broker-dealer to execute the transaction. The underlying investment managers separately select and execute transactions through broker-dealers. In selecting or recommending broker-dealers for their transactions, the underlying investment managers generally consider such factors as: price; the ability of the brokers, banks, and dealers to effect transactions; their facilities, reliability, and financial responsibility; and any products or services provided (including the referral of investors), or expenses paid, by brokers, banks, and dealers. We do not require

underlying investment managers to solicit competitive bids or obligate them to seek the lowest available commission cost.

We do not receive research or other products or services from a broker-dealer or third party in connection with the Fund's securities transactions ("soft dollar" benefits). The underlying investment managers, however, may receive "soft dollar" benefits, such as products and services including research tools used by the underlying investment managers in making investment decisions. "Softdollar" benefits may cause an underlying investment manager to enter into a transaction with a specific broker, bank, or dealer even if it does not offer the lowest transaction fees. If the underlying investment manager determines in good faith that the amount of commissions charged by a broker is reasonable in relation to the value of brokerage services, products, and other services provided by that broker, the Fund may, indirectly through the underlying private fund, pay commissions to that broker that exceed the amount that another broker charges. Additionally, the Fund (or the underlying fund may) not necessarily be, in any particular trade, the direct or indirect beneficiary of the services provided.

### **ITEM 13 — REVIEW OF ACCOUNTS**

Each individual Fund investment is generally reviewed at least quarterly, though significant events such as changes in assets, major market movements or macroeconomic events, legal or regulatory developments, a change in business structure, substantive personnel changes at underlying investment managers and revised investment terms can trigger an immediate review of an underlying investment. The Fund portfolio is monitored regularly for performance, adherence to investment strategy, changes in personnel, current positioning and outlook, and risk management. Risk management review parameters include, but are not limited to, volatility, correlation, Sharpe Ratio, concentration, alpha/beta, changes in gross and net exposure, liquidity, AUM, currency and counterparty exposure. The reviewers are the members of the investment team including: Michael D. Bills, the Chief Investment Officer and managing member of the Firm, and his direct reports. The reviewers all participate in regular investment team meetings where they discuss the Fund's progress and performance.

On an annual basis, we provide Fund investors with audited financial statements, including a statement of profit or loss for the relevant fiscal year, K-1's and manager profiles. In addition, we also provide investors with performance estimates on a monthly basis and capital account statements, manager letters and portfolio summaries on a quarterly basis.

Capital accounts of investors in the Fund are reviewed by the CFO and administrator on an on-going basis. Accounts are reviewed for accuracy in allocation of gains and losses, contributions and redemptions, and fees and expenses.

### **ITEM 14 — FUND REFERRALS AND OTHER COMPENSATION**

This Item is not applicable.

## **ITEM 15 — CUSTODY**

The Firm is deemed to have custody by virtue of the fact that it serves as general partner of the Fund. The SEC's custody rule sets forth certain requirements for the safekeeping of client assets. Pursuant to the rule, the Firm retains an independent accounting firm that is both registered with and subject to regular inspection by the Public Company Accounting Oversight Board ("PCAOB") to conduct an annual audit of the Fund and the audited financial statements are distributed to each limited partner within 180 days of the fiscal year end of the Fund.

## **ITEM 16 — INVESTMENT DISCRETION**

We provide investment advisory services on a discretionary basis to the Fund. We have the authority to determine which investment transactions to enter into on behalf of the Fund. We primarily exercise this authority in selecting underlying investment managers as well as determining the appropriate allocation of the Fund's assets to each such manager.

All Fund investors receive a copy of Bluestem's Confidential Private Offering Memorandum and are required to execute a limited partnership agreement before investing that sets forth the scope of our discretion.

## **Item 17 — VOTING FUND SECURITIES**

We do not expect that underlying investment managers will delegate the authority to vote securities held in an underlying private fund to us. From time to time, however, an underlying private fund may amend or revise their governing documents or seek investor consent and we may vote on such matters on behalf of the Fund. In accordance with SEC Rule 206(4)-6 under the Advisers Act, we have in place a proxy voting policy ("our voting policy") (i) to ensure that proxies that we vote on behalf of the Fund are voted to further the best interests of that Fund, (ii) to establish a mechanism to address any conflicts of interests between us and the Fund, and (iii) to provide record keeping requirements and criteria for delivering such information. Our investment team is responsible for making all proxy voting decisions in accordance with our voting policy. The investment team is responsible for the actual voting of all proxies in a timely manner, while our CCO is responsible for monitoring the effectiveness of our voting policy. Our general policy is to vote proxy proposals, amendments, consents or resolutions in a manner that reasonably furthers the best interests of the Fund and is consistent with the Fund's investment objectives and strategy.

If we determine that we have a conflict of interest when voting a proxy, we will address matters involving conflicts of interest in the manner disclosed in our voting policy. Potential or existing Fund investors may obtain a copy of our proxy voting policies and procedures and information about how we have voted the Fund's proxies by contacting us at (434) 243-7800. We will maintain a record of each written request for proxy voting information and our written response to such request.



## **ITEM 18 — FINANCIAL INFORMATION**

The Firm is not currently aware of any financial commitment that is reasonably likely to impair its ability to meet contractual and fiduciary commitments to Clients.