

**Item 1 – Cover Page**



Barnegat Fund Management, Inc.

525 Park Avenue

Hoboken, New Jersey 07030

(201) 217-5625

[www.barnegatfund.com](http://www.barnegatfund.com)

This brochure provides information about the qualifications and business practices of Barnegat Fund Management, Inc. (hereinafter “Barnegat”). If you have any questions about the contents of this brochure, please contact Robert C. Treue III at (201) 217-5625 or [manager@barnegatfund.com](mailto:manager@barnegatfund.com). Currently, our brochure may be requested free of charge by contacting Mr. Treue at (201) 217-5625 or [manager@barnegatfund.com](mailto:manager@barnegatfund.com). Our brochure is also available free of charge on our web site [www.barnegatfund.com](http://www.barnegatfund.com).

The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (hereinafter “SEC”) or by any state securities authority.

Barnegat Fund Management, Inc. is a SEC registered investment adviser. Registration as an investment adviser does not imply any level of skill or training. The oral and written communications of an investment adviser provide you with information about which you determine to hire or retain an investment adviser. Additional information about Barnegat also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 – Material Changes**

The following is a list of material changes contained in this brochure that have been made since the date of Barnegat's annual updating amendment brochure dated February 9, 2023.

(1) The last sentence in Item 4 has been modified to reflect the net assets managed by Barnegat as of December 31, 2023 on a discretionary basis and reads as follows: "As of December 31, 2023, Barnegat managed \$532,873,810 on a discretionary basis."

(2) The following sentence has been added at the end of Item 10: "Massimo M. Augustine, who is Barnegat's trader, is registered with the National Futures Association as an Associated Person of Barnegat and is an Associate Member of the National Futures Association."

Barnegat Fund Management, Inc.  
Form ADV Part 2A Brochure  
Dated February 5, 2024

---

**Item 3 – Table of Contents**

Item 1 – Cover Page.....	i
Item 2 – Material Changes .....	ii
Item 3 – Table of Contents .....	iii
Item 4 – Advisory Business .....	1
Item 5 – Fees and Compensation .....	2
Item 6 – Performance-Based Fees and Side-By-Side Management.....	3
Item 7 – Types of Clients.....	4
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss .....	4
Item 9 – Disciplinary Information.....	13
Item 10 – Other Financial Industry Activities and Affiliations .....	13
Item 11 – Code of Ethics, Participation in Client Transactions and Personal Trading .....	13
Item 12 – Brokerage Practices .....	14
Item 13 – Review of Accounts .....	16
Item 14 – Client Referrals and Other Compensation.....	16
Item 15 – Custody.....	16
Item 16 – Investment Discretion.....	17
Item 17 – Voting Client Securities.....	17
Item 18 – Financial Information.....	17
Brochure Supplement(s)	

#### **Item 4 – Advisory Business**

Barnegat Fund Management, Inc. is a corporation duly organized and existing under the laws of the State of New Jersey. Barnegat is owned by Robert C. Treue III, who is the President and sole shareholder, and has been providing investment advisory services since January, 2003. Barnegat's predecessor, Barnegat Asset Management, LLC, was also solely owned by Robert C. Treue III and provided investment advisory services from July, 1999 until January, 2003.

Barnegat provides portfolio management services to Barnegat Fund Limited (hereinafter "BFL") and Barnegat Investments Limited (hereinafter "BIL"), private placement vehicles registered with limited liability in Bermuda and classified as a Bermuda Institutional Scheme (hereinafter, collectively referred to as "the Funds"). BFL is a master fund engaged in fixed income relative value trading. BIL is a feeder fund which invests in BFL. Barnegat is also the Manager of the Funds. Barnegat advises the Funds on a discretionary basis in accordance with the terms and conditions of the Funds' organizational documents, BIL's Offering Memorandum and the Investment Management Agreement entered into between Barnegat, BIL and BFL (hereinafter "the Investment Management Agreement"). The Funds may not impose restrictions on investing in certain securities or types of securities so long as the investments made by Barnegat fall within the categories of investments that Barnegat has been given discretion to trade.

Barnegat employs investment strategies through the pooled investment vehicles that are suitable to sophisticated investors with substantial net worth and who are able to bear the risks of the strategies employed. Investors should be aware of the risks associated with investing in the pooled investment vehicles, many of which are described in the Offering Memorandum of BIL.

Account supervision is guided by the stated objectives of BIL's Offering Memorandum and organizational documents (hereinafter referred to collectively as "BIL's Fund Documents") and the Investment Management Agreement. The investment strategy of the Funds is fixed income arbitrage, where Barnegat identifies anomalies of similar products priced differently. Barnegat then purchases the cheap product and sells the expensive product, waiting for the anomaly to disappear.

Barnegat intends to focus on trading in large, liquid, developed markets such as Canada, the United States, the countries that make up the Euro, Scandinavia, the United Kingdom,

Switzerland, Japan, South Korea, Australia, New Zealand, South Africa and Mexico. Barnegat does not trade equity securities of any kind (US or non-US) and will not trade equity securities of any kind (US or non-US) without prior notification to the Funds. However, for the sake of clarity, Barnegat may trade options based on an index of stocks. Barnegat may also buy or sell a basket of stocks based on an index.

Barnegat requires that all investors in the Funds be foreign persons, entities not residing and not taxable in the United States and/or U.S. persons who are “accredited investors” within the meaning of Rule 501 of Regulation D of the U.S. Securities Act of 1933 and who purchase shares in BIL pursuant to the exemptions permitted under Rules 505 and 506 of Regulation D of the Securities Act of 1933.

As of December 31, 2023, Barnegat managed \$532,873,810 on a discretionary basis.

## **Item 5 – Fees and Compensation**

The specific manner in which fees are charged by Barnegat is established in the Funds’ written Investment Management Agreement entered into with Barnegat. Barnegat bills its fees to BIL on a quarterly basis. BIL is billed in arrears each calendar quarter. Management and performance-based fees shall be prorated for each capital contribution and withdrawal made during the applicable calendar quarter. Investments in BIL Class B shares initiated or terminated during a calendar quarter will be charged a prorated fee. Upon termination of any investment in BIL Class B shares, any earned, unpaid fees will be due and payable. The Funds have the right to terminate the Investment Management Agreement without penalty upon prior written notice of at least twelve months. Investors in BIL Class B shares should refer to BIL’s Fund Documents for detailed termination provisions.

Barnegat’s fees are not negotiable.

Barnegat’s fees are exclusive of brokerage commissions, transaction fees and other related costs and expenses which shall be incurred by the Funds. The Funds may incur certain charges imposed by custodians, brokers, third party service providers and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Such charges, fees and commissions are exclusive of and in addition to Barnegat’s fees, and Barnegat shall not receive any portion of these commissions, fees and costs.

Barnegat Fund Management, Inc.  
Form ADV Part 2A Brochure  
Dated February 5, 2024

---

Item 12 further describes the factors that Barnegat considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

The fee schedule applicable as of this Brochure is as follows:

<b>Client Assets</b>	<b>Annual Fee (%) for all assets</b>
Management fee on all assets of BIL	1.0% of the net asset value of BIL, calculated monthly in arrears and payable quarterly in arrears
Performance-based fee on all assets of BIL	15% of total profits of BIL in excess of net losses that have been carried forward from prior quarters, calculated and payable quarterly in arrears by reference to the applicable quarterly valuation date

The employees of Barnegat are permitted to invest in a separate series of the Class B shares (hereinafter “the Employee Series Shares”), which shares shall not be subject to management fees or performance-based fees but shall be subject to all other fees and expenses of the Company and will be subject to all other rights and terms as other Class B shares. The Employee Series Shares shall have a Net Asset Value per Share that is calculated separately and that shall be distinct from the Net Asset Value per Share of the other Class B shares.

#### **Item 6 – Performance-Based Fees and Side-By-Side Management**

Barnegat has entered into a performance-based fee arrangement pursuant to the Investment Management Agreement entered into with the Funds. Barnegat will structure any performance or incentive fee arrangement subject to Section 205(a)(1) of the Investment Advisers Act of 1940 (“The Advisers Act”) in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3. In measuring the Funds’ assets for the calculation of performance-based fees, Barnegat shall include realized and unrealized capital gains and losses.

In addition to the management fee calculated monthly in arrears and paid quarterly in arrears by BIL to Barnegat equal to one percent (1.0%) of the net asset value of BIL, BIL pays Barnegat quarterly in arrears a performance-based fee, which performance-based fee

is calculated quarterly in arrears by reference to the applicable quarterly valuation date. At the end of each calendar quarter, Barnegat will be allocated an amount equal to fifteen percent (15%) of total profits in excess of net losses that have been carried forward from prior quarters. The performance-based fee is paid net of the management fee. The performance-based fee will be calculated on a cumulative basis. Barnegat will not receive a performance allocation for any calendar quarter in which there is no profit. Furthermore, if there is a loss carry forward, no performance-based fee will be paid with respect to any subsequent calendar quarter until the aggregate profit in such subsequent calendar quarter is greater than the sum of such net loss for that and such preceding calendar quarters, and then only to the extent that the profit exceeds the loss carry forward (also commonly known as a "high water mark"). In the event of withdrawals during any calendar quarter with respect to which there is a loss carry forward, the loss carry forward will be proportionately reduced.

The performance-based fee may create an incentive for Barnegat to utilize strategies and investments that may be riskier or more speculative than those which would be recommended under a different fee arrangement.

The Employee Series Shares in which the employees of Barnegat are permitted to invest are not subject to the management fee or the performance-based fee charged by Barnegat.

## **Item 7 – Types of Clients**

Barnegat is an investment adviser to the Funds, which are private placement vehicles. In the future, Barnegat may provide advisory services to other various private placement investment vehicles.

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

Barnegat covers the large, liquid fixed income markets of the world looking for relative value mispricings between interest rate products. These anomalies can be captured via many different markets including nominal and indexed government bonds, interest rate, inflation and municipal rate swaps, bond repo, interest rate futures and options. To guarantee credit worthiness of the Funds' bond holdings, Barnegat only trades government

bonds of what it considers to be developed and stable economies. The large majority of trades made by Barnegat occur in the Euro, UK, US and Japanese markets, although Barnegat also covers Scandinavia, Switzerland, South Korea, Australia, New Zealand, South Africa, Mexico, the Czech Republic and Poland.

Once Barnegat has identified a mispricing between products, it seeks to buy the cheap products and short the expensive products. Barnegat never trades on the expectation of anomalies occurring. Instead, it focuses on capturing existing mispricings. Overall, the investments made by Barnegat may profit in the following ways:

1. Through the eventual correct pricing of an anomaly
2. Through the intake of slow but steady income generated by buying the higher-yielding products while shorting the lower-yielding ones

Barnegat's pricing anomalies generally fall into the following groups:

- Arbitrage
- Yield Curves
- Bond vs. Bond
- Bond vs. LIBOR
- Basis Swaps
- Volatility
- Cash Management
- Collateral Management

There are a number of risks involved in the trading strategies employed by Barnegat, including but not limited to the following risks:

Dependence on the Investment Adviser. Barnegat makes all decisions with respect to the investment and trading activities of BFL. Shareholders of BIL Class B shares will not have the opportunity to evaluate fully for themselves the relevant economic, financial and other information regarding BFL's investments. Shareholders of BIL Class B shares are dependent on Barnegat's judgment and abilities. There is no assurance that Barnegat will be successful. Accordingly, an investor should not purchase any BIL Class B shares unless it is willing to entrust all aspects of the investment activities of the Funds to Barnegat.



Investment Risk. All investments in financial instruments risk the loss of capital. No guarantee or representation is made that BFL's investment program will be successful. BFL's investment program at times may utilize leverage and such investment techniques as short sales, which practices can, in certain circumstances, substantially increase the adverse impact to which the Funds may be subject.

Trading is Speculative and Volatile. Financial instruments' prices are highly volatile. As Barnegat will, for example, buy and "sell short" financial instruments on margin, the volatility of BFL's portfolio may be greatly increased, leading to significantly greater risks. No assurance can be given that the Funds will be profitable or that they will not incur substantial losses.

Trading Strategies. The trading strategies generally attempt to exploit relative mispricings among interrelated instruments. Although these positions are generally lower risk than directional trades, they are by no means without risk. Mispricings, even if correctly identified, may not be corrected by the market within the time frame over which the positions can be maintained. Even pure arbitrage can result in significant losses if the arbitrage is not able to be sustained (due, for example, to margin calls) until expiration.

Directional Trades. Barnegat may, under its Global Macro strategy, make pure directional trades in respect of which the losses incurred may significantly exceed the capital committed to the position. In directional trading, Barnegat will rely more on its subjective market judgment than it will in the more quantitative driven arbitrage strategies, and may, accordingly, have a lower probability of success.

Financing Arrangements. Because of the small absolute spreads which some arbitrage strategies attempt to exploit, Barnegat will often trade at a high degree of leverage, through borrowings and leverage typically embedded in derivative instruments, in an effort to generate a satisfactory rate of return. Leverage is an inherent component of arbitrage strategies, and could result in being forced to liquidate positions prematurely in order to meet margin calls, causing otherwise partially-hedged positions to result in major losses. There can be no assurance that adequate financing will be maintained, which will impact on performance. Losses incurred on leveraged investments will increase in direct proportion to the degree of leverage employed. Changes by banks and dealers in any of the foregoing may result in large margin calls, loss of financing and forced liquidations of positions at disadvantageous prices.

Highly Competitive Market. Barnegat competes with a large number of firms and this competitive investment activity will tend to reduce the mispricing spreads, as well as the amount of credit available. Additionally, the financial instruments investment industry is extremely competitive. In pursuing its investment and trading methods and strategies, Barnegat will compete with securities firms, including many of the larger investment advisory and private investment firms, as well as institutional investors and, in certain circumstances, market-makers, banks and broker-dealers. In relative terms, BFL may have little capital and may have difficulty in competing in markets in which its competitors have substantially greater financial resources, larger research staffs, and more investment professionals than BFL has or expects to have in the future. In any given transaction, investment and trading activity by other firms will tend to narrow the spread between the price at which a financial instrument may be purchased by BFL and the price it expects to receive upon consummation of the transaction.

Market Participant Risk. The institutions, including brokerage firms and banks, with which Barnegat trades or invests, may encounter financial difficulties that impair the operational capabilities or the capital position of Barnegat.

Volatility. The prices of the instruments traded may be highly volatile with price movements being caused by many unpredictable factors, including market sentiment, inflation rates, interest rate movements and general economic and political conditions. Volatility creates the specific risk that historical or theoretical pricing relationships will be disrupted, causing what would otherwise be a comparatively low risk arbitrage position to incur major losses.

Lack of Liquidity. The markets for some instruments traded may have limited liquidity and depth. Lack of liquidity could be a disadvantage both in the realization of quoted prices and in order execution. The risk of market illiquidity is materially heightened by the use of leverage and the possibility that margin calls will need to be met in declining or disrupted market conditions. The instruments and other assets in which Barnegat is authorized to invest include assets that are subject to legal or contractual restrictions on their resale or for which there is a relatively inactive trading market. The sale of such assets often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of instruments eligible for trading on national securities exchanges or for which there is an active over-the-counter market. Therefore, BFL's investments in illiquid instruments may reduce BFL's returns because it may be unable to sell the illiquid instruments at an advantageous time or price.

Importance of Market Judgment. Arbitrage strategies are not systematic. The market judgment and discretion of Barnegat will be integral to the implementation of the arbitrage strategies.

Spread or Arbitrage Trading Risks. Many arbitrage strategies involve spreads and arbitrage trades between two or more positions. To the extent the price relationships between such positions remain constant, no gain or loss on the positions will occur. Such positions do, however, entail a substantial risk that the price differential could change unfavorably, causing losses commensurate with the high degree of leverage applied.

Distressed Securities. Arbitrage strategies may include investments in securities of issuers in weak financial and/or market condition. Investments of this type involve substantial and unusual financial and business risks.

Trade Execution Risk. Many of the arbitrage strategies require the rapid and efficient execution of transactions. Inefficient execution can eliminate the small pricing differentials that Barnegat attempts to exploit.

Manager Marks. Barnegat may need from time to time to value certain of the positions held in its discretion which could have a material effect on performance-based fees over time.

Hedging Transactions. Barnegat may utilize a variety of instruments for risk management purposes. While Barnegat may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for BFL than if it had not engaged in any such hedging transaction. Moreover, it should be noted that the portfolio at times may be exposed to certain risks that cannot be entirely hedged, such as credit risk.

Effectiveness of Risk Reduction Techniques. Barnegat may employ various risk reduction strategies designed to minimize the risk of BFL's trading positions. A substantial risk remains, nonetheless, that such strategies will not always be possible to implement and when possible will not always be effective in limiting losses. If Barnegat analyzes market conditions incorrectly, or employs a risk reduction strategy that does not correlate well with Barnegat's investments, such risk reduction techniques could result in a loss, regardless of whether the intent was to reduce risk or increase return. These risk reduction techniques may also increase the volatility of BFL and/or result in a loss if the counterparty to the transaction does not perform as promised.

Diversification Limitations. Although Barnegat will generally apply diversification policies, it will not be restricted as to the percentage of the assets which it is allocated that may from

time to time be invested in any particular issuer, industry, instrument, market or strategy with the result that a loss in any position could have a material adverse impact on BFL's capital.

Short Sales. The implementation of arbitrage strategies routinely require securities to be sold short. Since the borrowed securities sold short must later be replaced by market purchases, any appreciation in the market price of these securities will result in a loss. Furthermore, short positions may be required to be closed early if a counterparty from which the security was borrowed demands its return, as counterparties may do in their discretion.

Derivative Instruments. Arbitrage strategies make extensive use of various derivative instruments, including warrants, options, futures, and interest-rate and equity swaps. The use of derivatives involves a variety of material risks, including the high degree of leverage often embedded in such instruments. Many derivatives are valued on the basis of dealers' equivalents. However, the price at which dealers value a particular derivative and the price which the same dealers would actually be willing to pay for such derivative may be materially different. Such differences can result in an overstatement of the Funds' Net Asset Value and may have a materially adverse effect on performance in situations where positions are required to be liquidated in order to raise funds.

Default and Counterparty Risk. Some of the markets in which Barnegat may affect transactions are "over-the-counter" or "interdealer" markets. The participants in such markets are typically not subject to credit evaluation and regulatory oversight as are members of "exchange based" markets. This exposes BFL to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing BFL to suffer a loss. In addition, in the case of a default, BFL could become subject to adverse market movements while replacement transactions are executed. Such "counterparty risk" is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where BFL has concentrated its respective transactions with a single or small group of counterparties. BFL may not have an internal credit function which evaluates the creditworthiness of its counterparties. The ability of BFL to transact business with any one or number of counterparties, the lack of any meaningful and independent evaluation of such counterparties' financial capabilities and the absence of a regulated market to facilitate settlement may increase the potential for losses by BFL.

Futures Trading. Substantially all trading in commodities and futures has as its basis a contract to purchase or sell a specified quantity of a particular asset for delivery at a specified time, although certain instruments, such as market index futures contracts, may be settled only in cash based on the value of the underlying composite index. Futures trading involves trading in contracts for future delivery of standardized, rather than specific, lots of particular assets.

*Volatility* — Futures prices are highly volatile. Price movements for the futures contracts which Barnegat may trade are influenced by, among other things, changing supply and demand relationships, government, trade, fiscal, and economic events, and changes in interest rates. Governments from time to time intervene, directly and by regulation, in certain markets, often with the intent to influence prices directly.

*Position Limits* — The U.S. Commodities Futures Trading Commission has jurisdiction to establish, or cause exchanges to establish, position limits with respect to all commodities traded on exchanges located in the U.S. and may do so, and any exchange may impose limits on positions on that exchange. No such limits presently exist in the forward contract market or on certain non-U.S. exchanges. Insofar as such limits do exist, all commodity accounts owned, held, controlled or managed by Barnegat may be combined (that is, aggregated) for position limit purposes.

*Price Limits* — United States commodity exchanges may limit fluctuations in futures contracts prices during a single day by regulations referred to as “daily price fluctuation limits” or “daily limits.” In addition, even if futures prices have not moved the daily limit, Barnegat may not be able to execute futures trades at favorable prices if little trading in such contracts is taking place (a “thin” market).

*Margin* — Futures are typically traded on “margin.” The “margin” is the amount of escrow or performance bond deposit that BFL will have to make and maintain with its futures commission merchants (future brokers) to secure its future obligation to close out open positions. The initial margin requirements may be satisfied by the deposit of cash (or, in some U.S. markets, certain U.S. Government obligations). The open positions must be “marked to market” daily, requiring additional margin deposits if the position

reflects a loss that reduces BFL's equity below the level required to be maintained and permitting release of a portion of the deposit if the position reflects a gain that results in excess margin equity. The level of margin that must be maintained for a given position is sometimes subject to increase, requiring additional cash outlays. In the futures markets, margin deposits are typically low relative to the value of the futures contracts purchased or sold. Such low margin deposits are indicative of the fact that futures contract trading typically is accompanied by a high degree of leverage. Because margin requirements normally range upward from as little as 2% or less of the total value of the contract, a comparatively small commitment of cash or its equivalent may permit trading in futures contracts of substantially great value. As a result, price fluctuations may result in a contract profit or loss that is disproportionate to the amount of funds deposited as margin. Such a profit or loss may materialize suddenly, since the prices of futures frequently fluctuate rapidly and over wide ranges, reflecting both supply and demand changes and changes in market sentiment.

*Size of Account* — Depending upon the size of Barnegat's account, it may be difficult or impossible for Barnegat to take or liquidate a position in a particular commodity, method or strategy due to the size of the accounts which may be managed by Barnegat.

*Trading in Currencies* — BFL may be exposed in the interbank market to risks associated with any government or market action that might suspend or restrict trading or otherwise render illiquid, in whole or in part, BFL's position. Barnegat may trade currencies and financial instruments in interbank and forward contract markets which Barnegat believes to be well-established and of recognized standing, and Barnegat may affect such trades with banks, brokers, financial institutions and other market participants which it believes to be creditworthy.

Exchange-Rate Risk. BFL may invest in instruments denominated in currencies other than the U.S. Dollar. BFL, however, will generally value its assets in U.S. Dollars. To the extent unhedged, the value of BFL's assets will fluctuate with U.S. Dollar exchange rates as well as with price changes of its investments in the various local markets and currencies. Thus, an increase in the value of the U.S. Dollar compared to the other currencies in which BFL may make investments will reduce the effect of increases and magnify the U.S. Dollar equivalent of the effect of decreases in the prices of BFL's instruments in their local markets.

Conversely, a decrease in the value of the U.S. Dollar will have the opposite effect of magnifying the effect of increases and reducing the effect of decreases in the prices of BFL's non-U.S. Dollar instruments. BFL also may utilize forward currency contracts and options to hedge against currency fluctuations, but there can be no assurance that such hedging transactions will be effective.

Investment Adviser Business Dependent Upon Key Individual. Barnegat makes all decisions with respect to BFL's investments. As such, the success of BFL is significantly dependent upon the expertise of Robert C. Treue III. Should Mr. Treue die or become disabled or otherwise terminate his relationship with Barnegat or if Barnegat were to terminate its relationship with either or both Funds, such event could have a material adverse effect on the business and the performance of the Funds.

Limited Liquidity. Because of the limitations on transfers and redemptions and the fact that the BIL Class B shares are not tradable, an investment in BIL Class B shares is relatively illiquid and involves a high degree of risk. A subscription for BIL Class B shares should be considered only by sophisticated investors financially able to maintain their investment and who can afford to lose all or a substantial part of such investment. **CLASS B SHARES MAY NOT BE TRANSFERRED OR ASSIGNED WITHOUT THE CONSENT OF THE DIRECTORS OF BIL.**

Brokerage Firms and Custodians May Fail. The institutions, including the brokers, with which the Funds do business or to which financial instruments have been entrusted for custodial purposes, may encounter financial difficulties that impair the operational capabilities or the capital position of the Funds.

**THE FOREGOING RISK FACTORS DO NOT PURPORT TO BE A COMPLETE EXPLANATION OF ALL OF THE RISKS INVOLVED IN THE TRADING STRATEGIES EMPLOYED BY BARNEGAT AND AN INVESTMENT IN BIL CLASS B SHARES. POTENTIAL INVESTORS SHOULD READ BIL'S OFFERING MEMORANDUM AND BIL'S BYE-LAWS IN THEIR ENTIRETY BEFORE DETERMINING WHETHER TO SUBSCRIBE FOR BIL CLASS B SHARES.**

**INVESTING IN SECURITIES INVOLVES RISK OF LOSS THAT CLIENTS SHOULD BE PREPARED TO BEAR.**



### **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Barnegat or the integrity of Barnegat's management. Barnegat has no information applicable to this Item.

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

In addition to being registered as an investment adviser with the U.S. Securities and Exchange Commission pursuant to the requirements of the Investment Advisers Act of 1940, Barnegat is registered as a Commodity Trading Advisor and a Commodity Pool Operator with and is a Member of the National Futures Association. Robert C. Treue III, who is Barnegat's President, is registered with the National Futures Association as an Associated Person and a Swap Associated Person of Barnegat and is an Associate Member of the National Futures Association. Massimo M. Augustine, who is Barnegat's trader, is registered with the National Futures Association as an Associated Person of Barnegat and is an Associate Member of the National Futures Association.

### **Item 11 – Code of Ethics, Participation in Client Transactions and Personal Trading**

Barnegat has adopted a Code of Business Conduct and Ethics and an Insider Trading Policy for all supervised persons of the firm, describing its high standard of business conduct and fiduciary duty to its clients. The Code of Business Conduct and Ethics and the Insider Trading Policy include provisions relating to the confidentiality of client information, a prohibition on insider trading, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at Barnegat must acknowledge the terms of the Code of Ethics annually, or as amended.

Barnegat anticipates that, in appropriate circumstances, consistent with clients' investment objectives, it will cause accounts over which Barnegat has management authority to effect, and will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which Barnegat and/or its employees, directly or indirectly, have a



position of interest. Barnegat's employees and persons associated with Barnegat are required to follow Barnegat's Code of Business Conduct and Ethics and its Insider Trading Policy. Subject to satisfying this policy and applicable laws, officers, directors and employees of Barnegat may not buy, sell or otherwise trade for their own accounts in a security or financial instrument of the type which are recommended to and/or purchased for Barnegat's advisory clients with the exception that Barnegat officers, directors and employees may purchase and sell U.S. Treasury bonds, bills and notes and may trade in foreign exchange for personal consumption. The Code of Business Conduct and Ethics and the Insider Trading Policy are designed to assure that the personal securities transactions, activities and interests of the employees of Barnegat will not interfere with (i) making decisions in the best interests of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. In addition, the Code of Business Conduct and Ethics requires pre-clearance of certain transactions. Nonetheless, because the Code of Business Conduct and Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Business Conduct and Ethics reasonably to prevent conflicts of interest between Barnegat and its clients.

Barnegat's clients and prospective clients as well as investors and prospective investors in Class B shares of BIL stock may request a copy of the firm's Code of Business Conduct and Ethics and its Insider Trading Policy by contacting Barnegat's Chief Compliance Officer, Brian Davis, at (201) 222-1180 or [brian@barnegatfund.com](mailto:brian@barnegatfund.com).

## **Item 12 – Brokerage Practices**

Barnegat is granted brokerage discretion in its Investment Management Agreement with the Funds and seeks to achieve best execution. Due to the nature of the investments made by Barnegat, trades are often made directly with counterparties without the use of brokers. In this situation, the counterparty does not charge a commission, mark-up or other transaction-based fee to the fund. While it is anticipated that the counterparty may profit from the transaction, the size of the profit (if any) does not factor into Barnegat's selection process.

Counterparties are selected based on their ability to meet certain specialized criteria, including, but not limited to, (a) the products traded by such counterparty (b) the trading

terms (such as price) being offered by that counterparty, (c) the risk that the prospective counterparty will default on a trade or trades, (d) whether the prospective counterparty specializes in particular types of trades, (e) the potential that entering into trades with a particular counterparty will have less of an effect on the market for a particular security than if trades were entered into with another counterparty or counterparties, and (f) the margin requirements of a counterparty. Barnegat typically requires counterparties to sign trading agreements in which the counterparty agrees to meet specific standards required by Barnegat.

In certain circumstances BFL's prime broker charges a trade settlement fee when Barnegat enters into a trade with a counterparty other than an entity affiliated with the prime broker and cash is paid or received or bonds are delivered or received in connection with such trade. When Barnegat decides to enter into a trade, Barnegat takes into consideration the overall cost of entering into the trade, including any trade settlement fee that might be charged by its prime broker in determining whether to enter into the trade with a counterparty affiliated with the prime broker or another counterparty.

Transactions that must be effected through an exchange will generate commissions, mark-ups and/or other fees for the counterparty selected by Barnegat. These fees are entirely distinct from advisory fees charged by Barnegat.

In selecting a counterparty for any particular trade, Barnegat will weigh the relevant factors noted above, as well as pricing terms, and select the counterparty offering the best combination of price and service.

Barnegat's Investment Committee discusses trading activities on a regular basis. The Committee is responsible for reviewing selection of counterparties, evaluating the execution achieved by the various counterparties (including, where applicable, any fees or commissions charged) and trade errors. As part of such reviews, a determination shall be made as to whether or not Barnegat should continue to execute or enter into securities and derivatives transactions with all of the various counterparties and whether Barnegat should seek to enter into trading agreements with new counterparties.

It is Barnegat's policy not to engage in any arrangement in which transactions are directed to a particular counterparty in exchange for third-party research or any other products or services (commonly referred to as "soft dollar benefits").

As Barnegat currently offers services to two private placement vehicles in a master-feeder structure, it does not aggregate or allocate client trades.

### **Item 13 – Review of Accounts**

Positions held by the Funds to which Barnegat provides advice are continuously monitored and reviewed by Barnegat's President, Robert C. Treue III. At least weekly, accounts are reviewed in the context of the Funds' stated investment objectives and guidelines. More frequent reviews may be triggered by material changes in variables such as the Funds' individual circumstances, or the market, political or economic environment.

Following the end of each calendar month, Barnegat reports to the investors of BIL the Fund's performance for the month as well as the share price of BIL Class B shares. This information is sent to the investors by e-mail and is also available on Barnegat's website, [www.barnegatfund.com](http://www.barnegatfund.com).

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

Barnegat and its related persons do not receive from anyone who is not a client of Barnegat an economic benefit for providing investment advice or other advisory services to Barnegat's clients. In addition, Barnegat and its related persons do not directly or indirectly compensate any person for client referrals. Counterparties may refer investors to Barnegat without compensation. Such referrals are not factored into Barnegat's counterparty evaluation process.

### **Item 15 – Custody**

Neither Barnegat nor any of its related persons has custody (physical or constructive) of advisory clients' cash, bank accounts or securities.

### **Item 16 – Investment Discretion**

Barnegat has discretionary authority pursuant to the terms of the Investment Management Agreement entered into with the Funds to select the identity and amount of securities to be bought and sold and the trades to be made. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives of the Funds' organizational documents and the Investment Management Agreement.

When selecting securities and determining amounts, Barnegat observes the investment policies, limitations and restrictions of the Funds it advises.

Investment guidelines and restrictions of a client must be provided to Barnegat in writing.

### **Item 17 – Voting Client Securities**

Barnegat is authorized in the Investment Management Agreement entered into with the Funds to vote proxies and similar company resolutions and covenants. However, due to its business model and types of instruments traded, Barnegat does not anticipate having any voting obligations. Should this change, Barnegat will have policies and procedures in place for voting client proxies.

### **Item 18 – Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about Barnegat's financial condition. Barnegat has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding. Since Barnegat invoices BIL in arrears, it will never charge more than \$1,200.00 in advisory fees for services that cannot be completed in six months and, therefore, has no obligation to include its financial statements with this brochure.