

**ITEM 1. COVER PAGE**

**QUANTA ENERGY MANAGEMENT, LLC**

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Part 2A of Form ADV  
(the “Brochure”)

January 31, 2024

This Brochure provides information about the qualifications and business practices of Quanta Energy Management, LLC (“Quanta,” the “Adviser,” “us” or “our”). If you have any questions about the contents of this Brochure, please contact our Chief Compliance Officer, Charles W. Robertson II (the “CCO”), at 914-580-4203 or [crobertson@qemllc.net](mailto:crobertson@qemllc.net). The information contained herein has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

The Adviser is now registered as an investment adviser with the SEC. Registration with the SEC or any other regulatory authority does not imply a certain level of skill or training.

Additional information about the Adviser can also be found on the SEC’s website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) and <https://www.qemllc.net/>.

**THIS BROCHURE DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SECURITY.**

## **ITEM 2. MATERIAL CHANGES**

The Adviser is filing its initial Brochure as a registered investment adviser with the SEC. Our current and future investors are encouraged to read this Brochure, as well as all governing documents applicable to their current or prospective investment, in their entirety.

To receive a current copy of this Brochure free of charge, please contact us by telephone at 914-580-4203 or by email at [crobertson@gemllc.net](mailto:crobertson@gemllc.net).

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#### **ITEM 4. ADVISORY BUSINESS**

The Adviser is an investment advisory firm with its principal place of business in Mount Kisco, New York. The Adviser commenced operations as an investment adviser in January 2021. Charles W. Robertson II is the Managing Member and Chief Compliance Officer of the Adviser. The Adviser is wholly owned by Charles W. Robertson II.

The Adviser provides investment advisory services to its clients, which currently include Quanta Alpha Partners, LP, a private pooled investment vehicle (the “Fund,” and, collectively, including any future pooled investment vehicles for which Quanta may serve as an investment adviser to, the “Funds”) and a separately managed account (the “Account,” and, together with the Funds, the “Clients”).

The Adviser generally has broad and flexible investment authority with respect to the Clients’ investment portfolios. The Adviser’s discretionary investment advice generally focuses on long and short investments in exchange-traded equity and equity-linked derivatives in an effort to generate persistent alpha while maintaining market neutrality. The Adviser focuses on fundamentals and proprietary predictive analytics rather than data points, event-driven or trend following models that other market neutral energy strategies tend to utilize. The Adviser’s approach is fundamental, research-driven and long-term in nature.

The Adviser follows the investment objectives, strategies, and guidelines of the Fund as described in the Fund’s confidential private placement memorandum and other governing documents, as well as any applicable investment management agreements (collectively, the “Offering Documents”). Quanta does not tailor its advisory services to the individual needs of any specific investor in the Fund (the “Investors”).

Quanta does not participate in wrap fee programs.

As of January 25, 2024, the Adviser had approximately \$11,290,000 in regulatory assets under management, all of which is managed on a discretionary basis.

#### **ITEM 5. FEES AND COMPENSATION**

The Adviser charges its Clients an asset-based investment management fee (the “Management Fee”). The Adviser, or an affiliate of the Adviser that serves as the general partner of the Fund (the “General Partner”), is also eligible to receive from the Clients a performance allocation (the “Performance Allocation”), which is compensation based on a share of realized and unrealized appreciation of the Clients’ assets. The Adviser and/or the General Partner generally have the authority to: (i) deduct the Management Fee and Performance Allocation from the Clients’ assets; and (ii) authorize the payment of other fees and expenses to third parties from the Clients’ assets.

The Management Fee may vary depending on the size of the Clients’ assets, but will generally be up to 1.5% of the net asset value of the applicable Account. The Management Fee is typically paid each quarter in advance. The Management Fee will be pro-rated for any period that is less than a full fiscal quarter and will be adjusted for subscriptions and withdrawals, as set forth in the applicable Offering Documents.

Fund investors are subject to the Management Fee and Performance Allocation indirectly through their investment in the Fund. While the amount of compensation and method of payment are not generally negotiable, the Adviser or General Partner, as applicable, may, in its sole discretion, waive or reduce the Management Fee and Performance Allocation for certain Clients or Investors that are members, principals, employees or affiliates of Quanta, friends and relatives of such persons, certain strategic investors, and for anyone else, as determined in Quanta’s sole discretion.

Refer to **Item 6** below for a discussion of the Performance Allocation the Adviser may earn.

In addition to paying the Management Fee and allocating the Performance Allocation, certain Clients are subject to other investment expenses, including, but not limited to, (a) all expenses, incurred in connection with the offer and sale of interests (other than placement agent fees), including, but not limited to, conference attendance expenses, documentation of performance and the admission of Investors, (b) all organizational expenses, operating expenses of the Fund (such as tax preparation fees (including, without limitation, any such fees related to the preparation of tax returns and Schedule K-1s)), governmental fees and taxes (or any other governmental charges levied against the Fund), Fund administrator, custodial and prime brokerage fees and expenses, communications with Investors and ongoing legal, accounting, auditing, administration, appraisal, bookkeeping, independent shadow accounting, consulting and other professional fees and expenses, including for litigation, and preparation of the Fund's financial statements and reports, (c) all Fund costs, expenses and charges incurred in connection with the investment and trading activities of the Fund (e.g., brokerage commissions, markups, margin interest, expenses related to short sales, custodial fees, clearing and settlement charges and other transaction costs to brokers), (d) professional and other advisory and consulting expenses, monitoring or the assertion of rights or pursuit of remedies (including, without limitation, pursuant to bankruptcy or other legal proceedings, or participation in informal committees of creditors or other security holders of an issuer), (e) all fees and other expenses incurred in connection with the investigation, prosecution or defense of any claims by or against the Fund, (f) interest on, and fees and expenses arising out of, all borrowings made by the Fund, (g) the costs of any litigation and indemnification relating to the affairs of the Fund, (h) expenses related to third party research, publications, data and data services, including real time pricing and market information (such as Bloomberg and Reuters services) and historical pricing and other data, order management system, portfolio management system and risk management system and advisory, (i) costs of compliance with applicable laws and regulations of governmental and self-regulatory bodies, including costs incurred by the General Partner, the Investment Manager and their respective affiliates in complying with laws and regulations that apply to any such entities as a result of their services to the Fund, (j) the Fund's expenses associated with forming and maintaining the legal existence of the Fund, including directors' fees, administrators' fees, (k) costs associated with regulatory filings including but not limited to Form PF, (l) insurance premiums of the General Partner, the Investment Manager and/or the Fund, and (m) all other reasonable expenses related to the management and operation of the Fund and/or the purchase, sale or disposition of the interests, including, in the case of any expenses directly related to the Fund's and one or more of its related funds' investments, any portion of any such joint expenses that the General Partner determines are properly and ratably allocable to the Fund.

Detailed information regarding all fees, costs, and expenses to be paid by the Client is contained in the applicable Offering Documents. Potential investors should not consider an investment in the Fund without fully understanding the Fund's cost and expense structure.

Neither Quanta nor any partner, officer, director (or other person occupying a similar status or performing similar functions), or employee of the Adviser, or other person who provides investment advice on behalf of the Adviser and is subject to the supervision and control of the Adviser (each, a "Supervised Person") accepts compensation (e.g., brokerage commissions) for the purchase or sale of securities or other investment products.

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

The Performance Allocation charged to certain Clients is generally twenty percent (20%) of such Client's net profits (including any realized and unrealized gains and losses) and is subject to a "high-water mark." The Performance Allocation, if any, will generally be reallocated to the General Partner at the end of each fiscal year (or, at such other times as detailed in the Offering Documents, including, without limitation, any

withdrawal from an Investor's capital account).

The Performance Allocation may create an incentive for the Adviser, an affiliate of the General Partner, to recommend investments which may be riskier or more speculative than those that the Adviser might recommend under a different arrangement in an effort to receive a greater performance-based allocation.

Notwithstanding the general performance-based fee structure described above, Quanta may negotiate different performance-based fee structures with certain Investors. Such negotiations and agreements are governed by separate agreements commonly referred to as "side letters." The side letter provisions, which are not found in the private funds' Offering Documents, may entitle certain investors to different terms and conditions related to fees, reporting, liquidity, and notifications, among other terms. Quanta reserves the right, but does not have the obligation, to negotiate, reduce or waive fees, including, but not limited to, performance-based fees applicable to certain investors, as well as other investor terms and conditions, in such "side letters."

To mitigate these conflicts, the Adviser has implemented a trade allocation policy and has implemented controls to review investments for compliance with account guidelines and restriction and to review the performance of accounts with similar investment objectives. Investors should not consider an investment in a Fund without fully understanding the Fund's Performance Allocation.

## **ITEM 7. TYPES OF CLIENTS**

The Fund is suitable for (a) "accredited investors" as such term is defined in Rule 501(a) of Regulation D under the Securities Act of 1933, as amended (the "Securities Act"), and (b) "qualified clients," as such term is defined in Rule 205-3 of the Investment Advisers Act of 1940, as amended (the "Advisers Act"). Specific terms for Accounts are individually negotiated.

Investors in the Clients may include a broad range of U.S.-based and non-U.S. investors, including, high net worth individuals, fund of funds, pension plans, endowments, foundations, family offices, institutions, trusts, knowledgeable employees, financially sophisticated individuals and other sophisticated investors.

Generally, the minimum initial investment in the Fund is one million dollars (\$1,000,000), subject to the General Partner's discretion to accept a lesser amount.

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

### **Methods of Analysis and Investment Strategy**

The Adviser's risk management is built into the investment strategy from bottom-up company-level research combined with top-down portfolio level risk metrics. The Adviser will build the Clients' portfolios first at the company-level utilizing proprietary research, models, and in-depth company/sub-sector knowledge. Positions will then be sized to their perceived potential risk/reward parameters. Additional risk metrics will be considered and used in an effort to optimize position size. The Adviser will also examine a sub-sector relative positioning in an effort to limit unintentional tilt between/among sub-sectors using a combination of standard and proprietary risk metrics. Company-level positions will be adjusted to maintain what the Adviser believes is appropriate risk between sub-sectors. The Adviser will also look at the entire portfolios' aggregated risk using standard risk metrics with proprietary real-time adjustment metrics. Portfolio and positions adjustments will typically be made on a real-time basis to maintain risk objectives.

The Adviser may trade and invest in any financial instruments as it deems appropriate, including without limitation common stocks, preferred stocks, limited partnership interests, warrants, equity derivatives, convertible securities, debt securities listed and unlisted options, shares of beneficial interest, convertible preferred obligations, rights, options, puts and calls with respect to the foregoing, and to a limited extent, commodity interests (futures, options on futures, certain swaps subject to regulation by the CFTC), other swaps and derivatives of any kind.

Detailed information regarding the investment strategy of the Fund is contained in the Offering Documents. Potential investors should not consider an investment in the Fund without fully understanding the Fund's investment strategy.

**THE CLIENTS' INVESTMENT PROGRAM IS SPECULATIVE AND INVOLVES A SIGNIFICANT DEGREE OF RISK. THERE CAN BE NO ASSURANCE THAT THE CLIENTS' INVESTMENT OR RISK MANAGEMENT OBJECTIVES WILL BE ACHIEVED OR THAT THE CLIENT WILL BE PROFITABLE. AN INVESTMENT IN THE FUND OR ACCOUNT INVOLVES A SIGNIFICANT DEGREE OF RISK, INCLUDING RISK OF TOTAL LOSS.**

### **Portfolio Risks**

***Investment and Trading Risks Generally.*** All investments risk the loss of capital. No guarantee or representation is made that the Fund's program will be successful. The Fund's investment program involves, without limitation, risks associated with limited diversification, interest rates, currencies, volatility, tracking risks in hedged positions, security borrowing risks in short sales, credit deterioration or default risks, systems risks and other risks inherent in the Fund's activities. Certain investment techniques of the Fund may, in certain circumstances, substantially increase the impact of adverse market movements to which the Fund may be subject. In addition, the Fund's investments may be materially affected by conditions in the financial markets and overall economic conditions occurring globally or in markets where the Fund invests its assets.

The Adviser's methods of minimizing such risks may not accurately predict future risk exposures. Risk management techniques are based in part on the observation of historical market behavior, which may not predict market divergences that are larger than historical indicators. Also, information used to manage risks may not be accurate, complete or current, and such information may be misinterpreted.

***Long/Short Equity.*** The Fund will pursue a long/short equity strategy. Because a long/short equity strategy involves identifying securities which are generally undervalued (or, in the case of short positions, overvalued) by the marketplace, success of this strategy necessarily depends upon the market eventually recognizing such value in the price of the security, which may not necessarily occur or may occur over extended time frames which limit profitability. Positions may undergo significant short-term declines and experience considerable price volatility during these periods. In addition, long and short positions may or may not be correlated to each other. If the long and short positions are not correlated, it is possible to have investment losses in both the long and short sides of the portfolio.

***Equity Risks.*** The Fund will invest in equity securities. The market price of securities owned by the Fund may go up or down, sometimes rapidly or unpredictably. A risk of investing in the Fund is that the equity securities in its portfolio will decline in value due to factors affecting equity securities markets generally or the sectors in which the Fund will invest. The values of equity securities may decline due to general market conditions which are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. They may also decline due to factors which affect a particular industry or industries, such as labor shortages or increased production costs and competitive conditions

within an industry. Other risks of investing globally in equity securities may include changes in currency exchange rates, exchange control regulations, expropriation of assets or nationalization, imposition of withholding taxes on dividend or interest payments, and difficulty in obtaining and enforcing judgments against non-U.S. entities. In addition, securities which the Adviser believes are fundamentally undervalued or incorrectly valued may not ultimately be valued in the capital markets at prices and/or within the time frame the Adviser anticipates. As a result, the Fund may lose all or substantially all of its investment in any particular instance.

***Exchange Traded Funds.*** Exchange traded funds (“ETFs”) represent shares of ownership in either funds or unit investment trusts that hold portfolios of common stocks or bonds, which are designed to generally correspond to the price and yield performance of their underlying indexes, either broad stock market, stock industry sector, international stock or U.S. bond. ETF shareholders are subject to risks similar to those of holders of other diversified portfolios. A primary consideration is that the general level of stock or bond prices may decline, thus affecting the value of an equity or fixed income exchange traded fund, respectively. This is because an equity (or bond) ETF represents an interest in a portfolio of stocks (or bonds). When interest rates rise, bond prices will generally decline, adversely affecting the value of fixed income ETFs. Moreover, the overall depth and liquidity of the secondary market may also fluctuate. An exchange traded sector fund may also be adversely affected by the performance of that specific sector or group of industries on which it is based. International investments may involve risk of capital loss from unfavorable fluctuations in currency values, differences in generally accepted accounting principles, or economic or political instability in other nations. Although ETFs are designed to provide investment results that generally correspond to the price and yield performance of their respective underlying indexes, ETFs may not be able to exactly replicate the performance of the indexes because of their expenses and other factors.

***Investment in Small- and Medium-Capitalization Companies.*** The Fund may trade and invest in equity securities of small- and mid-cap issuers. Smaller capitalization stocks involve higher risks in some respects than do investments in stocks of larger companies. For example, prices of small-capitalization and even medium capitalization stocks are often more volatile than prices of large-capitalization stocks, and the risk of bankruptcy or insolvency of many smaller companies (with the attendant losses to investors) is higher than for larger, “blue-chip” companies. In addition, due to thin trading in some small-capitalization stocks, an investment in those stocks may be highly illiquid. Some small companies have limited distribution channels and financial and managerial resources. Such companies may also be dependent on personnel (including key personnel) with limited experience.

***Concentration of Investments.*** The Fund is not limited in the amount of capital that it may commit to any one investment and, in fact, the Fund will have concentrated positions within its portfolio. Allocation of a large portion of the Fund’s capital to one or a small number of investments could increase the risk of investing in the Fund because of the lack of diversification in its portfolio. The concentration of the Fund’s portfolio in a limited number of issuers, industries or strategies will subject the Fund to a greater degree of risk with respect to the failure of one or a few issuers or with respect to economic downturns in relation to such industry. The Fund may face similar risks with respect to concentration of investments in a particular country.

***Technology and Related Risks.*** Certain companies in which the Fund invests may allocate greater than usual amounts to research and product development. The securities of such companies may experience above average price movements associated with the perceived prospects of success of the research and development programs. In addition, companies in which the Fund invests could be adversely affected by lack of commercial acceptance of a new product or products or by technological change and obsolescence. Some of these companies may have limited operating histories. As a result, these companies may have inexperienced management, face undeveloped or limited markets, have limited products, have no proven



profit-making history, may operate at a loss or with substantial variations in operating results from period to period, have limited access to capital and/or be in the developmental stages of their businesses.

Further, many technology companies rely on a combination of patent, copyright, trademark and trade secret protection and non-disclosure agreements, to establish and protect their proprietary rights, which are frequently essential to the growth and profitability of a technology company. There can be no assurance that a particular company will be able to protect these rights or will have the financial resources to do so, or that competitors will not develop or patent technologies that are substantially equivalent or superior to the technology of a company in which the Fund invests. Conversely, other companies may make infringement claims against a company in which the Fund invests, which could have a material adverse effect on such company.

The markets in which many technology companies operate are extremely competitive. New technologies and improved products and services are continually being developed, rendering older technologies, products and services obsolete. Moreover, competition can result in significant downward pressure on pricing. There can be no assurance that companies in which the Fund invests will successfully penetrate their markets or establish or maintain competitive advantages.

***Use of Leverage.*** The Adviser may use leverage and borrowing. Such leverage may be achieved through, among other methods, borrowing funds, purchases of securities on margin and the use of options, futures, forward contracts, repurchase and reverse repurchase agreements and swaps. The Fund may also borrow or use leverage in its portfolio. The Fund may borrow funds from brokers, banks and other lenders to finance their investing and trading operations, which borrowings may be secured by assets of the Fund. The use of such leverage can, in certain circumstances, maximize the losses to which the Fund's investment portfolios may be subject. Any event that adversely affects the value of an investment would be magnified to the extent that particular assets or the Fund as a whole are leveraged. The cumulative effect of the use of leverage by the Fund in a market that moves adversely to the Fund's investments could result in a substantial loss to the Fund, which would be greater than if the Fund were not leveraged.

***Commodity Interest Trading.*** The Adviser may trade in commodity interests, the prices of which can be volatile, particularly over short time periods. Investments in individual commodity futures contracts and options on futures contracts historically have had a high degree of price variability and may be subject to rapid and substantial price changes. These price changes may be magnified by computer-driven model-based trading, which is becoming much more prevalent in the commodities markets. The Fund could incur significant losses on investments in commodities interests.

The values of commodities which underlie the commodity futures contracts and other types of financial instruments in which the Fund invests generally are affected by, among other factors, the cost of producing commodities, changes in consumer demand for commodities, the hedging and trading strategies of producers and consumers of commodities, speculative trading in commodities by commodity pools and other market participants, disruptions in commodity supply, weather and climate conditions, changes in interest rates, rates of inflation, currency devaluations and revaluations, embargoes, tariffs, regulatory developments, governmental, agricultural, trade, fiscal, monetary and exchange control programs and policies, political and other global events and global economic factors. In addition, governments from time to time intervene, directly and by regulation, in certain markets, often with the intent to influence prices directly. The effects of governmental intervention may be particularly significant at certain times in certain markets and this intervention may cause these markets to move rapidly. The Adviser generally has no control over the factors that affect the price of commodities or commodity interests. Accordingly, the value of the Fund's investments could change substantially and in a rapid and unpredictable manner.

***Investments in the Energy Industry.*** The Fund may invest in the energy markets, through investments in derivative instruments, physical commodities and energy companies. Investments in the energy industry may be subject to a variety of risks, not all of which can presently be foreseen or quantified. Examples of such risks may include, but are not limited to: (i) the risk that technology employed in an energy project will not be effective or efficient; (ii) uncertainty about the availability or efficacy of energy sales agreements or fuel supply agreements that may be entered into in connection with a project; (iii) risks that regulations affecting the energy industry will change in a manner detrimental to the industry; (iv) environmental liability risks related to energy properties and projects; (v) risks of equipment failures, fuel interruptions, loss of sale and supply contracts or fuel contracts, decreases or escalations in power contract or fuel contract prices, bankruptcy of key customers or suppliers, tort liabilities in excess of insurance coverage, inability to obtain desirable amounts of insurance at economic rates, acts of God and other catastrophes; (vi) uncertainty about the extent, quality and availability of oil and gas reserves; (vii) risks that interest rate increases may make project financing more difficult to obtain, or impair the cash flow of projects which are leveraged and (viii) volatility of energy prices and in the energy industry in general. The occurrence of any of these events could have a material negative financial impact on the Fund's investments relating to energy and ultimately have a material adverse impact on the Fund's performance.

***Use of Derivatives.*** The Adviser may use derivative instruments, including without limitation, option contracts, swap agreements and forward contracts, and derivative techniques, including without limitation, synthetic short sales, for various hedging and/or speculative purposes. The use of such instruments and techniques may result in leveraging the assets of the Fund, thereby exposing the Fund to significant risks.

Among other things, the prices of derivative instruments can be highly volatile. Price movements of derivative instruments are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. In addition, governments from time to time intervene, directly and by regulation, in certain markets, particularly those in currencies, financial futures and options. Such intervention often is intended directly to influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations.

Uncertainties remain as to how the markets for these instruments will perform during periods of unusual price volatility or instability, market illiquidity or credit distress. Market movements are difficult to predict and financing sources and related interest rates are subject to rapid change. One or more markets may move against the derivatives positions held by a trader, thereby causing substantial losses. Many of these instruments are not traded on exchanges but rather through an informal network of banks and dealers who have no obligation to make markets in them and can apply essentially discretionary margin and credit requirements (and thus in effect force a trader to close out its positions).

**Options.** There are various risks inherent in options trading. For example, the seller (writer) of a covered call option (*i.e.*, the writer holds the underlying security) assumes the risk of a decline in the market price of the underlying security to a level below the purchase price of the security, less the premium received by the writer for writing the option. The writer of a covered call option also gives up the opportunity for gain on the underlying security above the exercise price of the option. The buyer of a call option assumes the risk of losing the premium invested in the option. The seller (writer) of a covered put option (*e.g.*, the writer has a short position in the underlying security) assumes the risk of an increase in the market price of the underlying security above the sales price (in establishing the short position) of the underlying security plus the premium received, and gives up the opportunity for gain on the underlying security below the exercise price of the option less the premium received on the put option. The buyer of a put option assumes the risk of losing the

premium it paid to purchase the put option. There is an unlimited risk of loss associated with selling options.

The options markets have the authority to prohibit the exercise of particular options, which if imposed when trading in the option has also been halted, would lock holders and writers of that option into their positions until one of the two restrictions has been lifted.

The Adviser also may trade options on futures contracts. Such an option is a right, purchased for a certain price, to either buy or sell the underlying futures contract during a certain period of time for a fixed price. Trading options on futures is speculative and highly leveraged. Specific market movements of the futures contracts underlying an option cannot accurately be predicted. If the Adviser purchases an option, it will be subject to the risk of losing the entire purchase price of the option. On the other hand, if the Adviser writes (sells) an option, it will be subject to the risk of loss resulting from the difference between the amount received for the option and the price of the futures contract underlying the option which the Adviser must purchase or deliver upon exercise of the option.

Futures. In the futures markets, margin deposits typically range between 2% and 15% of the value of the futures contract purchased or sold. Because of these low margin deposits, futures trading is inherently highly leveraged. As a result, a relatively small price movement in a futures contract may result in immediate and substantial losses to the trader. For example, if at the time of purchase 10% of the price of a futures contract is deposited as margin, a 10% decrease in the price of the contract would, if the contract is then closed out, result in a total loss of the margin deposit before any deduction for brokerage commissions. A decrease of more than 10% would result in a loss of more than the total margin deposit.

Futures positions may be illiquid because certain commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as “daily price fluctuation limits” or “daily limits.” Under such limits, during a single trading day no trades may be executed at prices beyond the daily limits. Once the price of a particular futures contract has increased or decreased by an amount equal to the daily limit, positions in that contract can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. This could prevent the Adviser from promptly liquidating unfavorable positions and thus subject the Fund to substantial losses. In addition, the Adviser may not be able to execute futures contract trades at favorable prices if little trading in the contracts involved is taking place. It also is possible that an exchange or the CFTC may suspend trading in a particular contract, order immediate liquidation and settlement of a particular contract, or order that trading in a particular contract be conducted for liquidation only.

Certain commodity exchanges have also established limits, referred to as “position limits,” on the maximum net long or net short positions which any person may hold or control in particular commodity futures contracts. The Adviser may have to modify its investment and trading decisions, and might have to liquidate positions, in order to avoid exceeding such limits. If this should occur, it could adversely affect the profitability of the Fund.

Combination Transactions. The Adviser may engage in spreads or other combination options transactions involving the purchase and sale of related options and futures contracts. These transactions are considerably more complex than the purchase or writing of a single option. They involve the risk that executing simultaneously two or more buy or sell orders at the desired prices may be difficult or impossible, the possibility that a loss could be incurred on both sides of a multiple options transaction, and the possibility of significantly increased risk exposure resulting from the hedge against loss inherent in most spread positions being lost as a result of the assignment

of an exercise to the short leg of a spread while the long leg remains outstanding. Also, the transaction costs of combination options transactions can be especially significant because separate costs are incurred on each component of the combination.

Straddles. In straddle writing, where the investor writes both a put and a call on the same underlying interest at the same exercise price in exchange for a combined premium on the two writing transactions, the potential risk of loss is unlimited. To the extent the price of the underlying interest is either above or below the exercise price by more than the combined premium, the writer of a straddle will incur a loss when one of the options is exercised. If the writer is assigned an exercise on one option position in the straddle and fails to close out the other position, subsequent fluctuations in the price of the underlying interest could cause the other option to be exercised as well, causing a loss on both writing positions.

Forward Trading. The Adviser may utilize forward contracts and options thereon which, unlike futures contracts, are not traded on exchanges and are not standardized; rather banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and “cash” trading is substantially unregulated; there is no limitation on daily price movements and speculative position limits are not applicable. The principals who deal in the forward markets are not required to continue to make markets in the currencies or commodities they trade and these markets can experience periods of illiquidity, sometimes of significant duration. There have been periods during which certain participants in these markets have refused to quote prices for certain currencies or commodities or have quoted prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell. Disruptions can occur in any market in which the Adviser trades due to unusually high trading volume, political intervention or other factors. The imposition of controls by governmental authorities might also limit such forward trading to less than that which the Adviser would otherwise recommend, to the possible detriment of the Fund. Market illiquidity or disruption could result in major losses to the Fund.

In the forward markets, margin deposits may be even lower than in other markets or may not be required at all. Such low or non-existent margin deposits are indicative of the fact that any trading in the forward markets typically is accompanied by a high degree of leverage.

Investing in the forward markets typically is accompanied by a high degree of leverage.

Swaps. The Adviser may enter into swap agreements and options on swap agreements (“*swaptions*”). These agreements can be individually negotiated and structured to include exposure to a variety of different types of investments, asset classes or market factors. The Fund, for instance, may enter into swap agreements with respect to interest rates, credit defaults, currencies, financial instruments, indexes of financial instruments and other assets or other measures of risk or return. Depending on their structure, swap agreements may increase or decrease exposure to, for example, equity financial instruments, long-term or short-term interest rates, foreign currency values, credit spreads or other factors. Swap agreements can take many different forms and are known by a variety of names. The Adviser is not limited to any particular form of swap agreement. Whether the Adviser’s use of swap agreements or swaptions will be successful will depend on its ability to select appropriate transactions. Swap transactions may be highly illiquid and may increase or decrease the volatility of the Adviser’s portfolio. Moreover, the Fund will bear the risk of loss of the amount expected to be received under a swap agreement in the event of the default or insolvency of its counterparty. The Fund will also bear the risk of loss related to swap agreements, for example, for breaches of such agreements or the failure of the Fund to post or maintain required collateral. Many swap markets are relatively new and still developing. It is possible that developments in the

swap markets, including potential government regulation, could adversely affect the Adviser's ability to terminate swap transactions or to realize amounts to be received under such transactions.

***Hedged and Arbitrage Strategies.*** The use of "hedged" or arbitrage strategies does not necessarily mean these strategies are relatively low risk. Substantial losses may be recognized on hedge or arbitrage positions, and illiquidity and default on one side of a position can effectively result in the position being transformed into an outright speculation. Every hedge or arbitrage strategy involves exposure to some second order risk of the markets, such as the implied volatility in convertible bonds or warrants, the yield spread between similar term government bonds or the price spread between different classes of stock for the same issuer. The Adviser may employ limited directional strategies which expose the Fund to market risk. Among the risks of arbitrage transactions are that two or more buy or sell orders may not be able to be executed simultaneously at the desired prices, resulting in a loss being incurred on both sides of a multiple trade arbitrage transaction. Also, the transaction costs of arbitrage transactions can be especially significant because separate costs are incurred on each component of the combination. Consequently, a substantial favorable price movement may be required before a profit can be realized.

***Short Selling.*** The Adviser may engage in selling securities and other financial instruments short, which involves the sale of borrowed financial instruments. In order to sell a financial instrument short, the seller must borrow the financial instrument from a lender and deliver it to the buyer. The seller is then obligated to return the financial instrument to the lender at its request (although the seller remains free to return the financial instrument to the lender at any time prior to the lender's request). The seller ordinarily fulfills its obligation to return a financial instrument previously sold short by acquiring it in the open market.

A short sale by the Adviser ordinarily involves a judgment on its part that, subsequent to the sale, the price of the financial instrument will fall over time, resulting in profits equal to the difference between the net proceeds of the sale and the cost of acquiring the financial instrument (or a financial instrument exchangeable for or convertible into such financial instrument) at a later date to fulfill the obligation to return the financial instrument to the lender.

The principal risk in selling a particular financial instrument short is that, contrary to the Investment Manager's expectation, the price of the financial instrument will rise, resulting in a loss equal to the difference between the cost of acquiring the financial instrument (for return to the lender) and the net proceeds of the short sale. (This risk of loss is theoretically unlimited; since there is theoretically no limit on the price to which the financial instrument sold short may rise.)

Another risk is that the short seller may be forced to unwind a short sale at a disadvantageous time for any number of reasons. For example, a lender may call back a stock at a time the market for such stock is illiquid or additional stock is not available to borrow. In addition, some traders may attempt to profit by making large purchases of a financial instrument that has been sold short. These traders hope that, by driving up the price of the financial instrument through their purchases, they will induce short sellers to seek to minimize their losses by buying the financial instrument in the open market for return to their lenders, thereby driving the price of the financial instrument even higher.

***Reliance on Fundamental Analysis.*** The Adviser may base its trading decisions, in whole or in part, on fundamental analysis. Fundamental trading systems consider factors, such as inflation, trade balances, inventories and interest rates, which do not have an impact on traditional technical trading systems, in an attempt to identify investment opportunities. To the extent that such factors provide mixed or conflicting signals, the fundamental trading systems may not be able to detect and/or accurately predict price trends. There can be no guarantee that the Adviser's fundamental trading systems will enable the Adviser to accurately value the securities in which the Fund invests or that any anticipated price trends will materialize with respect to such investments.

***Trading in Non-U.S. Companies and Markets.*** The Adviser will trade in non-U.S. markets and/or trade in the securities of non-U.S. companies involves certain considerations not usually associated with trading in securities of U.S. companies, including political and economic considerations, such as greater risks of expropriation and nationalization, confiscatory taxation, the potential difficulty of repatriating funds, general social, political and economic instability and adverse diplomatic developments; the possibility of imposition of withholding or other taxes on dividends, interest, capital gains or other income; the small size of some markets in foreign countries and the low volume of trading, resulting in potential lack of liquidity and in price volatility; fluctuations in the rate of exchange between currencies and costs associated with currency conversion; and certain government policies that may restrict investment opportunities. In addition, accounting and financial reporting standards that prevail in foreign countries generally are not equivalent to United States standards and, consequently, less information may be available to investors in companies located in foreign countries than is available to investors in companies located in the United States.

There is also less regulation, generally, of the financial markets in foreign countries than there is in the United States. For example, some foreign exchanges, in contrast to domestic exchanges, are “principals’ markets” in which performance is the responsibility only of the individual member with whom the trader has entered into a contract and not of an exchange or clearing corporation. In such a case, an investor is subject to the risk of the inability of, or refusal by, the counterparty to perform with respect to such contracts.

***Trading in OTC Markets.*** The Adviser may engage in over-the-counter (“OTC”) derivative transactions, such as currency forward contracts traded in the interbank market; options on currency forward contracts and certain swap agreements. In general, there is less governmental regulation and supervision of transactions in the OTC markets than of transactions entered into on organized exchanges. Most of the protections afforded to participants on U.S. and certain non-U.S. exchanges, such as daily price fluctuation limits and the performance guarantee of an exchange clearinghouse, will not be available in connection with OTC transactions. The Fund will be exposed to greater risk of loss through default than if they confined their trading to organized exchanges.

***Cash and Cash Equivalent Investments.*** The Fund may invest a portion of their assets in cash or cash equivalent items for investment purposes, pending other investments, as collateral or as provision of margin or derivative instruments. These cash items generally are of high quality at the time of investment and may include a number of money market instruments such as negotiable or non-negotiable securities issued by or short-term deposits with the U.S. and non-U.S. governments and agencies or instrumentalities thereof, bankers’ acceptances, high quality commercial paper, repurchase agreements, bank certificates of deposit, and short-term debt securities of U.S. or non-U.S. issuers deemed to be creditworthy by the Adviser. While these investments generally involve relatively low risk levels, they may produce lower than expected returns, and could result in losses.

***Accuracy of Public Information.*** The Adviser selects investments for the Fund, in part, on the basis of information and data filed by issuers with various government regulators or made directly available to the Adviser by the issuers or through sources other than the issuers. Although the Adviser evaluates all such information and data and ordinarily seeks independent corroboration when the Investment Manager considers it appropriate, the Adviser is not in a position to confirm the completeness, genuineness or accuracy of such information and data, and in some cases, complete and accurate information is not available.

***Corporate Debt.*** While not presently contemplated, it is possible from time to time that the Fund may invest in bonds, notes and debentures issued by corporations. These instruments may pay fixed, variable or floating rates of interest, and may include zero coupon obligations. The Fund may invest in corporate debt

instruments that have experienced or are contemplated to experience ratings downgrades. Other instruments may have the lowest quality ratings or may be unrated. Credit ratings evaluate the safety of the principal and interest payments, not the market value risk of lower-rated instruments. Such ratings also do not reflect macroeconomic or systemic risk, including the risk of increased illiquidity in the credit markets. It is also possible that a rating agency might not change its rating of a particular issue on a timely basis and, as a result, outstanding ratings may not reflect the issuer's current credit standing. Conversely, rating agencies may re-rate an instrument which could cause substantial loss as the ratings are downgraded. The Fund's investments may experience significant credit rating volatility, which may result in significant market value volatility and the potential for substantial loss. In addition, the Fund may be paid interest in kind in connection with its investments in corporate debt and related financial instruments (e.g., the principal owed to the Fund in connection with a debt investment may be increased by the amount of interest due on such debt investment). Such investments may experience greater market value volatility than debt obligations that provide for regular payments of interest in cash and, in the event of a default, the Fund may experience substantial losses.

***Risk Reduction Techniques May not be Effective.*** The Adviser may use various hedging or other "risk-reduction" techniques in an attempt to minimize the risk of loss in portfolio positions. Such techniques may not always be available, and even when implemented may not always be effective in limiting losses. For example, the degree of correlation between an asset being hedged and the hedging instruments may vary from historical trends, resulting in less protection to the portfolio.

Some hedging techniques limit the opportunity for gain with respect to the position being hedged. In addition, risk-reduction techniques impose additional trading costs. During particularly volatile market conditions, the Adviser may use risk-reduction techniques that provide no added protection, while possibly imposing significant transaction costs. Moreover, illiquidity or default on one side of a hedge can effectively result in the position being converted into one that is entirely speculative.

***Broad Investment and Trading Mandate.*** The Partnership Agreement does not impose significant restrictions on the Adviser's investing and trading for the Fund and permits the Fund to invest and trade in a broad range of financial instruments. The Adviser may engage in any strategies from time to time (either in lieu of or in addition to the strategies described herein) to take advantage of changing market conditions and investment opportunities, without notice to the Investors. This could involve changes in the types of financial instruments in which the Fund trades and invests, as well as changes in the markets in which such instruments trade. There can be no assurance that pursuing additional strategies, either in lieu of or in addition to the three principal strategies described herein, would be successful or not result in losses. The General Partner will, however, notify the Investors of any material changes to the Fund or its business.

## **ITEM 9. DISCIPLINARY INFORMATION**

The Adviser has no legal or disciplinary events to disclose.

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

Neither the Adviser nor its management personnel are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer, futures commission merchant, commodity pool operator, or commodity trading advisor.

Neither the Adviser nor its management personnel have a financial industry relationship with a "related person" (as such term is defined in the Form ADV Instructions) that is material to its advisory business or to its Clients.

The Adviser neither recommends nor selects other investment advisers for its Clients.

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

### **Code of Ethics**

The Adviser has adopted a Code of Ethics (the “Code”) that obligates the Adviser and its related persons to put the interests of the Clients before their own interests and to act honestly and fairly in all respects in their dealings with the Clients. All of the Adviser’s personnel are also required to comply with applicable federal securities laws. For additional information about the Code or to request a copy, please contact Charles W. Robertson II at (914) 580-4203 or [crobertson@qemllc.net](mailto:crobertson@qemllc.net).

The Code covers standards of business conduct, prohibited business practices, personal trading requirements, reporting of personal securities transactions, insider trading, restrictions on accepting and giving significant gifts, and required pre-approval of certain gifts and business entertainment items, among other things.

The Code includes a prohibition on insider trading. Supervised Persons are prohibited from trading, either personally or on behalf of others, in securities while in possession of material non-public information (“MNPI”) regarding these securities or communicating MNPI to others. A restricted list is maintained regarding issuers about which the Adviser has MNPI. Pre-clearance is required for certain personal securities transactions, including, but not limited, to initial public offerings and private placements. In addition, Supervised Persons are required to submit quarterly reports of security transactions for their own accounts or any account in which they have a direct or indirect beneficial interest.

### **Participation or Interest in Client Transactions**

The Adviser may determine that it would be in the best interests of the Fund and one or more other Clients (including, without limitation, an Account), to transfer a security from one account to another (each such transfer, a “Cross Trade”) for a variety of reasons, including, without limitation, tax purposes, liquidity purposes, to rebalance the portfolios of the accounts, or to reduce transaction costs that may arise in an open market transaction. If the Adviser decides to engage in a Cross Trade, the Adviser will determine that the trade is in the best interests of both of the accounts involved in it and take steps to ensure that the transaction is consistent with the duty to obtain best execution for each of those Clients. The Adviser generally intends to execute Cross Trades, if at all, with the assistance of a broker-dealer who executes and books the transaction at the close of the market on the day of the transaction.

To the extent that Cross Trades may be viewed as principal transactions (as such term is used under the Advisers Act) due to the ownership interest in an account by the General Partner, the Adviser or its personnel, the General Partner and the Adviser will comply with the requirements of Section 206(3) of the Advisers Act. The General Partner and the Adviser may from time to time cause the Fund to engage in certain transactions and arrangements involving actual or potential conflicts of interest by and among the General Partner, the Adviser the principals, their respective affiliates and various other persons, on the one hand, and the Fund and the Investors, on the other hand. Any actual or potential conflicts of interest may be resolved by the General Partner and the determinations of the General Partner will be conclusive and absolutely binding upon the Fund and the Investors. The General Partner may (but will not be required to) establish and/or seek the consent and approval of the Advisory Committee, a majority in interest of the Investors or an independent third party with respect to any principal transactions, any matters or transactions involving actual or potential conflicts of interest or any matters requiring client consent under Section 206(3) of the Advisers Act (or any other applicable laws or regulations), and the approval and/or



consent of any such persons will be conclusive and binding on the Fund and each of the Investors.

The Adviser may seek the approval of a majority in interest of the Investors or an independent third party with respect to the approval of principal transactions, certain transactions involving actual or potential conflicts of interest or other transactions that require client consent under Section 206(3) of the Advisers Act (or any other applicable laws, rules or regulations), and the approval of any such persons on behalf of the Fund generally is conclusive and binding on the Fund and each of the Investors.

The Code requires Supervised Persons to place the interests of Clients first, and, on an annual basis, each Supervised Person must certify that he or she has read and understands the Code and has complied with its provisions. If any matter arises that the Adviser determines in its good faith constitutes an actual conflict of interest, the Adviser may take such actions as may be necessary or appropriate within the context of the Offering Documents to address the conflict. The Offering Documents detail what the Adviser believes to be the most significant conflicts of interest associated with an investment in the Fund. Investors should carefully consider the conflicts of interest herein as well as those outlined in the Offering Documents prior to investing in the Fund.

### **Personal Trading**

In its role as investment adviser to the Clients, the Adviser and its Supervised Persons make investment decisions for each Client. The Adviser and its Supervised Persons may trade and invest for their own accounts, including investments in equity instruments, private placements and exchange-traded funds, amongst others. To address conflicts of interest that may be posed by this type of trading, the Adviser maintains the Code. Specifically, the Code requires that Supervised Persons of the Adviser disclose their personal securities holdings and transactions to the Adviser on a periodic basis and pre-clear certain types of personal securities transactions. The Code also establishes a minimum holding period for such securities. Additionally, the Code requires Supervised Persons to submit initial holdings reports, and quarterly transaction reports showing all transactions in which the person has, or by reason of such transaction acquires, any direct or indirect beneficial ownership in covered securities, with limited exceptions for securities such as shares of mutual funds. This enables the Adviser to determine with reasonable assurance any indications of scalping, front-running or other appearances of a conflict of interest.

The Adviser, its affiliates and its employees may give advice or take action for their own accounts that may differ from, conflict with or be adverse to the advice or actions taken for a Client. These activities may adversely affect the prices and availability of other securities held by or potentially considered for purchase by any Client.

## **ITEM 12. BROKERAGE PRACTICES**

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

In selecting brokers and negotiating commission rates, the Adviser considers the financial stability and reputation of brokerage firms, and the research, brokerage or other services provided by such brokers. The Adviser may place transactions with a broker or dealer that (i) provides the Adviser (or an affiliate) with the opportunity to participate in capital introduction events sponsored by the broker-dealer, or (ii) refers Clients to the Adviser or Investors to the Funds, if otherwise consistent with seeking best execution.

When selecting brokers and negotiating commission rates, the Adviser will also consider, among other factors, the following: execution quality; historical net prices (after markups, markdowns or other

transaction-related compensation), the ability of the brokers and dealers to effect the transaction; the brokers' or dealers' facilities, reliability and financial responsibility; the availability of securities to borrow for short sales; and the provision by the brokers of capital introduction, talent introduction, marketing assistance, consulting with respect to technology, operations and equipment and commitment of capital.

Section 28(e) of the Exchange Act provides a "safe harbor" that permits the Adviser to use commissions or "soft dollars" to obtain research and brokerage services that provide lawful and appropriate assistance in the investment decision-making process. Except for services that would be an expense of a Client or as otherwise described below, the Adviser will limit the use of "soft dollars" to obtain research and brokerage services to services which constitute research and brokerage within the meaning of Section 28(e). Research and brokerage services within Section 28(e) may include, but are not limited to, the following: research reports (including market research); certain financial newsletters and trade journals; software providing analysis of securities portfolios; corporate governance research and rating services; attendance at certain seminars and conferences; discussions with research analysts; meetings with corporate executives; consultants' advice on portfolio strategy; data services (including services providing market data, company financial data and economic data); advice from brokers on order execution; and certain proxy services; services related to the execution, clearing and settlement of securities transactions and functions incidental thereto (i.e., connectivity services between the Adviser and a broker-dealer and other relevant parties such as custodians); trading software operated by a broker-dealer to route orders; software that provides trade analytics and trading strategies; software used to transmit orders; clearance and settlement in connection with a trade; electronic communication of allocation instructions; routing settlement instructions; post trade matching of trade information; and services required by the SEC or a self-regulatory organization such as comparison services, electronic confirms or trade affirmations.

In some instances, the Adviser may receive a product or service that may be used only partially for functions within Section 28(e) (e.g., an order management system, or trade analytical software). In such instances, the Adviser will make a good faith effort to determine the relative portion of the product or service used to assist the Adviser in carrying out its investment decision-making responsibilities and the relative portion used for administrative or other purposes outside Section 28(e). The portion of the product or service attributable to assisting the Adviser in carrying out its investment decision-making responsibilities will be paid through brokerage commissions generated by a Client's transactions and the portion attributable to administrative or other purposes outside Section 28(e) will be paid for by the Adviser, from its own resources.

Although the Adviser will make a good faith determination that the amount of commissions paid is reasonable in light of the products or services provided by a broker, commission rates are generally negotiable and thus, selecting brokers on the basis of considerations that are not limited to the applicable commission rates may result in higher transaction costs than would otherwise be obtainable. The Adviser need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. It is not the Adviser's practice to negotiate "execution only" commission rates, thus the Clients may be deemed to be paying for research, brokerage or other services provided by a broker-dealer which are included in the commission rate. The receipt of such products or services and the determination of the appropriate allocation in the case of "mixed use" products or services creates a potential conflict of interest between the Adviser and its Clients.

If the Adviser uses a Client's brokerage commissions to obtain research and related services, the Adviser will receive a benefit because it will not need to produce or pay for the research, products or services. In addition, the Adviser may have an incentive to select or recommend a broker or dealer based on its interest in receiving the research or other products and services, rather than on a Client's interest in receiving best execution.

Also, consistent with Section 28(e), research products or services obtained with “soft dollars” generated by one or more Clients may be used by the Adviser to service one or more other Clients (including, without limitation, Clients that may not have paid for the soft dollar benefits). The Adviser does not seek to allocate soft dollar benefits to Clients in proportion to the soft dollar credits the Client generates. The Adviser reserves the right, in their sole discretion, to change the brokerage and custodial arrangements described above without further notice to investors.

The Adviser maintains policies and procedures to review the quality of executions, including periodic review by its trading and investment professionals.

### **Order Aggregation**

If the Adviser determines that the purchase or sale of a security is appropriate with regard to more than one Client, the Adviser may, but is not obligated to, purchase or sell such a security on behalf of such Clients with an aggregated order, for the purpose of reducing transaction costs, to the extent permitted by applicable law. When an aggregated order is filled through multiple trades at different prices on the same day, each participating Client will receive the average price, with transaction costs generally allocated *pro rata* based on the size of each Client’s participation in the order (or allocation in the event of a partial fill) as determined in the sole discretion by the Adviser. In the event of a partial fill, allocations may be modified on a basis that the Adviser deems to be appropriate, including, for example, in order to avoid odd lots or de minimis allocations.

When orders are not aggregated, trades generally will be processed in the order that they are placed with the broker or counterparty selected by the Adviser. As a result, certain trades in the same security for one Client (including a Client in which the Adviser and its personnel may have a direct or indirect interest) may receive more or less favorable prices or terms than another Client, and orders placed later may not be filled entirely or at all, based upon the prevailing market prices at the time of the order or trade. In addition, some opportunities for reduced transaction costs and economies of scale may not be achieved. In such circumstances (or any other circumstances where the Adviser is not able to acquire the desired aggregate amount of securities), the Adviser may make such allocations among the accounts in any manner which it considers to be fair under the circumstances, including, but not limited to, allocations based on relative account sizes, the degree of risk involved in the securities acquired, and the extent to which a position in such securities is consistent with the investment policies and strategies of the various accounts involved. It is the Adviser’s policy to ensure that investment allocations are made among Clients in a manner that is fair and equitable over time.

### **ITEM 13. REVIEW OF ACCOUNTS**

The Adviser’s management personnel regularly reviews and monitors the Clients’ portfolios to determine whether positions should be maintained in view of current market conditions. The Adviser’s review may consider specific securities held, adherence to investment guidelines, and the Clients’ performance.

Investors receive written reports from the relevant Fund as described in the applicable Offering Documents.

### **ITEM 14. CLIENT REFERRALS AND OTHER COMPENSATION**

The Adviser may at times engage a placement agent for introducing potential investors to the Funds. Placement agents that solicit or refer potential investors to the Adviser may be subject to a conflict of interest because they will be compensated in connection with their solicitation activities. All placement agent fees will be fully disclosed to the solicited investors and Clients to the extent required under applicable law.

Moreover, as discussed above in **Item 12**, the Adviser receives certain research or other services from broker-dealers through “soft dollar” arrangements. “Soft dollar” arrangements may create an incentive for the Adviser to select or recommend broker-dealers based on the Adviser’s interest in receiving the research or other products or services and may result in the selection of a broker-dealer on the basis of considerations that are not limited to the lowest commission rates and may result in higher transaction costs than would otherwise be obtainable by the Firm on behalf of the Clients. The Adviser’s soft dollar transactions are only effected in compliance with the safe harbor provided by Section 28(e) of the Exchange Act.

#### **ITEM 15. CUSTODY**

To the extent applicable, the Adviser will comply with the requirements of Rule 206(4)-2 of the Advisers Act (the “Custody Rule”) with regards to custody of Client assets. The Custody Rule imposes certain obligations on registered investment advisers that have custody or possession of any funds or securities in which any client has any beneficial interest.

The Adviser is deemed to have custody of the assets held by the Fund. For each Fund over which the Adviser has custody of its assets or securities, such accounts are held in custody at qualified custodians which may include unaffiliated broker dealers and banking institutions. Annually, upon completion of the Fund’s year- end audit, the Adviser distributes audited financial statements to the Investors in the Fund within one hundred and twenty (120) days of the end of each fiscal year.

The Adviser urges the Investors to carefully review all statements and reports they receive. The Adviser also urges its Clients, including Investors in the Fund, to compare any reports received from the Adviser with reports received from third-party administrators and/or custodians. Management personnel will be available to assist in reviewing and understanding any such reports.

#### **ITEM 16. INVESTMENT DISCRETION**

The Adviser provides investment advisory services on a discretionary basis to its Clients. Clients may not place any restrictions on the Adviser’s discretionary authority. The Adviser enters into governing documents with its Clients (including, without limitation, applicable Offering Documents and any investment management agreements), which set forth the scope of the Adviser’s discretion, prior to assuming full discretion in managing the Clients’ assets. The Adviser has the authority to determine (i) the securities to be purchased and sold for the Clients, subject to the relevant Client’s investment restrictions, and (ii) the amount of securities to be purchased or sold for the Clients.

Although it is the Adviser’s policy to allocate investment opportunities to an eligible Client on a *pro rata* basis (based on assets under management), these and other factors may lead the Adviser to allocate securities to the Clients in varying amounts.

#### **ITEM 17. VOTING CLIENT SECURITIES**

The Adviser complies with its proxy voting policies and procedures that are designed to ensure that in cases where the Adviser votes proxies with respect to a Client’s securities, such proxies are voted in the best interests of the Client. To that end, the Adviser will vote in a way that it believes is consistent with its fiduciary duty and will cause the value of the issue to increase the most. The Adviser will consider the recommendation of the relevant company’s board of directors in considering how to vote but will vote against the board’s recommendation if it determines that it would be in the best interests of the Clients to do so. Decisions will not be made on social, ethical, moral or other non-economic grounds. Consideration will be given to both the short and long term implications of the proposal.

If a material conflict of interest between the Adviser and a Client exists, the Adviser will determine whether voting in accordance with the guidelines set forth in the proxy voting policies and procedures is in the best interests of the Clients, or whether the Adviser should take some other appropriate action.

Clients may request a copy of Quanta's proxy voting policies and procedures, as well as relevant proxy voting records, by making a request to the CCO at 914-580-4203 or [crobertson@qemllc.net](mailto:crobertson@qemllc.net).

#### **ITEM 18. FINANCIAL INFORMATION**

The Adviser does not require or solicit the payment of fees six (6) months or more in advance.

The Adviser has no financial condition that is reasonably likely to impair its ability to meet contractual and fiduciary commitments to its clients.

The Adviser has never been the subject of a bankruptcy petition.