

Form ADV Part 2A, Brochure
Item 1: Cover Page

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This brochure (“**Brochure**”) provides information about the qualifications and business practices of Marcellus International Investment Managers LLC (“**Marcellus**,” “**we**,” or “**us**”). If you have any questions about the content of this Brochure, please contact us at 917-254-0868. This Brochure has not been approved by the United States Securities Exchange Commission (the “**SEC**”) or by any state securities authority. Additional information about Marcellus is available on the SEC’s website, www.advisorinfo.sec.gov.

Item 2: Material Changes

This Brochure is a document which Marcellus provides to its clients as required by the SEC's rules. As a newly formed investment adviser, this is Marcellus' initial filing of the Brochure. Accordingly, there are no material changes to report.

In the future, in this Item 2, Marcellus will reference the date of the last annual update of its Brochure and will provide clients with a summary of any material changes made. Marcellus will further provide clients with a new Brochure as necessary based on changes, new information, or at a client's request, at any time, without charge.

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Item 4: Advisory Business

A. General Information

Marcellus is an investment adviser located in New York, New York, that was formed on August 15, 2024. Marcellus is wholly-owned by Marcellus Investment Managers Private Limited, a registered investment adviser located in India (“**Marcellus India**”).

B. Investment Advisory Services

Marcellus offers investment advisory services to private funds sponsored by Marcellus or one of its affiliates. Marcellus focuses its investment advisory services on large- and mid-cap US and global equities. Marcellus will have discretionary authority to trade its client’s assets. This Brochure should not be considered an offering document for an investment in any private fund and prospective, qualified investors should refer to a specific private fund’s offering memorandum or organizational documents for a complete description of that fund, including its types of investments and strategies, risks, conflicts of interest, fees, and expenses. As a discretionary investment adviser, Marcellus has authority to supervise and direct the portfolios of its private fund clients without prior consultation with those private funds’ investors. Marcellus’ investment advisory services will be tailored to match the private funds’ investment objective and strategy.

C. Wrap Fee Programs

A wrap fee program is an investment program where the investor pays one stated fee that includes management fees, transaction costs, fund expenses, and any other administrative fees. Marcellus does not participate in any wrap fee programs.

E. Type and Value of Assets Currently Managed

Marcellus is a newly formed registered investment advisory firm. Accordingly, as of the date of this Brochure, Marcellus does not have any assets under management.

Item 5: Fees and Compensation

The scope of work and fee for an investment advisory agreement is negotiated with and provided to the client in writing prior to the start of the relationship.

A. Investment Advisory Services Fee

Marcellus bases its investment advisory services fees on a percentage of assets under management.

Marcellus’ investment advisory fee will be negotiated with each client. While fees may be individually negotiated, clients will generally pay investment advisory fees not to exceed the annual rate of 2.5%.

B. Additional Fees

To the extent consistent with a private fund’s investment objectives and strategies, Marcellus may

invest client assets in unaffiliated investment vehicles, such as ETFs and mutual funds. The fees charged by such funds are disclosed in each fund's prospectus or offering documents and are not included in Marcellus' investment advisory services fee. All such funds typically incur fees for investment advisory, administrative, and distribution services.

The investment advisory services fee charged by Marcellus also does not cover third-party fees and charges, including, without limitation, fees and charges in connection with: custodial fees, transaction and/or brokerage fees for the purchase or sale of securities, sub-advisory fees, margin interest, odd-lot differentials, IRA fees, transfer taxes, exchange fees, wire transfers, non-sufficient funds, bank wires, postage, costs associated with exchanging foreign currencies, and SEC fees or other fees or taxes required by law.

A private fund may incur transaction charges and/or brokerage fees when securities are purchased or sold for the private fund's account. These charges and/or fees are typically imposed by the broker-dealer through which the transactions are executed. For additional information with respect to Marcellus' brokerage practices, see Item 12 below.

Regulatory agencies or other governing bodies may also assess fees.

C. Payment

Marcellus' investment advisory services fee will be charged in accordance with the investment advisory agreement between Marcellus and the private funds. Marcellus' investment advisor services fee may be charged in advance. If an account is closed or transferred, Marcellus has the right to prorate fees for the period of time the assets were under management.

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

A performance-based fee is a fee calculated based on a share of capital gains on, or capital appreciation of, the assets of an account. In addition to those fees listed in Item 5, Marcellus may charge a performance-based fee. Performance-based fees can create an incentive for an adviser such as Marcellus to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. Also, because the performance-based fee is calculated on a basis which includes unrealized as well as realized appreciation of assets, the incentive may be greater than if such compensation were based solely on realized gains.

Marcellus has implemented policies and procedures to ensure that all of their advisory clients receive equitable and fair treatment over time with respect to the allocation of investment opportunities. Performance-based fees will be charged to U.S. investors in accordance with the provisions of Rule 205-3 of the Investment Advisers Act of 1940, as amended.

Item 7: Types of Clients

As discussed in Item 4 above, Marcellus offers investment advice to private funds. Marcellus does not have a minimum account size.

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

The investment strategy for a specific client is based upon the client's size, objectives, and risk tolerance.

A. Methods of Analysis

Marcellus expects that its parent company, Marcellus India, will serve as sub-adviser to any private fund advised by Marcellus. Accordingly, Marcellus India will analyze and research potential investments and make recommendations to Marcellus. Marcellus will review those recommendations and determine the appropriate action for the private fund. In identifying and analyzing securities and constructing portfolios, Marcellus and Marcellus India may use a combination of internal and external research and may use a technical or fundamental analysis approach.

1. Technical Analysis

Technical analysis involves the examination of past market data rather than specific company data in determining which securities to buy/sell. Technical analysis may involve the use of various quantitative-based calculations, variation metrics and charts to identify market patterns and trends which may be based on investor sentiment rather than the fundamentals of a company. These trends may include put/call ratios, pricing trends, moving averages, volume, and changes in volume, among many others. These trends, both short and long-term, are used for determining specific trade entry and exit points and broad economic analysis.

2. Fundamental Analysis

Fundamental analysis is a method of evaluating a security in an attempt to assess its intrinsic value by examining related economic, financial, and other qualitative and quantitative factors. Fundamental analysts study anything that can affect the security's value, including macroeconomic factors (e.g., economy and industry conditions) and microeconomic factors (e.g., financial conditions and company management). The end goal of fundamental analysis is to produce a quantitative value that an investor can compare with a security's current price, thus indicating whether the security is undervalued or overvalued.

B. Investment Strategies

The primary investment strategy used to implement any investment plan typically takes the form of an asset allocation selected by Marcellus. Marcellus selects the appropriate asset allocation for each private fund based on the private fund's investment objective, investment strategy, and Marcellus' market analysis.

C. Investment Products

1. Equities (including options).

Where Marcellus selects individual equities for client accounts, Marcellus may select individual companies based on any of the analysis methods described above. Additional attributes and characteristics that are not included above may be reviewed in determining whether to include a

company in the allocation. To the extent consistent with a client's investment plan, from time to time Marcellus may recommend investments in options and derivatives instruments (e.g., to act as a hedge against market risk or other risks) including, without limitation, purchasing or writing put and call options.

2. Exchange-Traded Funds (ETFs) and Mutual Funds

Marcellus may seek to diversify a private fund's portfolio by investing in ETFs and mutual funds. Marcellus may select ETFs and mutual funds based on one or more of the following attributes: market and sector representation, daily trading volume, underlying fee and trading strategy, investment strategy, liquidity, diversification of holdings, risk levels, cash flows, economic returns and management style.

3. Fixed-Income

Marcellus may select corporate debt securities or any other fixed-income securities to include in client portfolios.

4. Cash and Cash Equivalents

To the extent consistent with a client's investment plan, from time to time Marcellus may recommend investments in cash and cash equivalents (e.g., for defensive purposes, for income purposes, in preparation for reallocation or withdrawal from an account, or for other investment purposes or cash needs).

D. Risk of Loss

All investments are subject to various types of risks. Accordingly, there can be no assurance that client portfolios will be able to meet their investment objectives and goals or that investments will not lose money. Below is a description of the principal risks that client portfolios face:

- *Advisory Risks:* There is no guarantee that Marcellus' judgment or investment decisions about particular securities or asset classes will necessarily produce the intended results. In addition, Marcellus' methods of analysis may produce sub-optimal results if other methods of analysis (e.g., technical and quantitative) are favored by other investors.
- *Allocation Risks:* The allocation of investments among different asset classes may have a significant effect on portfolio value when one of these asset classes is performing more poorly than the others. As investments will be periodically reallocated, there will be transaction costs which may be, over time, significant. In addition, there is a risk that certain asset allocation decisions may not achieve the desired results and, as a result, a client's portfolio may incur significant losses.
- *Business Risks:* There are risks associated with particular industries or particular companies within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates income from a steady stream of customers who buy electricity no matter what the economic environment is like.

- *Counterparty Risks:* Transactions are subject to the risk that the counterparty will not perform its obligations in accordance with the agreed terms and conditions or otherwise experience an operational or other disruptions. If a counterparty, like a custodian or broker-dealer, does not perform its obligations, experiences a decline in financial condition, encounters financial difficulties, or experiences operational or other disruptions, the operational capabilities or capital position of a client's portfolio may be adversely impacted.
- *Credit Risks:* Financial intermediaries or security issuers may experience adverse economic consequences that may include impaired credit ratings, default, bankruptcy or insolvency, any of which may affect portfolio values or management.
- *Currency Risks:* Investing in companies domiciled outside of the United States, or U.S. companies with overseas units, involves fluctuations in the value of the dollar against the currency of the foreign country, also referred to as exchange rate risk. Such fluctuations can affect client purchasing power.
- *Cybersecurity Risks:* While Marcellus and its third-party service providers have established information technology and data security programs and have in place business continuity plans and other systems designed to prevent losses and mitigate cybersecurity risk, there are inherent limitations in such plans and systems, including the possibility that certain risks have not been identified or that cyber-attacks may be highly sophisticated. As technology becomes more integrated into Marcellus' operations, Marcellus will face greater operational risks through breaches in cybersecurity. A breach in cybersecurity refers to both intentional and unintentional events that may cause Marcellus to lose proprietary information, suffer data corruption, or lose operational capacity. This in turn could cause Marcellus to incur regulatory penalties, reputational damage, additional compliance costs associated with corrective measures, and/or financial loss. Cybersecurity threats may result from unauthorized access to Marcellus' digital information systems (e.g., through "hacking" or malicious software coding), but may also result from outside attacks such as denial-of-service attacks (i.e., efforts to make network services unavailable to intended users). In addition, because Marcellus works closely with third-party service providers (e.g., administrators, transfer agents, and custodians), cybersecurity breaches at such third-party service providers may subject Marcellus to many of the same risks associated with direct cybersecurity breaches. The same is true for cybersecurity breaches at any of the issuers in which Marcellus may invest.
- *Derivative Risks:* Investments in options involve certain risks, including, without limitation: (i) that the counterparty to a transaction may not fulfill its contractual obligations; (ii) of mispricing or improper valuation; and (iii) that changes in the value of the option may not correlate perfectly with the underlying asset, rate or index. Option prices are highly volatile and may fluctuate substantially during a short period of time. Such prices are influenced by numerous factors that affect the markets, including, but not limited to: government programs and policies; national and international political and economic events, changes in interest rates, inflation and deflation and changes in supply and demand relationships. It is possible that certain options might be difficult to purchase or sell, possibly preventing from executing positions at an advantageous time or price, or

possibly requiring disposal of other investments at unfavorable times or prices in order to satisfy a portfolio's other obligations.

- *Equity Instruments Face Macro-economic and Geo-political Risks:* Sudden changes to the macro-economic and geo-political environment within which portfolio companies operate or are listed, could lead to increase in volatility of share prices of these companies.
- *Equity Market Risks:* Marcellus will generally invest client assets directly into equity investments, primarily stocks, or into pooled investment funds that invest in the stock market. As noted below, while pooled investment funds have diversified portfolios that may make them less risky than investments in individual securities, funds that invest in stocks and other equity securities are nevertheless subject to the risks of the stock market. These risks include, without limitation, the risks that stock values will decline due to daily fluctuations in the markets, and that stock values will decline over longer periods (e.g., bear markets) due to general market declines in the stock prices for all companies, regardless of any individual security's prospects.
- *Financial Risks:* Excessive borrowing to finance a business's operations increases the risk of profitability because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.
- *Fixed-Income Risks:* Marcellus may invest portions of client assets directly into fixed-income instruments, such as bonds and notes, or may invest in pooled investment funds that invest in bonds and notes. While investing in fixed-income instruments, either directly or through pooled investment funds, is generally less volatile than investing in stock (equity) markets, fixed-income investments nevertheless are subject to risks. These risks include, without limitation, interest rate risks (risks that changes in interest rates will devalue the investments), credit risks (risks of default by borrowers), or maturity risk (risks that bonds or notes will change value from the time of issuance to maturity).
- *Foreign Investing and Emerging Markets Risk:* Foreign investing involves risks not typically associated with U.S. investments, and the risks may be exacerbated further in emerging market countries. These risks may include, among others, adverse fluctuations in foreign currency values, as well as adverse political, social and economic developments affecting the foreign and/or emerging market countries.
- *Indian Market Risks:* Investments in Indian equities and other securities are speculative, and therefore may offer high potential for losses. Political and economic structures in India are maturing, but do not have the history and longevity of such structures in more developed nations. Indian securities markets and securities regulations may offer less transparency to investors relative to more established exchanges (e.g., New York Stock Exchange, London Stock Exchange, Tokyo Stock Exchange, etc.). Indian equities are also subject to potentially higher volatility due to evolving government regulations and requirements, which are subject to change more rapidly than more developed nations. Share prices of Indian companies tend to be volatile, can be subject to currency exchange fluctuations for U.S. investors and can lack liquidity.

- *Inflation Risks:* When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- *Information Risks:* Investment professionals rely on research in order to make conclusions about investment options and select investments. This research is generally a mix of both internal (proprietary) and external (provided by third parties) data and analyses. Particular third-party data, or outside research, is utilized, in part, because of its perceived reliability, but there is no guarantee that the data or research will be completely accurate and Marcellus will not seek to independently verify its accuracy. Failure in data accuracy or research may cause Marcellus to select investments that perform poorly and fail to help clients meet investment objectives and goals.
- *Interest-rate Risks:* Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- *Lack of Diversification Risks:* Client accounts may not have a diversified portfolio of investments at any given time, and a substantial loss with respect to any particular investment in an undiversified portfolio will have a substantial negative impact on the aggregate value of the portfolio.
- *Legislative and Tax Risks:* Performance may, directly or indirectly, be affected by government legislation or regulation, which may include, but is not limited to: changes in investment adviser or securities trading regulation; change in the U.S. government's guarantee of ultimate payment of principal and interest on certain government securities; and changes in the tax code that could affect interest income, income characterization and/or tax reporting obligations.
- *Liquidity Risks:* Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while directly held real estate properties are not. There is a risk that an investment in an illiquid product may make it harder to liquidate or require liquidating at a lower price due to the lack of readily available buyers.
- *Management Risks:* While Marcellus manages client investment portfolios, the value of client investment portfolios will change daily based on the performance of the underlying securities in which they are invested. Accordingly, client investment portfolios are subject to the risk that Marcellus allocates assets to asset classes that are adversely affected by unanticipated market movements, and the risk that Marcellus' specific investment choices could underperform their relevant indexes. Marcellus makes no guarantee regarding the investment performance of any client portfolio. Clients should understand that the investment performance and asset value of the client's portfolio can and will fluctuate and that the portfolio may lose money.
- *Market Risks:* The price of any security, bond, mutual fund, ETF or the value of an entire asset class can decline for a variety of reasons outside of Marcellus' control, including, but not limited to, changes in the macroeconomic environment, unpredictable market sentiment,

forecasted or unforeseen economic developments, interest rates, regulatory changes, and domestic or foreign political demographic, or social events.

- *Political Risks:* Changes in the political arena, both domestically and internationally, can affect various investments and markets. Changes to fiscal and monetary policies, especially the tax code, can have far reaching effects on individual companies, industry sectors or the whole market.
- *Quantitative Tools Risks:* Some of Marcellus' investment techniques may incorporate, or rely upon, quantitative models. There is no guarantee that these models will generate accurate forecasts, reduce risks or otherwise produce the intended results.
- *Restrictions Risks:* Clients may place restrictions on the management of their accounts. However, these restrictions may make managing the accounts more difficult, thus lowering the potential for returns.
- *Risks of Investments in Mutual Funds, ETFs and Other Investment Pools:* Marcellus may invest client portfolios in mutual funds, ETFs and other investment pools ("**pooled investment funds**"). Investments in pooled investment funds are generally less risky than investing in individual securities because of their diversified portfolios; however, these investments are still subject to risks associated with the markets in which they invest. In addition, pooled investment funds' success will be related to the skills of their particular managers and their performance in managing their funds. Pooled investment funds are also subject to risks due to regulatory restrictions applicable to registered investment companies under the Investment Company Act of 1940, as amended.
- *Risks Related to ETF NAV and Market Price:* The market value of an ETF's shares may differ from its net asset value ("NAV"). This difference in price may be due to the fact that the supply and demand in the market for ETF shares at any point in time is not always identical to the supply and demand in the market for the underlying basket of securities. Accordingly, there may be times when an ETF trades at a premium (creating the risk that a portfolio pays more than NAV for an ETF when making a purchase) or discount (creating the risks that the portfolio's value is reduced for undervalued ETFs it holds and that the portfolio receives less than NAV when selling an ETF).
- *Securities Traded in Multiple Exchanges:* Securities traded on multiple exchanges in different jurisdictions are subject to greater volatility based on issues including, without limitation: (1) political, economic and other matters unique to traders and investors in the geographical location of the exchange; (2) greater interest and volume of trading on one exchange versus the other; and (3) arbitrage or other opportunities arising based on different prices for the same or an equivalent security on different exchanges.
- *Software Risks:* Marcellus delivers services through software. It is possible that such software may not always perform exactly as intended or disclosed, especially in certain combinations of unusual circumstances, and any software imperfections, malfunctions or "glitches" could result in client losses. Marcellus continuously strives to monitor, detect and correct any software that does not perform as expected or disclosed, and Marcellus

preserves contractual rights to direct any software vendors to address and/or troubleshoot technical issues that may from time to time arise.

- *Technical Analysis Risks:* The primary risk in using technical analysis is that spotting historical trends may not help predict such trends in the future. Even if the trend will eventually recur, there is no guarantee that Marcellus will be able to accurately predict such a reoccurrence.
- *Transition Risks:* As assets are transitioned from a client's prior adviser to Marcellus, there may be securities and other investments that do not fit within the asset allocation strategy selected for the client. Accordingly, these investments may need to be sold in order to reposition the portfolio into the asset allocation strategy selected by Marcellus. However, this transition process may take some time to accomplish. Some investments may not be unwound for a lengthy period of time for a variety of reasons that may include low share prices Marcellus deems to be unwarranted, restrictions on trading, contractual restrictions on liquidity, market-related liquidity, or legacy stock concerns. In some cases, there may be securities or investments that are never able to be sold. The inability to transition a client's holdings into recommendations of Marcellus may adversely affect the client's account values.
- *Unforeseeable Circumstances Risk:* There is no guarantee that Marcellus will not be subject to an occurrence beyond its control including, without limitation: (i) an act of God (e.g., earthquake, fire, flood, war, act of terrorism, civil or military disturbance, sabotage, epidemic, pandemic, or riot); (ii) interruptions, loss or malfunctions of utilities, computer (hardware or software) or communications services; (iii) accidents; or (iv) acts of civil or military authority or governmental action. Any of the foregoing could adversely affect Marcellus' capability to manage client accounts or could adversely affect markets in which client accounts are invested.

Past performance is no guarantee of future results, and any historical returns, expected returns, or probability projections may not reflect actual future performance.

In the course of creating and managing a client's investment portfolio, Marcellus believes it is important for Marcellus' clients to understand and evaluate these risks, as part of their overall approach to setting realistic investment objectives.

Item 9: Disciplinary Information

As a registered investment adviser, Marcellus is required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's evaluation of Marcellus or the integrity of Marcellus' management.

The following is applicable to Mr. Saurabh Mukherjea, a control person of Marcellus India, Marcellus' sole owner.

On May 29, 2019, the Securities Exchange Board of India ("SEBI") issued show cause notice no. SEBI/HO/EAD-3/JS/OW/P/13577/1/2019 in respect of Mr. Mukherjea, in the capacity of the CEO of Institutional Equities, Ambit Capital Private Limited ("Ambit") in the matter of Mannapuram

Finance Ltd. (“**MFL**”) under Rule 4(1) of the SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudication Officer) Rules, 1995 and Rule 4(1) of Securities Contracts (Regulation) (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 2005.

The SEBI alleged that on March 18, 2013, Mr. Mukherjea and other Ambit personnel, in a meeting with Mr. I. Unnikrishnan and Mr. Sachin Agrawal of MFL, received unpublished price sensitive information (“**UPSI**”) and communicated that UPSI through a research report to Ambit’s clients two days before the UPSI was made public. The SEBI alleged that the commissioning and releasing of the research report violated SEBI regulations because the confidentiality of the UPSI was not maintained, resulting in loss on investors who were not privy to the UPSI and who dealt in the stock of MFL during the 19th and 20th of March, 2013.

On July 23, 2019, Mr. Mukherjea, without admitting or denying the findings of fact and conclusions of law, filed an application for settlement in connection with show cause notice. On September 29, 2020, the SEBI accepted the settlement application filed by Mr. Mukherjea and charged Mr. Mukherjea \$180,000 in settlement fees. Mr. Mukherjea has paid this amount in full and this matter is closed.

Item 10: Other Financial Industry Activities and Affiliations

Marcellus India, Marcellus’ sole owner, is an SEC registered investment adviser. Generally, all or a portion of the revenues earned by Marcellus ultimately flow to Marcellus India, as Marcellus’ parent company. This relationship creates conflicts of interest.

Marcellus India’s clients may invest in the private funds that Marcellus advises (each, an “**Affiliated Fund**”) and Marcellus India has an incentive to recommend Affiliated Funds to Marcellus India’s clients over unaffiliated pooled investment funds. Any Marcellus India client that invests in an Affiliated Fund will pay their pro rata share of the expenses of the Affiliated Fund. An Affiliated Fund may offer limited or no liquidity, and thus clients of Marcellus India may be holding the investment for an indefinite period of time. Even if the client terminates its relationship with Marcellus India, it may be unable to withdraw from the Affiliated Fund.

Marcellus India, or persons associated with Marcellus India may own a significant amount of an Affiliated Fund, and may be subject to preferential terms such as waived or reduced management or performance-based compensation.

To the extent Marcellus India serves as the sub-adviser of any Affiliated Fund and Marcellus India’s fees are paid by Marcellus, a conflict of interest exists, as Marcellus would be compensating its parent company for investment management services and has an incentive to continue retaining Marcellus India’s services, regardless of performance. This conflict persists to the extent an affiliate of Marcellus serves as general partner of an Affiliated Fund and engages Marcellus India as sub-adviser for an Affiliated Fund.

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

A. Code of Ethics

Marcellus has adopted and will maintain and enforce a Code of Ethics (the “**Code**”), which sets forth the standards of conduct expected of access persons. The Code requires compliance with applicable state and federal securities laws and fiduciary duties. The Code also addresses the personal securities trading activities of access persons in an effort to detect and prevent illegal or improper personal securities transactions. The Code requires initial and annual holdings reports and quarterly personal securities transaction reports be provided by access persons to Marcellus’ Chief Compliance Officer. A copy of the Code is available upon request by writing us at the address, or calling us on the phone number, located on the cover page.

B. Participation or Interest in Client Transactions

Marcellus personnel may own, purchase or sell the same securities in their personal accounts that are owned, purchased, or sold by Marcellus’ clients. Since these situations may represent a conflict of interest, Marcellus has implemented procedures relating to personal securities transactions that are designed to prevent actual conflicts of interest.

Item 12: Brokerage Practices

A. Best Execution

When Marcellus has discretion to determine brokerage, Marcellus has an obligation to seek to obtain best execution of client transactions under the circumstances of the particular transaction. With respect to a specific order, Marcellus determines brokerage based on, without limitation, the particular characteristics of a security to be traded, including relevant market factors, and considers other factors, such as: ability to minimize trading costs, level of trading expertise, trading desk/system infrastructure, ability to provide information related to the trade, financial condition, confidentiality provided by the broker-dealer, competitiveness of commission rates, evaluations of execution quality, promptness of execution, past history, ability to prospect for and find liquidity, difficulty of trade and the security’s trading characteristics, size of order, liquidity of market, block trading capabilities, quality of settlements, specialized expertise offered and overall responsiveness.

B. Directed Brokerage

Clients may, with Marcellus’ approval, direct Marcellus in writing to use a particular broker-dealer for custodial or transaction services on behalf of the client’s portfolio. In directed brokerage arrangements, the client is responsible for negotiating the commission rates and other fees to be paid to the broker; Marcellus will not negotiate commissions for directed brokerage. Accordingly, a client who directs brokerage should consider whether such designation may result in certain costs or disadvantages to the client, either because the client may pay higher commissions or obtain less favorable execution, or the designation limits the investment options available to the client.

By directing Marcellus to use a specific broker-dealer, clients who are subject to the Employee Retirement Income Security Act of 1974 (“**ERISA**”) confirm and agree with Marcellus that: (i) they have the authority to make the direction; (ii) there are no provisions in any client or plan document which are inconsistent with the direction; (iii) the brokerage and other goods and services provided by the broker-dealer through the brokerage transactions are provided solely to and for the benefit of the client’s plan, plan participants and their beneficiaries; (iv) the amount

paid for the brokerage and other services have been determined by the client and the plan to be reasonable, that any expenses paid by the broker-dealer on behalf of the plan are expenses that the plan would otherwise be obligated to pay; and (v) the specific broker-dealer is not a party in interest of the client or the plan as defined under applicable ERISA regulations.

C. Research and Other Soft Dollar Benefits

Marcellus does not currently receive soft dollar benefits for client trades.

D. Brokerage for Client Referrals

Neither Marcellus nor any related person of Marcellus directs trades to broker-dealers in exchange for client referrals from the broker-dealer or other third-party.

Item 13: Review of Accounts

Account reviews are performed by Marcellus' portfolio managers at least quarterly, but may occur more frequently in response to market-driven events, changes to laws and regulations, new investment information, or deposits or withdrawals in a private fund.

Item 14: Client Referrals and Other Compensation

Marcellus does not currently receive economic benefits from third parties for providing investment advice or other advisory services to clients.

Item 15: Custody

Marcellus will be deemed to have custody of the assets of the private funds it manages. The private funds are audited annually by an independent public accountant registered with and subject to regular inspection by the Public Company Accounting Oversight Board and the audited financial statements are distributed to all beneficial owners within 120 days, of the private fund's fiscal year end.

Item 16: Investment Discretion

With respect to discretionary investment advisory services, the client grants Marcellus the authority through an executed investment advisory agreement to carry out various activities in the account, generally including the selection and amount of securities to be purchased or sold in a portfolio without obtaining additional consent from the client. Marcellus then directs investment of the client's portfolio using its discretionary authority. The client may limit the discretion of Marcellus in writing as described in Item 4 above.

Item 17: Voting Client Securities

As a policy and in accordance with Marcellus' investment advisory agreement, Marcellus does not vote proxies related to securities held in client accounts.

Item 18: Financial Information

Marcellus is not required to disclose any financial information pursuant to this Item due to the following:

- Marcellus does not require nor solicit prepayment of more than \$1,200 in fees per client, six months or more in advance;
- Marcellus does not have a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients; and
- Marcellus has not been the subject of a bankruptcy petition at any time during the past ten years.