

**Item 1 – Cover Page**



540 Madison Avenue, 26<sup>th</sup> Floor, New York, New York 10022  
Phone 646-833-1020

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

**Form ADV Part 2A  
Brochure  
March 14, 2024**

**This Brochure provides information about the qualifications and business practices of RichBrook Advisors, LP (“RichBrook” or the “Firm”). If you have any questions about the contents of this Brochure, please contact the Firm at (646) 833-1020. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

**Any reference to RichBrook as a registered investment adviser does not imply a certain level of skill or training.**

**Additional information about RichBrook also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)**

## **Item 2 – Material Changes**

This is RichBrook's Annual Amendment to Form ADV for the fiscal year ending December 31, 2023. Since the most recent Form ADV Amendment filed on March 27, 2023, there have been no material changes to disclose.

RichBrook will provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, the Firm's Brochure may be requested by contacting 646-833-1020.

## **Item 3 – Table of Contents**

<b>Item 1 – Cover Page.....</b>	<b>1</b>
<b>Item 2 – Material Changes .....</b>	<b>2</b>
<b>Item 3 – Table of Contents .....</b>	<b>3</b>
<b>Item 4 – Advisory Business .....</b>	<b>4</b>
<b>Item 5 – Fees and Compensation .....</b>	<b>5</b>
<b>Item 6 – Performance-Based Fees and Side-by-Side Management .....</b>	<b>7</b>
<b>Item 7 – Types of Clients .....</b>	<b>8</b>
<b>Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss .....</b>	<b>8</b>
<b>Item 9 – Disciplinary Information .....</b>	<b>20</b>
<b>Item 10 – Other Financial Industry Activities and Affiliations.....</b>	<b>20</b>
<b>Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....</b>	<b>20</b>
<b>Item 12 – Brokerage Practices .....</b>	<b>22</b>
<b>Item 13 – Review of Accounts .....</b>	<b>23</b>
<b>Item 14 – Client Referrals and Other Compensation .....</b>	<b>24</b>
<b>Item 15 – Custody.....</b>	<b>24</b>
<b>Item 16 – Investment Discretion .....</b>	<b>24</b>
<b>Item 17 – Voting Client Securities.....</b>	<b>25</b>
<b>Item 18 – Financial Information.....</b>	<b>25</b>

## Item 4 – Advisory Business

### Item 4.A.

RichBrook Advisors, LP (“**RichBrook**” or the “**Firm**”) is a boutique investment manager based in New York City employing multiple Mortgage-Backed Securities and Asset-Backed Securities and Consumer Loan strategies. The Firm was founded in January 2020 by Andrew Ball and Vlad Kotlyarsky who have over 40 years of combined experience trading mortgages, student loans, and other fixed income related instruments. RichBrook has been registered with the U.S. Securities and Exchange Commission (“**SEC**”) as an investment advisor since May 2022. Mr. Ball and Mr. Kotlyarsky are the sole limited partners of the Firm and sole controlling members of RichBrook Advisors GP, LLC the Firms general partner. Mr. Ball and Mr. Kotlyarsky are also sole controlling members of RichBrook GP, LLC (the “**Fund General Partner**”).

### Item 4.B.

RichBrook seeks to manage or advise on portfolios of agency mortgage-backed securities (“**MBS**”) and asset-backed securities (“**ABS**”), mainly focused on prepayment risk, structured to maximize risk-adjusted returns through a discretionary, relative value approach, as well as other fixed income markets. RichBrook evaluates opportunities mainly within the Agency MBS market, seeking to profit from various market inefficiencies while hedging out prevailing exposures. The Firm’s strategy may take credit risk as well in a variety of mortgage-backed and asset-backed security types, including mortgage servicing rights and various consumer assets such as student loans and unsecured consumer loans, in both loan and securitized formats.

Currently, the Firm acts as the investment manager, with discretionary trading authority, for the following two (2) portfolios (Each a “**Fund**” or collectively, the “**Funds**”). The RichBrook Fund, LP a Delaware series limited partnership, has three (3) series: (1) RichBrook Fund, LP Portfolio A – Agency MBS (the “**Portfolio A Master Fund**”), (2) RichBrook Fund, LP Portfolio D – Agency MBS (the “**Portfolio D Master Fund**”), and collectively with Portfolio A Master Fund, the “**Master Funds**”), and (3) RichBrook Fund, LP Portfolio B -Illiquid MBS/ABS ( the “**Portfolio B Onshore Fund**”). The RichBrook Offshore Fund, SPC a Cayman Islands segregated portfolio company, has three (3) series: (1) RichBrook Offshore Segregated Portfolio A – Agency MBS (the “**Portfolio A Feeder Fund**”), (2) RichBrook Offshore Segregated Portfolio D – Agency MBS (the “**Portfolio D Feeder Fund**” and collectively with Portfolio A Feeder Fund, the “**Feeder Funds**”), and (3) RichBrook Offshore Segregated Portfolio B – Illiquid MBS/ABS (the “**Portfolio B Offshore Fund**”). The Fund General Partners serves as the GP to the Master Funds and Portfolio B Onshore Fund.

In addition, RichBrook currently provides sub-advisory services to two (2) privately offered pooled investment vehicles and one (1) U.S. open-end management investment company registered under the Investment Company Act of 1940 (the “**Company Act**”), as amended (the “**Registered Investment Company**”, and together with the sub-advised privately offered pooled investment vehicles, the “**Sub-Advised Funds**”). RichBrook also provides advisory services to institutional separately managed accounts (each an “**SMA**” or collectively, “**SMAs**”).

As used herein, the terms “**Client**” or “**Clients**” generally refers to the SMAs, Funds and Sub-Advised Funds. Additionally, the terms “**Investor**” or “**Investors**” generally refer to the current or future investors within the Funds.

*This Brochure does not constitute an offer to sell or solicitation of an offer to buy any securities. The securities of the Funds are offered and sold on a private placement basis under exemptions promulgated under the Securities Act of 1933 (the “Securities Act”) and other applicable state, federal or non-U.S. laws. Significant suitability requirements apply to prospective investors in the Funds, including requirements that they be “accredited investors” as defined in Regulation D, “qualified purchasers” as defined in the Investment Company Act, or non- “U.S. Persons” as defined in Regulation S. Persons reviewing this Brochure should not construe this as an offer to sell or a solicitation of an offer to buy the securities of any of the Funds described herein. Any such offer or solicitation will be made only by means of a confidential private placement memorandum.*

#### **Item 4.C.**

The Firm’s advisory services are provided to its Clients pursuant to the terms of the Funds’ relevant offering documents, the SMAs’ investment advisory agreements, the Sub-Advised Funds’ investment advisory agreements, the Registered Investment Company’s prospectus and based on the specific investment objectives and strategies as disclosed therein. RichBrook services that each Client receives are tailored to their individual needs and specified investment objectives and strategies as set forth in each Client’s offering documents, investment advisory agreements or prospectus. Each Client may impose restrictions on investing in certain types of securities in accordance with achieving their investment objectives and strategies.

#### **Item 4.D.**

RichBrook does not participate in a wrap fee program.

#### **Item 4.E.**

As of December 31, 2023, RichBrook manages approximately \$815,198,492 in Regulation Assets Under Management, \$804,583,644 of which was on a discretionary basis and \$10,614,847 on a non-discretionary basis.

### **Item 5 – Fees and Compensation**

#### **Items 5.A. and 5.B.**

The Firm and the Fund General Partner typically receive compensation from the Funds from the following sources: (a) management fees based on a percentage of the net asset value of each Fund; and (b) compensation based on a percentage of the performance of each Fund. The fees applicable to each Funds are set forth in detail in the applicable Fund's offering documents. The Funds generally pay RichBrook a fee for investment management services at the rate between 0.4% and 1.0% per annum.

Such fee accrues daily and is calculated and payable monthly or quarterly in arrears as of the close of business on the last day of the applicable calendar month or quarter, respectively, appropriately adjusted to reflect contributions, redemptions and distributions during the month. The Fund General Partner is generally entitled to an incentive allocation at the end of each fiscal year from certain Funds, in an amount between 10% and 20% of the net capital appreciation (including realized and unrealized gains), subject to a high-water mark for each investor. The incentive allocation accrues daily and is credited to the incentive allocation account as of the close of business on the last day of the applicable period. The incentive allocation may be subject to specified hurdle rates of returns as may be agreed to by the general partner and the applicable limited partner. In the event of an intra-year redemption, any accrued incentive allocation will be credited to the incentive allocation account upon redemption.

Fees attributable to Fund Investors are set forth in the relevant offering documents and generally are not negotiable; however, RichBrook, has, and in its sole discretion, may in the future waive or reduce the management fee and/or the incentive allocation for certain Investors. Prospective Investors should refer to these documents for a full explanation of the fees to be incurred.

For the investment services provided to the SMAs and Sub-Advised Funds, RichBrook receives a pre-negotiated fixed management fee, paid either monthly or quarterly, and performance-based compensation, as determined in accordance with the investment advisory agreement. For fees attributable to the SMAs and Sub-Advised Funds, prospective investors should refer to the relevant offering documents.

#### **Item 5.C.**

Investors in the Funds will bear not only the management fee and incentive allocation, but also other expenses, such as, but not limited to, organizational expenses, initial and ongoing offering expenses, clearing and settlement, brokerage, custodial, audit, tax, legal, insurance, regulatory, systems, data, models, fund administration fees, interest expenses, and other fund related expenses. Additionally, the Feeder Funds will bear, through investment in the Master Funds, a pro rata portion of the Master Funds' expenses. RichBrook is eligible for reimbursement of certain expenses described in the applicable offering memoranda, supplements, if any, and audited financial statements for details. Investors in any funds that RichBrook may advise in the future may bear different expenses.

To the extent that fees and expenses of the Funds (including management fees) are identifiable with a particular class of interests or class or series of shares, RichBrook charges such fees and expenses solely to the relevant interests, class or series, as applicable. Investors bear other expenses of the Funds pro rata in accordance with their account balances.

Regulatory expenses borne by the Funds include those incurred in the preparation, review and filing of mandatory disclosure documents relating to the Funds, the Fund General Partner and RichBrook, including but not limited to filings with the U.S. Securities and Exchange Commission (e.g., Form PF, Form D and Form ADV), the Commodities Futures Trading Commission (e.g., Form PR and Form PQR), and the Cayman Islands Monetary Authority.

The maximum annual operating expenses of the Master Funds and Feeder Funds (other than the management fee, the initial offering and initial organizational expenses, the investment expenses, litigation-related expenses, indemnification and contribution expenses and other extraordinary expenses) (collectively, the “**Capped Expenses**”), shall not exceed (i) 0.80% on an annualized basis of the aggregate NAV of the Master Fund, at any time that the NAV of the Master Fund is less than or equal to \$250 million, (ii) 0.65% on an annualized basis of the aggregate NAV of the Master Fund, at any time that the NAV of the Master Fund is greater than \$250 million and less than or equal to \$500 million, and (iii) 0.50% on an annualized basis of the aggregate NAV of the Master Fund, at any time that the NAV of the Master Fund is greater than \$500 million. The foregoing cap on the Capped Expenses is calculated and applied on an annual basis based on the average quarterly NAV of the Master Fund for such year multiplied by the relevant percentage set forth above, and the Firm or the Fund General Partner will bear the Capped Expenses in excess of such annual cap.

The maximum annual operating expenses of the Portfolio B Onshore Fund and Portfolio B Offshore Fund, the Capped Expenses, shall not exceed \$225,000. The Fund’s General Partner or the Firm will bear the Capped Expenses in excess of such annual cap.

For expenses attributable to the SMAs and Sub-Advised Funds, investors should refer to the relevant offering documents for a full explanation of the expenses to be incurred.

#### **Item 5.D.**

As discussed above in response to Item 5.A., the management fees for the Funds are payable monthly or quarterly in arrears.

#### **Item 5.E.**

Not Applicable.

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

As described above in Item 5, RichBrook (through the Fund General Partner) may receive performance-based fees from the Funds, SMAs and Sub-Advised Funds.

Currently, RichBrook manages and provides investment advisory services to the Funds, SMAs and Sub-Advised Funds. Accordingly, RichBrook has adopted and implemented policies and procedures intended to address potential conflicts of interest that might arise relating to the management of these various accounts, including accounts with different fee arrangements, and the allocation of investment opportunities.

RichBrook periodically reviews investment decisions for the purpose of ensuring that all accounts with substantially similar investment objectives hold similar investments and are treated equitably for the

allocation of investments. The performance of the Funds, SMAs and Sub-Advised Funds with substantially similar investment objectives are also be compared on an ongoing basis by the portfolio managers and no less than quarterly to determine whether there are any unexplained significant discrepancies. Finally, RichBrook also considers a Client's investment objective when determining the allocation for limited investment opportunities to provide fair and equitable allocation among its Clients, over time. These areas and activities are also overseen by the Chief Compliance Officer.

## **Item 7 – Types of Clients**

Currently, RichBrook provides investment advisory services to the Funds, SMAs and Sub-Advised Funds and does so on a discretionary and non-discretionary basis. The underlying investors in the Funds can be corporate pension plans, charitable institutions, endowments, insurance companies, private investment funds, family offices, and/or high net worth individuals. RichBrook may also permit such investors to invest in a SMA.

There are no standard requirements for opening a SMA and are subject to negotiation, and considered in conjunction with negotiated fees, expenses, level of reporting required as well as target growth. Investments in the Funds are subject to a \$1 million minimum initial investment. However, the Fund General Partner maintains the right to waive the investment minimum for the Master Funds and Portfolio B Onshore Fund. In the case of the Feeder Funds and Portfolio B Offshore Fund , its board of directors maintains the right to waive the investment minimum.

The Sub-Advised Funds, including the Registered Investment Company, impose minimum initial and subsequent investment amounts as stated in their offering documents and/or prospectus.

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

### **Item 8.A.**

The primary investment objective of the Funds is to seek capital appreciation through hedged investments in mortgage-backed and other asset-backed securities, related fixed income securities, derivatives and other investments. RichBrook seeks to achieve the investment objective with respect to mortgage-backed and other asset-backed securities through an investment strategy designed to achieve the desired performance by taking advantage of market inefficiencies through leveraged investments in securities believed to have attractive relative value and through effective interest rate, prepayment, and credit hedging. Although RichBrook intends to reduce credit risk considerations by investing a significant portion of the Fund's assets in U.S. Treasury-rated and federal agency-rated securities or in securities which are collateralized by securities that are Treasury-rated or federal agency-rated, the Funds may invest a significant portion of its assets on a leveraged basis in securities and loans which are not so rated, collateralized or guaranteed.



RichBrook advises SMAs that invest in mortgage-backed and other asset-backed securities, related fixed income securities, derivatives and other investments. The investment objectives of such accounts will be agreed with the respective Clients and may be different from those of the Funds.

RichBrook will seek to construct a portfolio with respect to its mortgage-backed and other asset-backed securities investments in the Funds which is structured to achieve above market returns by profiting from various market inefficiencies that exist within the fixed income, mortgage-backed, and asset-backed markets. RichBrook will seek to achieve this objective by identifying and purchasing undervalued securities for the portfolio and, similarly, selling those deemed overvalued. Ongoing proprietary analysis monitors the performance of existing inefficiencies and seeks to uncover new ones. RichBrook uses both fundamental and technical analysis, including computer models, to analyze the investment performance of different mortgage-backed and asset-backed securities under different interest-rate and default scenarios. RichBrook expects to actively manage, and frequently trade, the securities comprising the portfolio.

To implement its risk-balanced strategy for the Funds, RichBrook will acquire a wide variety of mortgage-backed securities, asset-backed securities, related fixed-income securities, derivatives and other investments for the portfolio. Some mortgage-backed securities such as POs typically rise in price as interest rates drop and fall as interest rates rise. Conversely, some other mortgage-backed securities, such as IOs, typically perform in the opposite way, that is, falling interest rates negatively impact the value of IOs and rising rates typically yield a positive effect. Many securities will have expected price performance that moves by a multiple of the magnitude of the interest rate change. These movements work in both directions. Thus, the prices of the securities of these various classes will move in opposite directions as interest rates fall or rise, as the case may be. In addition to interest rate risk, some securities may carry other risks including the risk of default. Higher defaults in some instances may result in lower prepayments on a given pool of assets. RichBrook intends to invest the Funds' assets by combining these bullish and bearish securities in a cross hedged fashion in an effort to lessen the impact on certain portfolio components of the potential price swings in each individual security which can result from interest rate fluctuations as well as increases in defaults and a decline in prepayments. In addition, securities may be included in the portfolio which perform best when interest and prepayment rates are stable. The performance of this latter class of securities often deteriorates when interest rates move in either direction.

In seeking to implement the Funds' investment objectives, RichBrook will invest in mortgage-backed and asset-backed securities, including, but not limited to, pass-throughs, CMOs, including interests in REMICS, SMBS such as IOs and POs, inverse floaters, subordinate, residuals or first-loss pieces, and other investments. RichBrook also may purchase U.S. government, instrumentality and agency securities and other related securities for the Funds. RichBrook intends to leverage the Funds' investments in such instruments and hedge investment portfolio components against adverse movements in interest rates predominantly by combining securities with offsetting risk/return profiles. In pursuing the Funds' investment strategy, RichBrook may, at its discretion, employ investment instruments including swaps, credit default swaps, options, futures (subject to all applicable regulatory requirements) and other derivative securities.

*The descriptions set forth in this Brochure of specific advisory services that RichBrook offers to its Clients, and investment strategies pursued, and investments made by RichBrook on behalf of its Clients, should not be understood to limit in any way*

*RichBrook's investment activities. RichBrook may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this Brochure, that it considers appropriate, subject to each client's investment objectives and guidelines. The investment strategies RichBrook pursues are speculative and entails substantial risks. Clients should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any Client will be achieved.*

#### **Items 8.B. and 8.C.**

The following risk factors do not purport to be a complete list or explanation of the risks involved in an investment in the Funds, Sub-Advised Funds or SMAs advised by RichBrook. These risk factors include only those risks RichBrook believes to be material, significant or unusual and relate to particular significant investment strategies or methods of analysis. Prior to making a commitment to invest in an investment program, Clients or prospective investors are encouraged to carefully read the offering memoranda and the governing documents for the applicable investment program or fund and consult with their own financial and legal advisors. In addition, as the Client's investment strategy may develop and evolve over time, a future investment may be subject to additional and different risk factors than those set forth below.

Clients who are investing in the Registered Investment Company should refer to the fund's prospectus and Statement of Additional Information for additional risk disclosures.

***Investment Strategies.*** Client investment strategies may result in highly concentrated, illiquid and leveraged positions. The Client's risk of loss is greatly increased by this strategy. An investment in the Funds is suitable only for an investor that does not need liquidity in its investment, can accept volatility in its investment, and can sustain the total loss of its investment in the Funds.

***Investments May Be Speculative.*** Substantial risks are involved in trading mortgage-backed and asset-backed securities. For this reason, a potential investor should note that the prices of a Client's investments may be highly volatile. Market movements are difficult to predict and are influenced by, among other factors, interest rates, general economic conditions, governmental actions, domestic and international political developments, governmental trade and fiscal policies, patterns of trade and other factors. The prevailing interest rates, the real estate markets, and the economy generally will have a particular effect on the value of mortgage-backed and asset-backed securities and derivatives in which the Client invests. Such securities often may be illiquid. To the extent the Client invests a portion of its assets from time to time on a leveraged basis, such leverage may increase the volume of the Client's returns and may increase its risk of loss.

Although Clients may employ various techniques from time to time to reduce the risk of certain investment positions, there can be no assurance that such techniques will be employed. Even if such techniques are employed, a substantial risk remains, nonetheless, that such techniques will not always be possible to implement and when possible will not always be effective in limiting losses.

Hedging against a decline in the value of a portfolio position does not eliminate fluctuations in the values of portfolio positions or prevent losses if the values of such positions decline, but the Client establishes other positions designed to gain from those same developments, thus intending to moderate the decline

in the value of the portfolio positions. Such hedge transactions also limit the opportunity for gain if the value of the portfolio position should increase.

The success of a Client's hedging transactions will be subject to RichBrook's ability to minimize the impact of interest rate movements. Therefore, while Client may enter into such transactions to seek to reduce risks, certain conditions can occur that may result in an overall performance for the Client that is not as positive as if it had not engaged in any such hedging transaction. In addition, the degree of correlation between price movements of the instruments used in a hedging strategy and price movements in the portfolio position being hedged may vary.

***Use of Swap Agreements.*** Client also may engage in interest rate swap agreements, including interest rate cap and collar swap agreements for hedging purposes. Interest rate swaps are transactions in which two parties, usually one paying, or being paid, a fixed rate of interest on a notional principal amount and one paying, or being paid, a variable rate of interest, exchange their respective commitments, so that the party formerly paying or being paid a fixed rate pays or is paid a variable rate, and vice versa. RichBrook usually will enter into interest rate swap agreements for hedging purposes and on a net basis so that a Client receives or pays, as the case may be, only the difference between the fixed and the variable rate on the notional amount of principal. There is a risk that the index with reference to which the variable rate is set may not correlate perfectly with the market and other portfolio investments. Imperfect correlation may make RichBrook's hedging strategy on behalf of a Client less effective.

The use of swaps is a highly specialized activity that involves investment techniques and risks different from those associated with ordinary securities transactions. Interest rate swaps, for example, do not typically involve the delivery of securities, other underlying assets or principal. Accordingly, the market risk of loss with respect to an interest rate swap is often limited to the amount of interest payments that a Client is contractually obligated to make on a net basis. If the other party to an interest rate swap defaults, a Client's risk of credit loss may be the amount of interest payments that it is contractually entitled to receive on a net basis. However, where swap agreements require one party's payments to be "up-front" and timed differently than the other party's payments, the entire principal value of the swap may be subject to the risk that the other party to the swap will default on its contractual delivery obligations. If there is a default by the counterparty, a Client may have contractual remedies pursuant to the agreements related to the transaction. The swap market has grown substantially in recent years, and has become relatively more liquid, with a large number of banks and investment banking firms acting both as principals and as agents utilizing standardized swap documentation. The investment performance of a Client, however, may be adversely affected by the use of swaps if RichBrook's forecasts of market values, interest rates or currency exchange rates are inaccurate.

**Repurchase Agreements.** Repurchase agreements involve the simultaneous purchase of and agreement to resell U.S. government securities. At the same time a Client buys a security, it agrees to resell it to the original seller and is obligated to deliver the security to such seller at a fixed price and time, thereby determining the yield during its holding period. The agreements are either executed for a one-day term or, if for a longer term, the collateral is repriced and adjusted daily. The repurchase price is in excess of the sale price and reflects an agreed upon market price unrelated to the coupon date on the purchased security. Such transactions afford an opportunity for a Client to invest temporarily available cash. There is a risk of the ability of the original seller to pay the agreed upon sum on the delivery date; in the event of default the repurchase agreement provides that a Client is entitled to sell the underlying collateral and the value of the collateral at the time the transaction is entered into always exceeds the agreed upon sum to be paid to a Client. However, if the value of the collateral declines after the agreement is entered into and if the seller defaults under a repurchase agreement when the value of the underlying collateral is less than the repurchase price, then a Client will incur a loss. Also, securities positions held by dealers in repurchase transactions that are transferred to others by such dealers are subject to the risk of such dealers' default or bankruptcy.

A Client also may enter into reverse repurchase agreements. A reverse repurchase agreement typically involves the sale of a security by a party to a bank or securities dealer and the selling party's simultaneous agreement to repurchase that security for a fixed price (reflecting a rate of interest) on a specific date, and may be considered a form of borrowing for some purposes. These transactions involve risks that the value of portfolio securities being relinquished may decline below the price that must be paid when the transaction closes or that the other party to a reverse repurchase agreement will be unable or unwilling to complete the transaction as scheduled, which may result in losses to a Client. Reverse repurchase agreements are a form of leverage that may also increase the volatility of a Client's investment portfolio.

**Futures Trading.** a Client may engage in futures transactions (subject to all applicable regulatory requirements) as a hedging strategy. Futures contracts are usually made on a futures exchange which call for the future delivery of a specified "commodity" at a specified time and place. These contractual obligations, depending on whether one is a buyer or a seller, may be satisfied either by taking or making physical delivery of the "commodity" or by making an offsetting sale or purchase of an equivalent futures contract on the same exchange prior to the end of trading in the contract month. Futures prices are highly volatile. Financial instrument and foreign currency futures prices are influenced by, among other things, interest rates, changes in balances of payments and trade, domestic and international rates of inflation, international trade restrictions and currency devaluations and revaluations. A Client's profitability will depend on RichBrook's ability to analyze price movements in those markets. Because low margin deposits are normally required, an extremely high degree of leverage is obtainable in futures trading. A relatively small price movement in a futures contract, consequently, may result in large losses. Thus, like other highly leveraged investments, any purchase or sale of a futures contract may result in losses which exceed the amount invested.

Most U.S. futures exchanges limit fluctuations during a single day in futures contract prices by regulations referred to as "daily price fluctuation limits" or "daily limits." During a single trading day, no trade may be executed at prices beyond the daily limits, and positions in a particular contract can neither be taken nor liquidated at a price beyond the applicable limit. Futures prices in various commodities have occasionally moved the daily limit for several consecutive days with little or no trading. Similar occurrences could prevent a Client from promptly liquidating unfavorable positions and subject it to

substantial losses, which could exceed the margin initially committed to such trades. In addition, even if futures prices have not moved the daily limit, RichBrook may not be able to execute futures trades at favorable prices if little trading in the contracts RichBrook wishes to trade is taking place.

***Yield Curve Changes.*** Changes in the shape of the yield curve can cause significant changes in the profitability of hedging operations. In the event of the inversion of the yield curve, the reversal of the interest differential between positions of different maturities can make previously profitable hedging techniques unprofitable.

***Market and Credit Risks of Debt Securities.*** Certain of a Client's investments in fixed-rate and floating-rate mortgage-backed and asset-backed securities may entail normal credit risks such as the risk of non-payment of principal and interest on the security, and market risks such as the risk that interest rates and other factors will cause the value of a security to decline. Many issuers or servicers of mortgage-backed and asset-backed securities guarantee timely payments of interest and principal on the securities, whether or not payments are made when due on the underlying mortgages. This kind of guarantee generally increases the quality of a security, but does not mean that the security's market value and yield will not decline. Like other fixed-income investments, the value of a fixed rate mortgage-backed or asset-backed security may tend to rise when interest rates fall, and fall when interest rates rise. The value of all mortgage-backed and asset-backed securities also may change based upon the market's perception of the creditworthiness of the organization which issues or guarantees them. A Client may also invest in securities and loans where payments of interest and principal are not guaranteed by the issuer or servicer. The value of these securities and loans will be impacted by grace periods, deferment periods and under certain circumstances, forbearance periods. These extensions, to the extent they apply, could lengthen the remaining term of such loans and delay principal and interest payments to a Client. Some of these securities and loans will be backed by an asset while others are unsecured; as such, a default could result in a full loss of unpaid principal balance. A Client will bear the risk of such loss. Even if a consumer loan is guaranteed by a private guarantor, there is a risk that the guarantor will default on its guarantee obligations, resulting in losses to a Client.

***Prepayment and Redemption Risks.*** Mortgage-backed and asset-backed securities carry prepayment risk. Mortgage-backed securities and other securitized consumer assets reflect an interest in monthly payments made by the borrowers who received the underlying loans. Although the underlying mortgage or other consumer loans are for specified periods of time, such as 15 or 30 years, borrowers can, and typically do, pay them off sooner. In such an event, the mortgage-backed or asset-backed security which represents an interest in such underlying mortgage or other consumer loan will be prepaid. A borrower is more likely to prepay a mortgage or other consumer loan which bears a relatively high rate of interest. This means that in times of declining interest rates, some of a Client's higher yielding securities might be converted to cash, and a Client will be forced to accept lower interest rates when that cash is used to purchase additional securities. The increased likelihood of prepayment when interest rates decline also limits market price appreciation of most mortgage-backed or asset-backed securities at a time when the prices of most fixed-income securities rise. Bonds with differing underlying average prepayment rates and different CMO tranches within a CMO structure can and will have different sensitivities to interest rate changes on their prepayment response. In addition, a mortgage-backed or asset-backed security may be subject to redemption at the option of the issuer. If a mortgage-backed or asset-backed security held by a Client is called for redemption and a Client does not control the call rights, a Client will be required to permit the issuer to redeem the security, which could have an adverse effect on a Client's

ability to achieve its investment objective.

**CMOs.** There are certain risks associated specifically with CMOs. CMOs issued by private entities are not U.S. government securities and are not guaranteed by any government agency, although the securities underlying a CMO may be subject to a guarantee. Therefore, if the collateral securing the CMO, as well as any third-party credit support or guarantees, is insufficient to make payment, the holder of a CMO could sustain a loss.

**SMBS and Inverse Floaters.** Both of these investments are highly sensitive to changes in interest and prepayment rates and as a result, each individually is highly volatile. This risk is not measured by the credit rating of the underlying pool. Changes in the value of inverse floaters tend to be inversely proportional to the direction of interest rates as is the case with traditional fixed income securities, while the value of interest-only SMBS often is directly proportional to the direction of interest rates.

**Structured Products.** A Client may invest in debt-related structured products. These investments will typically consist of equity or subordinated debt securities issued by a private investment fund or pool that invests, on a leveraged basis, in the bank loan, high yield debt or other asset groups. Many structured products contain covenants designed to protect the providers of debt financing to such structured products. A failure to satisfy those covenants could result in the untimely liquidation of the structured product and a complete loss of a Client's investment therein. In addition, if the particular structured product is invested in a security in which a Client is also invested, this would tend to increase a Client's overall exposure to the credit of the issuer of such securities, at least on an absolute, if not relative basis.

The value of an investment in a structured product will depend on the investment performance of the assets in which the structured product invests and will therefore be subject to all of the risks associated with an investment in those assets. These risks include the possibility of a default by, or bankruptcy of, the issuers of such assets or a claim that the pledging of collateral to secure any such asset constituted a fraudulent conveyance or preferential transfer that can be subordinated to the rights of other credits of the issuer of such asset or nullified under applicable law. A Client will not own such assets directly and will therefore not benefit from general rights applicable to the holders of assets, such as the right to indemnify and the rights to setoff, or have voting rights with respect to such assets, and in such cases, all decisions related to such assets, including whether to exercise certain remedies, will be controlled by the structured product. Consequently, there are certain tax and market uncertainties that present risks relating to investing in structured products.

**Asset-Backed Securities; Asset Pools.** It is expected that a Client will invest directly or indirectly in asset-backed securities, which are structured securities collateralized or backed by consumer assets. Asset-backed securities are often extremely complex, and their values and returns may be subject to significant fluctuations as a result of relatively small changes in interest rates; the rates of prepayments, defaults, or late payments with respect to the relevant underlying assets; or other factors. The value of an asset-backed security is highly dependent upon the performance of its underlying assets and upon the expected quality of the underlying assets.

Substantial leverage may be inherent in the structure of some asset-backed securities. Consequently, asset-backed securities may present a greater degree of risk than other types of fixed-income securities and may be more volatile, less liquid, and more difficult to price accurately than less complex securities.

A Client may enter into hedging transactions in certain circumstances to protect against interest rate movements, prepayment risk, defaults, or other factors, but there can be no assurance that such hedging transactions, if any are undertaken, would fully protect a Client against such risks.

Asset-backed securities are typically separated into tranches representing different degrees of credit quality, with lower-rated tranches being subordinate to senior tranches. Since there are no assets underlying some consumer loans such as student loans, recovery of principal is dependent upon the ability of the borrower to repay. While student loans are currently not dischargeable in bankruptcy, full recovery of principal may never happen or would be extended far out into the future, effecting recovery and severity rates for certain tranches. Accordingly, any defaults may materially adversely affect any long positions a Client holds in asset-backed securities. In addition, the quality of a Client's investments in certain asset-backed securities is subject to the accuracy and completeness of representations made by the underlying obligors. Accordingly, a Client is subject to the risk that originators of certain asset-backed securities fail to adequately verify such representations, whether because of defects in the verification systems used by such originators or otherwise.

A Client may, directly or indirectly, issue asset-backed securities collateralized by consumer loans. Such asset-backed securities generally would be for resale in the secondary market. In connection with any such issuance, it is possible that a Client would not be able to sell all or a portion of the subordinated tranches, whether debt or equity, and such tranches would generally be the first to bear any losses with respect to the underlying collateral. Issuing asset-backed securities may not be feasible for a Client in the current market environment.

A Client may also invest directly in pools of assets that typically would be used to collateralize asset-backed securities. Such pools of assets are subject to many of the same risks of asset-backed securities, including that returns may be subject to fluctuations as a result of changes in payment rates, defaults, and other factors. Such pools may be subject to additional risks, including that a Client would own the entire risk of loss on the pool, rather than owning the risk of loss on a particular tranche as is typically the case when investing in an asset-backed security.

***Mortgage Servicing Rights (MSRs).*** A Client may invest in pools of MSRs, which are contractual rights with respect to servicing or controlling the servicing of a pool of mortgage loans, including the entitlement to receive servicing compensation, in exchange for performance of servicing duties. The economic value of an MSR is very sensitive to changes in prepayment activity, in a manner that is similar to interest-only (IO) MBS. Cash flows on MSRs come primarily from interest paid by borrowers on loans that are performing. As interest rates decline more, borrowers may choose to refinance their mortgages. Once a borrower refinances or pays off their mortgage, an MSR investor will no longer receive payments tied to that mortgage. Changing rate environments may influence the life and value on MSR assets and interest rate movements tend to be correlated with pricing on such MSR assets. In addition, rising defaults on underlying mortgages have the same effect as voluntary prepayments on the values of the MSRs, as both cut off the cash flow stream of servicing fees. Also, higher than anticipated delinquencies or related rising of costs to service can reduce the amount of servicing fees collected by the MSR holder. Default risk is tied directly to the quality of loan underwriting (i.e., poorly underwritten loans exhibit higher rates of default) as well as to adverse macroeconomic events. When a loan goes into the loss mitigation phase and is no longer performing, the servicer will no longer receive servicing fee cash flows from the mortgage loan until the loan is liquidated and the sale of the property is concluded, or insurance

claims are processed.

***Servicer Performance.*** The performance of a Client will be affected by the performance of the servicer of the consumer loans in a Client's portfolio or in the portfolio of any securitization vehicles in which a Client invests. The servicing of consumer loans requires special expertise. Any failure of servicers to properly service the consumer loans could adversely affect the performance of an investment held by a Client.

***Legislative and Regulatory.*** Risk Laws relating to, and the regulation of, consumer loans generally are evolving, and changes in such laws and regulation may materially adversely affect a Client.

The remedies available to a Client upon an event of default with respect to loans and other forms of indebtedness may be limited by applicable federal and state laws. For example, numerous federal and state consumer protection laws, including various state usury laws and related regulations, impose substantial requirements upon lenders and servicers involved in consumer finance. Some states impose finance charge ceilings and other restrictions on certain consumer transactions and require contract disclosures in addition to those required under federal law. These requirements impose specific statutory liability that could affect a Client's ability to enforce its rights with respect to such investments, including student loans. In addition, certain states have passed legislation requiring cost-free installment repayment plan options in many cases for borrowers who request them, who default on their loans, or who claim an inability to repay their loans. Similar laws and restrictions also may exist in certain non-U.S. jurisdictions in which a Client makes investments.

Pursuant to the Dodd-Frank Act, lenders and holders of loans (directly and indirectly) are subject to regulations promulgated by the Consumer Financial Protection Bureau (the "**CFPB**"). The CFPB has substantial power to define the rights of consumers and the responsibilities of lenders, and consumer advocacy groups are likely to press the CFPB to promulgate new regulations that would reduce the profitability of consumer financial products and services. Any such regulations may have a material adverse effect on the performance of a Client.

Under current U.S. federal law, private education loans made for qualified education expenses generally are not dischargeable by a borrower in bankruptcy, except under certain specified circumstances. Any change in the general rule that private education loans are not dischargeable in bankruptcy or any expansion of the exceptions to such rule could have a material adverse effect on such loans, and in turn, on the performance of a Client.

***Rating Downgrade Risk.*** Ratings on classes of securities given by the rating agencies are based, among other things, on the economic characteristics of the underlying assets and other relevant structural features of the transaction. Ratings may be reviewed, revised, suspended, downgraded, upgraded, qualified or withdrawn entirely by the applicable rating agency as a result of changes in, among other things, performance of underlying loans, amount and type of current credit support, current economic conditions, updated appraisals and changes in the availability of information.

Furthermore, the SEC may determine that one or more of the rating agencies engaged by the depositor no longer qualifies as a nationally recognized statistical rating organization, or is no longer qualified to rate security, and that determination may also have an adverse effect on the liquidity and market value of that security.



**Real Estate Investment Trusts.** From time to time, a Client may invest, directly or indirectly, in real estate investment trusts (“REITs”). REITs can be subject to extreme volatility due to fluctuations in the demand for real estate or mortgages, changes in interest rates, and adverse economic conditions. Additionally, the failure of a REIT to continue to qualify as a REIT for tax purposes can materially affect its value.

**Lack of Liquidity of Certain Investments.** During periods of limited liquidity and higher price volatility, a Client’s ability to acquire or dispose of a Client’s investments at a price and time that RichBrook deems advantageous may be impaired. As a result, in periods of rising market prices, a Client may be unable to participate in price increases fully to the extent that it is unable to acquire desired positions quickly; a Client’s inability to dispose fully and promptly of positions in declining markets will conversely cause its NAV to decline as the value of unsold positions is marked to lower prices.

Trading in certain mortgage-backed and asset-backed securities and derivatives takes place primarily in over-the-counter markets consisting of groups of dealer firms that are typically major securities firms. Because the market for certain mortgage-backed and asset-backed securities and derivatives is a dealer market, rather than an auction market, no single obtainable price for a given instrument prevails at any given time. Not all dealers maintain markets in all mortgage-backed and asset-backed securities at all times. The bid-asked spread for certain mortgage-backed and asset-backed securities may be significantly wider than for other fixed-income instruments. There is no limitation on the daily price moves of these instruments and a dealer is not required to continue to create markets in such instruments. By its nature, the market for certain mortgage-backed and asset-backed securities is a very specialized market and investors in it have been predominantly financial institutions. The market for certain mortgage-backed and asset-backed securities may pose liquidity problems as certain mortgage-backed and asset-backed securities trade infrequently or only in small amounts. The limited size of the market for certain mortgage-backed or asset-backed securities may cause prices to be unduly influenced by traders who take and trade large positions. A Client may have difficulty disposing of certain mortgage-backed or asset-backed securities because there may be a thin trading market for such securities.

**Concentration of Investments.** Although RichBrook will follow a general policy of seeking to diversify a Client’s capital among a number of investments, RichBrook may depart from such policy from time to time and may hold a few, relatively large mortgage-backed or asset-backed securities positions in relation to a Client’s capital. Consequently, a loss in any such position could result in a proportionately higher reduction in a Client’s capital than if such capital had been spread among a wider number of investments.

**Leverage.** RichBrook expects that a Client will make investments using a moderate amount of leverage to increase the overall return on capital. Although not required, RichBrook has the flexibility, in its sole discretion, to use leverage, which may increase the volatility of a Client. A Client may borrow funds for the purposes of, among other things, meeting operational needs, funding anticipated redemptions, or making investments. The amount of leverage or borrowings which a Client may have outstanding at any time may be large in relation to its capital. Consequently, the level of interest rates generally, and the rates at which a Client can borrow in particular, will affect the operating results of a Client. In addition, hedging techniques may be employed in an attempt to reduce interest rate risk.

Such borrowing may be collateralized by the assets of a Client, and applicable margin regulations may require the liquidation of positions to satisfy margin requirements. Leveraging through borrowing will exaggerate the effect on the value of interests in a Client of any increase or decrease in the market value

of a Client's securities. Monies borrowed will be subject to interest costs that may or may not be recovered through appreciation of the securities purchased or the yield from such securities. As a Client may invest its assets in restricted securities, its ability to borrow on margin may be limited.

A Client does not have any formal commitments from banks or others regarding its future borrowing. A Client may seek, in the future, standby or permanent financing from one or more banks, and may enter into any other type of financing arrangement that RichBrook considers appropriate. If a Client utilizes leverage, the possibilities for profit and the risk of loss are increased and the debt a Client may have outstanding at any time might be large in relation to its capital. Furthermore, if a Client's revenues are not sufficient to pay the principal of, and interest on, a Client's debt when due, a Client could sustain a total loss of its assets.

**Market Conditions.** A Client and its investments may be adversely affected by deterioration and uncertainty of the financial markets and economic conditions throughout the world, the severity and duration of which cannot be forecast. These market conditions can result in volatility and illiquidity in the real estate, global credit, debt and equity markets generally, which can magnify the risks described elsewhere in this Brochure. Further, many of a Client's investments are dependent on the availability of credit and access to certain markets, which have proven to be particularly vulnerable to general economic conditions. While such conditions may increase investment opportunities for a Client and could result in a Client acquiring investments on more favorable terms, such conditions may also result in declines in the market values of a Client's existing or potential investments, the inability to secure financing to acquire or hold investments, the inability to realize a Client's investments or otherwise preventing a Client from successfully meeting its investment objectives. Such volatility and illiquidity may require such investments to be disposed of at a loss.

**Counterparty Risk.** A Client is subject to the risk of the failure or default of any counterparty to a Client's transactions. A Client may be subject to risk of loss of assets placed on deposit with a broker by a Client in the event of the broker's bankruptcy, the bankruptcy of any clearing broker through which the broker executes and clears transactions on behalf of a Client, or the bankruptcy of an exchange clearing house. RichBrook seeks to minimize a Client's counterparty risk through the selection of financial institutions and types of transactions employed. However, its hedging transactions and other operational mechanisms designed to match a Client's maturity requirements to cash flow may involve counterparty and other risk elements that may create unforeseen exposures. If there is a failure or default by the counterparty to a transaction, a Client expects to have contractual remedies pursuant to the agreements related to the transaction.

**Failure of Counterparties to Perform Obligations.** In its ordinary course of business, the Firm relies on various counterparties, which include, but is not limited to, brokers, dealers, banks, custodians, and administrators ("Counterparties"). These Counterparties, with which the Firm does business and on behalf of a Fund, may, from time to time, default on their obligations with or without notice. Such defaults include, but are not limited to, a Counterparty's bankruptcy, insolvency, or other failure. A Counterparty's default on their obligations may impact the Firm's or the Fund's ability to conduct its business in the ordinary course. There is a risk of loss of assets on deposit at the Counterparty. Although government agencies or other organizations provide insurance coverage to depositors in the event of a Counterparty failure, coverage is limited to a specified amount and subject to rules and regulations. Prior events where a government agency or other organization stepped in to make depositors whole over

their excess deposits at select Counterparties, which may or may not have a current or prior relationship with the Firm or the Fund, should not be construed as a guarantee that such action will be taken in the future. There is no guarantee that any excess deposits are recoverable. In the event of a Counterparty's default, the Firm will work diligently to access its capital and take actions it deems appropriate while acting in the best interest of the Fund. However, the Firm's access to capital is subject to a variety of external factors that are outside of the Firm's control, including the timing of default, a government agency's or other organization's actions, including the timing of the Counterparty's closure, ability to liquidate the Counterparty's assets, or to effect the Counterparty's sale or dissolution, unforeseeable economic factors or market conditions, and the Counterparty's technology infrastructure operating as intended to facilitate access. Furthermore, the Firm's ability to access capital may have an impact on the Firm's and the Fund's ability to conduct operations in the normal course including, but not limited to paying expenses, funding investment opportunities resulting in delayed or missed opportunities, and calling capital from or making distributions to limited partners. Deposits concentrated at one or a limited number of Counterparties may amplify these risks.

***Cybersecurity, Security Breaches and Disruptions.*** In the ordinary course of business, a Client, RichBrook, and their service providers collect and store, on such parties' networks and/or on the networks of their third-party vendors, sensitive data including the intellectual property, trading data and personally identifiable information of its investors. The secure processing, maintenance and transmission of this information is critical to a Client's operations. RichBrook has procedures and systems in place that it believes are reasonably designed to protect such information and prevent data loss and security breaches. However, such measures cannot provide absolute security. The techniques used to obtain unauthorized access to data, disable or degrade service, or sabotage systems change frequently and may be difficult to detect for long periods of time resulting in the information stored therein being accessed, publicly disclosed, lost and/or stolen. Hardware or software acquired from third parties may contain defects in design or manufacture or other problems that could unexpectedly compromise information security. Network connected services provided by third parties to RichBrook may be susceptible to compromise, leading to a breach of RichBrook's network. RichBrook's systems or facilities may be susceptible to attacks by hackers and/or breaches as a result of employee error or malfeasance, government surveillance, or other security threats and technological disruptions. On-line services provided by RichBrook to the Limited Partners may also be susceptible to compromise. Breach of RichBrook's information systems may cause information relating to the transactions of a Client and personally identifiable information of the investors to be lost or improperly accessed, used or disclosed.

The service providers of a Client are subject to the same electronic information security threats as RichBrook. If a service provider fails to adopt or adhere to adequate data security policies, or in the event of a breach of its networks, information relating to the transactions of a Client and personally identifiable information of the Limited Partners may be lost or improperly accessed, used or disclosed.

***Pandemics and Epidemics.*** The current coronavirus (COVID-19) pandemic, or any similar pandemic or epidemic that may occur in the future, could result in a general economic decline and have an adverse impact on a Client's investments, and a Client's ability to source new investments or to realize its investments, in particular, if the COVID-19 pandemic or any similar pandemic or epidemic persists for an extended period of time and continues to spread domestically or internationally.

## **Item 9 – Disciplinary Information**

### **Items 9.A., 9.B., and 9.C.**

RichBrook is not aware of any legal or disciplinary events or actions that are material to its advisory business or the integrity of its management.

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

### **Item 10.A.**

Not Applicable. RichBrook is currently not applying to register as a broker-dealer and has no intention to do so in the future.

### **Item 10.B.**

RichBrook is registered as a commodity pool operator and commodity trading advisor with the Commodity Futures Trading Commission (“**CFTC**”) and is a member of the National Futures Association (“**NFA**”). As of July 2021, the Funds operate pursuant to exemptions from certain requirements in accordance with Rule 4.7. Andrew Ball, Vlad Kotlyarsky and Ed Russell are associated persons, registered with the CFTC, of the Firm.

### **Item 10.C.**

Mr. Ball and Mr. Kotlyarsky are both minority owners of Alcar LLC (“Alcar”), a bank holding company that owns and operates DR Bank, a retail bank in Connecticut. RichBrook Advisors, LP provides services to Alcar (consisting of capital markets consulting for mortgage- and other asset-backed security analysis) which are billed at an hourly rate. RichBrook believes that the relationship that Mr. Ball and Mr. Kotlyarsky have with Alcar does not create a material conflict of interest with its Clients.

### **Item 10.D.**

Not Applicable. RichBrook does not recommend or select other investment advisers for its Clients.

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

### **Item 11.A.**

RichBrook's Code of Ethics (the “**Code**”) was adopted in an effort to avoid possible conflicts of interest, the inappropriate use of material, nonpublic information and ensure the propriety of its employees’ and partners’ personal trading activity.

The Firm’s reputation in the investment community, with its limited partners, investors and Clients, and with those individuals and organizations with which it has contact, depends upon the trust and professionalism with which the Firm and its employees and partners conduct the affairs of RichBrook. To this end, RichBrook has adopted its Code as part of its compliance program to guide the Firm and to help RichBrook to ensure that it complies with all the applicable laws, rules and regulations set forth by the United States governing bodies and the states in which RichBrook conducts its business and, more generally, to comply with the Firm’s fiduciary duty to RichBrook’s Clients. Failure to adhere to both the letter and spirit of this Code and with the compliance manual may result in disciplinary action, including termination.

The Code is based on the principle that the Firm and its personnel owe a fiduciary duty to its Clients. Accordingly, RichBrook must avoid activities, interests, and relationships that might interfere, or appear to interfere, with making decisions that are in the best interests of its Clients.

The Code is distributed to each employee at the time of hire and at least annually thereafter. RichBrook’s employees are required to pre-clear most securities transactions as well as have duplicate copies of confirmations and periodic statements, with respect to their personal brokerage accounts, sent to the Chief Compliance Officer at RichBrook.

Clients and prospective clients may obtain a copy of the Code by addressing a request to RichBrook's Chief Compliance Officer, located at 540 Madison Avenue, 26<sup>th</sup> Floor, New York, New York 10022.

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

RichBrook, as a fiduciary to its Clients and endeavoring to be honest and truthful to its Clients at all times, prohibits investments in the personal account of any Firm personnel or related person in a security that is currently held or intended to be held by a client account. RichBrook has policies and procedures reasonably designed to identify and resolve potential conflicts of interest that may arise in the operation of the business.

Subject to applicable laws and rules, from time to time, RichBrook may effect cross transactions between Client accounts when RichBrook believes such transactions are appropriate based on investment strategies or objectives of both Clients. Cross transactions enable RichBrook to effect a trade between two Clients for the same security at a set price, thereby possibly avoiding an unfavorable price movement that may be created by dynamic market forces and by reducing transactional expenses by minimizing bid/offer spreads. Cross transactions include rebalancing transactions that are undertaken so that, after withdrawals or contributions have occurred, the portfolio compositions of similarly managed Client accounts remain substantially similar. RichBrook has a potentially conflicting division of loyalties and responsibilities regarding both parties to cross transactions. If RichBrook decides to engage in a cross transaction, RichBrook will take steps to ensure that the transaction is consistent with the duty to obtain

best execution for each of its Clients. RichBrook generally intends to execute cross transactions, if at all, with the assistance of a broker-dealer which executes and books the transaction at the close of the market on the day of the transaction. Alternatively, a cross transaction between two Clients may occur as an "internal cross", where RichBrook instructs the custodian for the Clients to book the transaction at the price determined in accordance with RichBrook's cross trade policy. RichBrook does not receive additional compensation in connection with such any cross transactions.

Cross transactions between Client accounts are not permitted if they would constitute (i) principal transactions (as such term is used under the Investment Advisers Act of 1940, as amended) due to the ownership interest in a Client by the Fund General Partner, RichBrook or its personnel, or (ii) trades for which RichBrook or its affiliates are compensated as a broker, unless in each case the applicable Client consent has been obtained based upon written disclosure to the Client regarding the terms of such transaction and the capacity in which RichBrook or its affiliates will act.

## **Item 12 – Brokerage Practices**

### **Item 12.A.**

RichBrook has complete discretion in deciding which securities are bought and sold, the amount and price of those securities, the brokers or dealers to be used for a particular transaction, and commissions or markups and markdowns paid. Portfolio transactions for a Client are allocated to brokers and dealers on the basis of numerous factors and not necessarily lowest pricing. Brokers and dealers may provide other services that are beneficial to RichBrook and/or certain Client, but not beneficial to all Clients. Subject to best execution, in selecting brokers and dealers (including prime brokers) to execute transactions, provide financing and securities on loan, hold cash and short balances and provide other services, RichBrook may consider, among other factors that are deemed appropriate to consider under the circumstances, the following: primarily, price, dealer spread or commission, size of the transaction, difficulty of execution; and secondarily, the value and to a quality of any research, statistical, quotation or valuation services provided by the broker-dealer. Research services provided by broker-dealers may include advice, either directly or through publications or writings, as to the value of securities, the advisability of purchasing or selling securities, the availability of securities or purchasers or sellers of securities, and analyses and reports concerning issuers, industries, securities, economic factors and trends and investment strategy.

RichBrook does not enter into arrangements with brokers serving the Firm's Clients providing for the use of commissions or "soft dollars" to pay the costs of research products or services.

RichBrook does not select broker-dealers based on any Client referrals that it may receive from them or from any third parties.

RichBrook does not routinely recommend, request or require that a Client direct it to execute transactions through a specified broker-dealer.

**Item 12.B.**

Purchases and sales of securities for Clients may be aggregated or bunched with orders for other funds/accounts managed or advised by RichBrook or its affiliates. Neither RichBrook nor any of its affiliates, however, is required to bunch or aggregate orders if portfolio management decisions for different accounts are made separately, or if the general partner or one of its affiliates determines that bunching or aggregating would be inconsistent with its investment management duties or with Client direction.

**Item 13 – Review of Accounts****Items 13.A. and 13.B.**

RichBrook portfolio managers and investment professionals continuously monitor and analyze the transactions, positions, and investment levels of the Client to ensure that they conform with the investment objectives and guidelines that are stated in the Client's offering documents, investment advisory agreement and/or prospectus. In these reviews, the Firm pays particular attention to any changes in the investment's fundamentals, overall risk management and changes in the markets that may affect price levels. RichBrook engages in active management for the Client and the Firm reviews transactions, positions and cash balances on a daily basis.

On a monthly basis, RichBrook obtains from its fund administrator a detailed trial balance, financial statements, and a sub-ledger of capital accounts for the Funds. RichBrook reviews these documents on a monthly basis for completeness and accuracy.

RichBrook's Chief Operating Officer performs reconciliations and reviews of portfolio data on a monthly basis for the Client. The applicable portfolio managers and the Firm's Investment Committee members each performs on-going portfolio reviews to ensure that investments in each Client's portfolio fits within the overall investment strategy for that Client.

**Item 13.C.**

RichBrook provides unaudited monthly statements to investors in the Funds which set forth various data and information. The Funds are audited annually by an independent certified public accounting firm that is both registered with, and subject to regular inspection by, the Public Companies Accounting Oversight Board, and investors receive the audited financial reports within 90 days of year-end. If applicable, the information necessary for the investor to complete its annual federal income tax return will also be provided.

Any reports with respect to the Sub-Advised Funds or SMAs are provided in accordance with each Clients governing documents.

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

### **Item 14.A.**

As noted in the response to Item 12, RichBrook does not currently have any soft dollar arrangements.

Additionally, RichBrook does not receive a direct economic benefit from any third-party for providing investment advice or other advisory services to its Funds related to the selection or recommendation of broker-dealers.

### **Item 14.B.**

Neither RichBrook nor any related person directly or indirectly compensates any person, including placement agents, for Client referrals.

## **Item 15 – Custody**

RichBrook is deemed to have custody of Funds because it has the authority to obtain Client funds or securities, for example, by deducting advisory fees from a Fund's account or otherwise withdrawing funds from a Fund account. Account statements related to the Funds are sent by qualified custodians to RichBrook. RichBrook is subject to Rule 206(4)-2 under the Advisers Act (the “**Custody Rule**”). However, RichBrook is not required to comply (or it is deemed to have complied) with certain requirements of the Custody Rule with respect to its Funds because it will comply with the provisions of the so-called “Pooled Vehicle Annual Audit Exception”, which, among other things, requires that each Fund be subject to audit at least annually by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, and requires that each fund distribute its audited financial statements to all investors within 120 days of the end of its fiscal year.

With respect to the Sub-Advised Funds, RichBrook (i) does not have custody of its assets, (ii) cannot determine the final value of the Sub-Advised Fund’s positions, (iii) cannot transfer cash or securities out of the Sub-Advised Funds, and (iv) cannot enter into any agreements on behalf of the Sub-Advised Funds.

RichBrook does not maintain, and is not deemed to have, custody of any SMA assets.

## **Item 16 – Investment Discretion**

RichBrook has been granted discretionary authority to manage the accounts of its Clients pursuant to the relevant investment management or investment advisory agreements entered into with such Clients. RichBrook endeavors to buy and sell assets for its Clients on a discretionary basis, depending on the Client account, in a manner consistent with each Client's stated investment objectives and restrictions.



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

### **Items 17.A. and 17.B.**

RichBrook's advisory Clients do not invest in equity securities and, as such, would have no voting rights in underlying investments. If a RichBrook Client invests in an equity security and RichBrook is in a position to vote a proxy, the Chief Compliance Officer, with the assistance of counsel, determines the appropriate procedure for voting such proxy on a case-by-case basis. Investors in the Funds may obtain a copy of RichBrook's proxy voting policies and procedures by addressing a request to RichBrook's Chief Compliance Officer, located at 540 Madison Avenue, 26<sup>th</sup> Floor, New York, New York 10022.

## **Item 18 – Financial Information**

RichBrook is not aware of any financial condition reasonably likely to impair its ability to meet its contractual commitments to Clients, and it has not been the subject of a bankruptcy petition at any time during the past ten years.