



# Zephyr Management, L.P.

## Part 2A of Form ADV

### The Brochure

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This brochure ("**Brochure**") provides information about the qualifications and business practices of Zephyr Management, L.P. and its affiliated investment advisers (collectively "**Zephyr**" or the "**Firm**"). If you have any questions about the contents of this Brochure, please contact the Firm at (212) 508-9400. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission ("**SEC**") or by any state securities authority.

Zephyr is an SEC registered investment adviser. Registration of an investment adviser does not imply any level of skill or training.

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

## **ITEM 2: MATERIAL CHANGES**

This annual updating amendment, contains no material changes since the Firm's initial Brochure, which was filed on June 29, 2024.

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## ITEM 4: ADVISORY BUSINESS

### General Description of the Firm

Zephyr Management, L.P. and its affiliated investment advisers (“Zephyr” or the “Firm”), a New York limited partnership founded in 1994, is an investment adviser specializing in the creation and management of private equity funds investing in emerging markets and private marketable securities funds investing in global equities and fixed income. Zephyr’s advisory service offerings are described in more detail below. Zephyr is principally owned and controlled by Thomas C. Barry and Mukul Gulati.

The General Partner of Zephyr Management, L.P., Zephyr Management, Inc., serves as the investment adviser to certain of the private investment funds. Additionally, ZP India Advisory Private Limited, Zephyr Peacock Management Limited and Zephyr Acorn LLC are wholly owned or controlled subsidiaries and affiliates of Zephyr Management, L.P. that serve as investment advisers to certain of the private investment funds.

### Description of Advisory Services

*Emerging Markets PE Advisory Services.* Since the Firm’s founding in 1994, Zephyr has created and managed pooled investment vehicles that invest globally in private equity and venture capital securities (collectively, the “**PE Funds**”), each of which are managed by general partner-like entities, affiliated with the Firm (each a “General/Managing Partner,” and collectively, the “General/Managing Partners”). Currently, Zephyr’s Emerging Markets PE investment strategy (the “Emerging Markets PE Strategy”) is focused on private equity financing for small to medium sized companies in India and early-stage enterprises in Sub Saharan East Africa.

*Zephyr Waterfield Advisory Services.* Since 2020, in collaboration with Waterfield Advisors Private Limited, a wealth and family office advisory firm based in India, the Firm also manages the Zephyr Waterfield Funds (each a “**Zephyr Waterfield Fund**”; collectively, the “**Zephyr Waterfield Funds**”). The U.S. Zephyr Waterfield Funds are organized as series vehicles of Zephyr Waterfield U.S. Funds, LLC, a Delaware limited liability company, while the non-U.S. Zephyr Waterfield Funds are organized as series vehicles of Zephyr Waterfield Fund Ltd., a Bermuda segregated accounts company. Each Zephyr Waterfield Fund has its own distinct objective, strategy and policies so that the Zephyr Waterfield Funds offering in its entirety provides a range of investment options. The investment objective of each Zephyr Waterfield Fund is to achieve long-term capital appreciation through investment in a diversified portfolio of liquid publicly-traded assets including exchange traded funds (“**ETFs**”) and actively and passively managed mutual funds. Each Zephyr Waterfield Fund measures its performance against a custom benchmark that is a weighted blend of indices relevant to each Zephyr Waterfield Fund’s investment strategy.

Each of the PE Funds and Zephyr Waterfield Funds are referred to as a “Fund” and collectively as “Funds” throughout the Brochure. The Funds are exempt from registration under Sections 3(c)(1) or 3(c)(7) of the Investment Company Act of 1940, as amended, and are offered to investors on a private placement basis. The investment strategies of the Funds are further described in Item 8.

The Firm’s investment decisions and advice with respect to each Fund are subject to such Fund’s investment objectives and guidelines as set forth in the applicable investment management agreement, offering memorandum, limited partnership agreement, subscription materials or other governing documents (collectively, the “**Governing Documents**”). Investors in the Funds (referred to herein as “Investors”) generally cannot impose restrictions on investing in certain securities or types of securities. Investors participate in the overall investment program for the applicable Fund, but can be excused from a particular investment due to

legal, regulatory or other applicable constraints, pursuant to the terms of the applicable Governing Documents. In accordance with industry common practice, the Firm or a Fund's General/Managing Partner may enter into side letters or similar agreements with certain Investors in the Funds that have the effect of establishing rights under, or altering or supplementing the terms of, the relevant agreement with respect to such Investors ("**Side Letters**"). Examples of Side Letter rights include certain fee provisions, information rights, liquidity and withdrawal provisions, concentration limits, notification provisions and most favored nations provisions. These rights, benefits or privileges are not always made available to all Investors nor in some cases are they required to be disclosed to all Investors, consistent with general market practice.

#### **Wrap Fee Programs**

Zephyr does not currently participate in any wrap fee programs.

#### **Assets Under Management**

As of December 31, 2023, Zephyr managed \$190,890,927 in assets on a discretionary basis. The Firm does not manage any assets on a non-discretionary basis.

## ITEM 5: FEES AND COMPENSATION

### Advisory Fees and Compensation

Zephyr provides investment advisory services to the Funds pursuant to the relevant Governing Documents. The Governing Documents set forth the fees, compensation and expenses in greater detail in connection with the investment advisory services provided by Zephyr to the Funds.

Emerging Markets PE Advisory Services. The PE Funds normally pay a management fee equal to a percentage of a Fund's capital commitments during a Fund's investment period, and thereafter equal to a percentage of capital invested. The PE Funds also pay a performance allocation equal to a percentage of a PE Fund's profits after a preferred return to the Investors ("**Carried Interest**"). Carried Interest payable by PE Funds that result in an over distribution to the Firm are generally subject to a clawback arrangement. While the Firm's compensation from the PE Funds varies, the management fee paid by a PE Fund is commonly 2.0% per annum, and the Carried Interest is commonly 20% of distributed cash-on-cash profits over the life of the PE Fund.

Management fees typically accrue and are payable quarterly in advance at an annual rate, as further set forth in each PE Fund's applicable Governing Documents. Cash available for Carried Interest distributions is typically distributed no later than 60 days after the receipt of the cash by the respective PE Fund.

In addition to the management fee and Carried Interest, certain Funds pay a fee typically equal to 5% of the aggregate cost of each underlying portfolio investment (each an "**Investment Charge**"). Each Investment Charge will be a one-time fee for the applicable portfolio investment, due at the time of closing of the purchase of such portfolio investment.

Zephyr may also receive transaction fees, monitoring fees, and break-up fees from its Fund's portfolio companies (collectively, "**Other Fees**"). A percentage of the Other Fees normally offset the management fee. Detailed information regarding Other Fees charged to the PE Funds is provided in each Fund's confidential private placement memorandum and other Governing Documents.

In addition to management fees, carried interest, and Other Fees as described above, Investors will bear indirectly the fees and expenses charged to the PE Funds. Those fees and expenses will vary, but typically will include fees associated with making or selling portfolio investments, legal and accounting fees, taxes, Fund administration expenses, commissions and brokerage fees, custodial fees, registration expenses, fees to government regulatory agencies, the cost of insurance including directors' and officers' liability insurance, litigation or broken deal expenses, and any other expenses of the Fund's operation, as provided in the Fund's Governing Documents.

### Additional Compensation and Conflicts of Interest

Neither Zephyr nor any of its employees accept compensation (e.g., brokerage commissions) for the sale of securities or other investment products. However, Zephyr or any of its affiliates may charge and receive certain transaction and monitoring fees and expenses from the PE Funds' portfolio companies for ongoing assistance provided to the portfolio company by the Firm for the duration of a Fund's investment in the portfolio company.

Zephyr Waterfield Advisory Services. The Zephyr Waterfield Funds pay the management fee to Zephyr. In connection with certain management services provided to the Zephyr Waterfield Funds by Waterfield

Advisors Private Limited, Zephyr shares a portion of such management fee with Waterfield Advisors Private Limited. Generally, Each Zephyr Waterfield Fund will pay to Zephyr monthly in arrears as of the first business day of each calendar month, a fixed management fee equal to  $1/12^{\text{th}}$  of the annual rate of 0.75% or 0.90% of the respective Zephyr Waterfield Fund's net asset value, as of the last day of the preceding calendar month.

In addition to a management fee, Zephyr typically charges each Zephyr Waterfield Fund for certain administrative services outlined in the Governing Documents, an administrative services fee of 0.10% per annum of the respective Zephyr Waterfield Fund's net asset value. Such fee may be reduced and terminated when the Firm has received payments equal to all administrative expenses incurred on behalf of the respective Zephyr Waterfield Fund. This fee is made payable as of the first day of each calendar month and will be equal to  $1/12^{\text{th}}$  of the annual rate of 0.10% of the net asset value of the respective Zephyr Waterfield Fund, as of the last business day of the preceding calendar month.

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

As stated in Item 5: Fees and Compensation above, the Firm may receive Carried Interest from the PE Funds. Such arrangement will be described in the respective Governing Documents.

The fact that Zephyr is compensated based on the investment profits could create an incentive for Zephyr to make investments on behalf of the PE Funds that are riskier or more speculative than would be the case in the absence of such compensation.

In no instance will Investors paying performance-based fees receive preferential treatment over Investors not paying performance-based fees. As a fiduciary, Zephyr recognizes its duties to act in good faith and with fairness in all of its dealings.



## **ITEM 7: TYPES OF CLIENTS**

Zephyr provides investment management and advisory services to the Funds directly, subject to the direction and control of the affiliated General /Managing Members of the Funds, and not individually to the underlying Investors. Investors in the Funds may include, but are not limited to, high net worth individuals, family offices, foundations, pension plans and development finance institutions. As noted in Item 4, the Funds are exempt from registration under the Investment Company Act of 1940, under Section 3(c)(1) or 3(c)(7) thereof.

The minimum commitment for an Investor is outlined in the respective Fund's Governing Documents; however, the General /Managing Members maintain discretion to accept less than the minimum investment threshold. Investors are required to meet certain suitability qualifications, such as being an "Accredited Investor" within the meaning set forth in section 501(a) of Regulation D under the Securities Act of 1933 ("Securities Act"). Additional details concerning applicable Investor suitability criteria are set forth in the Governing Documents, which are furnished to each Investor, or may otherwise be provided by the Firm at the time of investment.

### **Side Letters**

As noted In Item 4, Zephyr may enter into separate agreements, commonly referred to as side letters, with certain Investors which have the effect of establishing rights under, or altering or supplementing, the terms specifically described in the Governing Documents. Zephyr may enter into any side letter arrangement without the vote or consent of other Investors unless another side letter arrangement so provides.

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

### Methods of Analysis and Investment Strategies

The descriptions set forth in this Brochure of specific advisory services that the Firm offers to the Funds, and investment strategies pursued, and investments made or to be made by the Firm on behalf of the Funds, should not be understood to limit in any way Zephyr's investment activities. The Firm 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 Fund's investment objectives and guidelines. The investment strategies Zephyr pursues are speculative and entail substantial risks. Investors should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any Fund will be achieved.

Investors are encouraged to review the Governing Documents for a more complete discussion of the Firm's Investment strategy.

Emerging Markets PE Strategies. As referenced in **Item 4** above, the Emerging Markets PE Strategy is focused on making privately negotiated equity and equity-related growth capital investments in small to medium sized early-stage enterprises in India and Sub Saharan East Africa. Depending on the market, some Funds have a focus investing in enterprises with established business models and a history of revenue and profits or positive cash flow while other Funds have a focus on investing in venture-stage businesses. Zephyr's ultimate approach to investing in Emerging Markets is to seek high-growth investment opportunities that can provide sustainable competitive advantages and high degrees of operating leverage over the long term.

Zephyr employs a "macro-micro" approach in the deployment of the Emerging Markets PE Strategy. Zephyr's investment process begins with a "macro phase" where it conducts global economic and political research to identify regions with favorable macro elements, such as economic growth, political stability, and promising demographics. Once a region of the world or strategy has been identified as having favorable macro-dynamics, the investment team enters its "micro phase," and studies the area to seek specific investment opportunities.

The Emerging Markets PE Strategy tends to share certain unifying qualities that include, but are not limited to, the following:

- Sustainable secular growth opportunity, which is the basis for the investment strategy
- A full time, dedicated investment team for each strategy
- Investment selection driven by fundamental research
- A portfolio size appropriate to the size of the investment universe of the strategy

Where possible and appropriate, the investment management teams seek to achieve a concentrated portfolio constructed with a long-term investment perspective while taking a conservative approach to valuation and risk management.

In seeking investment opportunities, Zephyr conducts fundamental research. Each Fund's unique investment objectives are set forth in the Governing Documents. There are no assurances that a strategy will achieve its investment objectives.

Zephyr generally takes significant minority and possibly majority positions in its portfolio companies and generally seeks opportunities where Zephyr can exert significant value-added influence. Zephyr's post

investment value added monitoring plan typically includes providing financial and operating expertise, sourcing additional equity capital or debt financing, and preparing the portfolio company for acquisition or for listing on a stock exchange.

**Zephyr Waterfield Strategies.** Each of the Zephyr Waterfield Funds offer its own distinct investment objective, investment strategy, and investment policies, so that the Zephyr Waterfield Funds as a group can provide a range of alternatives to Investors based on their individual investment goals and risk tolerance. The investment objective of each Zephyr Waterfield Fund is to achieve long-term capital appreciation through investment in a diversified portfolio of liquid publicly-traded assets including ETFs and actively and passively managed mutual funds.

Each Zephyr Waterfield Fund is subject to the guidelines set forth in the respective Governing Documents, which detail each Zephyr Waterfield Fund's investment objective, investment strategy and policies, and describes how the Fund invests, including expected asset allocation weightings across regions, sectors, and asset classes.

Each Zephyr Waterfield Fund measures its performance against a custom benchmark that is a weighted blend of indices relevant to the investment strategy, policies and asset allocation weightings. A Zephyr Waterfield Fund's benchmark may be set forth in its respective Governing Documents. The asset allocation weightings are based on Zephyr's quantitative scoring of various macroeconomic factors in both the United States and other regions and countries.

### **Material, Significant or Unusual Risks Relating to Investment Strategies**

#### ***General Fund Risks***

**Counterparty Risk.** The Funds will be subject to the credit risk of the counterparties engaged by the Funds, which include but are not limited to banks, custodians and broker-dealers. If a counterparty becomes bankrupt or otherwise fails to perform its obligations under a contract due to financial difficulties, a Fund may experience significant delays in obtaining any recovery under the contract in a bankruptcy or other reorganization proceeding. A Fund may obtain only a limited recovery or may obtain no recovery in such circumstances. Concerns about, or a default by, one large market participant could lead to significant liquidity problems for other participants. If a counterparty's credit becomes significantly impaired, multiple requests to post collateral in a short period of time could increase the risk that a Fund may not receive adequate collateral. However, there can be no assurance that any counterparty will satisfy its obligations to a Fund.

**Cybersecurity.** The Funds, their services providers and the Firm, are subject to risks associated with a breach in their cybersecurity. Cybersecurity is a generic term used to describe the technology, processes and practices designed to protect networks, systems, computers, programs and data from "hacking" by other computer users, other unauthorized access and the resulting damage and disruption of hardware and software systems, loss or corruption of data as well as misappropriation of confidential information. If a cybersecurity breach occurs, the Funds may incur substantial costs, including those associated with forensic analysis of the origin and scope of the breach; investment losses from sabotaged systems; identity theft; wire fraud; unauthorized use of proprietary information; litigation; adverse investor reaction; the dissemination of confidential and proprietary information; and reputational damage. Any such breach could expose the Funds and the Firm to civil liability as well as regulatory inquiry and/or action.

***Reliance on Zephyr.*** The success of the Funds depends on the ability of Zephyr to develop and implement

investment strategies to achieve the Funds' investment objectives. Although Zephyr i may impose limits on the types of positions certain Funds may take, or the concentration of their investments, the Governing Documents may not impose such limits for certain Funds. Investors will have no right or power to take part in the management of the Funds. The Funds' investment performance could be materially adversely affected if any members of Zephyr's investment team were to die, become ill or disabled, or otherwise cease to be involved in the active management of the business of the Funds' portfolios.

*Epidemic or Pandemic Considerations.* Epidemics, pandemics, or other widespread public health emergencies may have a negative impact on economic fundamentals including disruption of global supply chains, consumer confidence, tourism and/or the performance of essential government services. There is a risk that an investment could be, directly or indirectly, affected by one or more outbreaks of disease and its subsequent negative impact. Specifically, the effects of a pandemic such as COVID-19 may materially and adversely impact the value and performance of any of the Funds and their investment objectives.

*Dependence on Key Personnel.* The success of the Funds depends in substantial part on the skill and expertise of Zephyr and its investment professionals to identify and evaluate investment opportunities, to negotiate and arrange the closing of transactions, to stimulate good performance by acquired companies and to arrange the timely disposition of securities at a profit. There can be no assurance that Zephyr or the General/Managing Partners will continue to generate an adequate stream of investment opportunities. In addition, there can be no assurance that the Partners and employees of Zephyr will continue to be employed by, or affiliated with, the Firm throughout the life of the Funds. The loss of key personnel could have a material adverse effect on the Funds.

### ***Risks Related to Zephyr PE Strategies***

An investment in PE Funds involves substantial risks. The risk factors set forth below are not intended to be an exhaustive list of the general or specific risks involved but include only those risks Zephyr believes to be material, significant or unusual and relate to particular investment strategies or methods of analysis employed by the Firm. Other unforeseen risks might become significant in the future and risks which are now foreseen might affect the Funds are encouraged to review the Governing Documents for a more complete discussion of Zephyr's investment strategies to a greater extent than is now foreseen or in a manner not now contemplated. In light of the risk factors discussed below, among others, an investment in the Funds is suitable only for Investors of substantial financial means who have no need for liquidity to the extent of their investment in the Funds and can afford a total loss of their investment. Investors should consult their own professional advisors as to the legal, tax and related matters concerning an investment in the Funds and are encouraged to review the Governing Documents for a more complete discussion of the risk factors.

*Foreign Investment Risk.* The PE Funds invest primarily in companies headquartered outside of the United States. Investing outside the United States may involve greater risks than investing in the United States. In particular, the value of non-U.S. securities may be significantly affected by changes in currency exchange rates, which may be volatile.

Although Zephyr may attempt to hedge against foreign currency exchange rate risks by utilizing spot and forward foreign exchange contracts, foreign currency options or other instruments, there can be no assurance that Zephyr will be able to do so successfully or cost-effectively, and may decide not to hedge against such risks or to do so only incompletely. Additional risks include: (i) risks of economic dislocations in the host country; (ii) less publicly available information; (iii) less well-developed regulatory institutions; (iv) custody practices and regulatory regimes that are less well-developed than those that apply to custodians based in

the United States; and (v) greater difficulty of enforcing legal rights in a foreign jurisdiction. Moreover, non-U.S. companies may not be subject to uniform accounting, auditing and financial reporting standards, practices and requirements comparable to those that apply to U.S. companies.

*General Business Risk.* Investments in equity securities involve general risks associated with the underlying businesses, including market conditions, changes in regulatory requirements, reliance on management at the company level, interest rate and currency fluctuations, general economic downturns, domestic and foreign political situations and other factors.

*Lack of Diversification in Private Equity Funds.* The PE Funds invest in a limited number of investments and, as a consequence, the Investors may not receive the benefit of investing in a diversified portfolio of investments. Poor performance by a few of the investments could have a material adverse effect on the total returns achieved by a Fund.

*Illiquidity in Private Equity Funds.* The PE Funds' investments in portfolio companies will be highly illiquid and there can be no assurance that the PE Funds will be able to realize such investments in a timely manner. Consequently, dispositions of the PE Funds' investments may require a lengthy time period or may result in distributions in-kind to Investors. While a PE Fund's investment in a portfolio company may be sold at any time, it is not generally expected that this will occur for a number of years after the investment in a portfolio company is made. The PE Funds will generally acquire securities that cannot be sold except pursuant to a registration statement filed under the Securities Act, or in a private placement or other transaction exempt from registration under the Securities Act. The market prices, if any, of such investments tend to be volatile and the PE Funds may not be able to sell such investments when desired, or, upon sale, to realize what is perceived to be their fair value. The Investors generally may not withdraw from the PE Funds. Consequently, Investors may not be able to liquidate their investments prior to the end of the PE Funds' terms.

*Considerations Relating to Investing in Emerging Markets.* Investing in emerging markets involves certain risks and special considerations not typically associated with investing in more established economies or securities markets. Such risks include, but are not limited to social, economic and political uncertainty, including war and revolution; dependence on exports and the corresponding importance of international trade; price fluctuations, market volatility, lack of liquidity and smaller capitalization of securities markets; and longer settlement periods for securities transactions.

*General Risks of Investing in Early-Stage Companies.* Investments in early-stage companies involve substantial risks. Such companies often experience unexpected problems in the areas of product development, manufacturing, marketing, financing and general management, which, in some cases, cannot be adequately solved. In addition, such companies may require substantial amounts of financing which may not be available through institutional private placements or the public markets. The percentage of companies that survive and prosper can be small and, accordingly, investments in such companies often involve a heightened risk of bankruptcy or liquidation of the portfolio company. There is no assurance that such investments by a PE Fund will be successful.

*Carried Interest.* The PE Funds' carried interest is typically based on the performance of a PE Fund's investments. Zephyr has designed this compensation structure to align its interests with those of the Investors by providing a significant portion of the investment team's compensation in the form of carried interest from the Fund. However, investors should be aware that, because Zephyr is not required to put its own capital at risk in order to generate carried interest, Zephyr and its investment team may have an incentive to make investments that are more speculative than would be the case in the absence of performance-based

compensation.

*Economic and Political Risks.* A significant portion of the PE Fund's assets will likely be invested in countries where the market economy is relatively less developed. Although the recent general trend in certain of those countries has been towards more open markets and the promotion of private-business initiatives, Zephyr cannot give any assurance that the governments of these countries will continue to pursue those policies or that those policies will not be altered significantly. Political instability, economic distress, the difficulties of adjustment to a market economy, social instability, organized crime and other factors beyond the control of Zephyr in non-U.S. markets could have a material adverse effect on the performance of a Fund.

*Legal and Regulatory Risks.* The legal and regulatory considerations affecting the ability of a Fund to achieve its investment objectives are complicated. A Fund's ability to achieve its investment objectives, as well as the ability to conduct operations, is based on laws and regulations which are subject to change through legislative, judicial or administrative action. Future legislative, judicial or administrative action could adversely affect a Fund's ability to achieve its investment objectives, as well as the ability of the Fund to conduct its operations. Increased regulation could have a material adverse impact on the profit potential of a Fund, as well as require increased transparency as to the identity of the Investors.

*Absence of Regulatory Oversight.* Interests in the PE Funds are not registered under the Securities Act, the Exchange Act or any other securities laws, including state securities or blue-sky laws and non-U.S. laws, and Zephyr may not intend to register the interests under such laws. As a result, the interest in the Funds may not be protected by any provisions of the Securities Act, the Exchange Act or any other securities laws.

*Competition for Investments.* The PE Funds expect to encounter competition from other entities having similar investment objectives. Potential competitors include other private equity funds, direct investment firms, merchant banks and industrial groups, strategic industry acquirers and other financial investors investing directly or through affiliates. Additional funds with similar investment objectives may be formed in the future by other unrelated parties. Some of these competitors may have more relevant experience, greater financial resources, and more personnel than the Firm and their affiliates. It is possible that competition for appropriate investment opportunities may increase, thus reducing the number of opportunities available to the Funds and adversely affecting the terms upon which investments can be made. There can be no assurance that the PE Funds will be able to identify or consummate investments in portfolio companies satisfying their investment criteria or that such investments will satisfy the Funds' rate of return objectives. Likewise, there can be no assurance that the Funds will be able to realize the value of their investments or be able to invest their committed capital. To the extent that the Funds encounter competition for investments, returns to Investors may decrease.

*General Economic Conditions.* General economic conditions may affect the Funds' investment activities. Interest rates, general levels of economic activity, the price of securities and participation by other investors in the financial markets may affect the value and number of investments made by the Funds or considered for prospective investment. Material changes and fluctuations in the economic environment, particularly of the type experienced since 2008 that caused significant dislocations, illiquidity and volatility in the wider global economy, may affect the Funds' ability to make investments and the value of investments held by the Funds. Any economic downturn resulting from a recurrence of such marketplace events and/or continued volatility in the financial markets could adversely affect the financial resources of portfolio companies and result in the inability of such portfolio companies to make principal and interest payments on, or refinance, outstanding debt when due. In the event of such defaults, the Funds may suffer a partial or total loss of capital investment in such portfolio companies, which would, in turn, have an adverse effect on the Funds' returns.

Such marketplace events also may restrict the ability of the Funds to make new investments or sell or liquidate investments at favorable times or for favorable prices.

*Co-investment Risks.* The PE Funds may invest alongside strategic, financial or other third-party co-investors. Such investments will involve additional risks which may not be present in investments which do not involve a co-investor, including the possibility that a co-investor may at any time have economic or business interests or goals that are not consistent with those of a PE Fund, may be in a position to take action contrary to the PE Fund's investment objectives or may default on its obligations. While Zephyr intends to mitigate these risks contractually through co-investment agreements, there can be no assurance that Zephyr will be successful in doing so. Also, such co-investments may or may not be on substantially the same terms and conditions as the PE Funds, and such co-investments may or may not be disposed of at the same time or on the same terms as dispositions by the PE Funds.

*Investments in Troubled Entities.* At times, the PE Funds invest in assets or entities that are experiencing, or experience over time, operational, managerial, financial or other difficulties which may never be resolved. Investments in these assets or entities will require more extensive time and effort and are likely to involve a heightened risk of bankruptcy or liquidation. In such an event, the PE Funds may be exposed to the risk of legal proceedings of uncertain duration and legal costs of an uncertain magnitude, as well as the possibility of little or no return on its investment.

*Leverage Risk in Portfolio Companies.* At times, the PE Funds invest in portfolio companies with a capital structure of which may have significant leverage. A leveraged capital structure will increase the exposure of the relevant portfolio company to adverse economic factors such as rising interest rates, downturns in the economy or deteriorations in the business of such portfolio company or its industry. In addition, any use of leverage by a PE Fund itself will increase the Investors' risk of loss. Further, the portfolio investments may be made at levels in the capital structures of portfolio companies subordinate to senior equity or debt securities of such companies, subjecting the PE Funds to a greater risk of losing all or part of the invested capital. There will be no collateral to protect a PE Fund's investment in such securities once made.

*Bankruptcy of Portfolio Companies.* The PE Funds are permitted to make investments in portfolio companies that may experience financial difficulties and become insolvent or file for bankruptcy protection. Various U.S. federal and state laws in connection with such bankruptcy proceedings could operate to the detriment of the Funds. There is also a risk that a court may require the Funds to return amounts previously paid to it by a portfolio company that becomes insolvent or files for bankruptcy, a risk that could increase if the Funds has management rights in such portfolio company.

*Banking Risks in Emerging Markets.* The banking and other financial systems in Emerging Markets are typically not well developed or well regulated. The risks for portfolio companies operating in these countries include operating inefficiencies inherent in working with underdeveloped banks; losing money held in banks that have liquidity and/or solvency problems; and possible contagion if there is a systematic threat to the banking sector.

*Corruption in Emerging Markets.* Corruption is a widespread and persistent problem in some of the countries in which the PE Funds may invest. The adverse social and economic effects of corruption can have a corresponding effect on the ability of the PE Funds to realize value on their investments. A PE Fund's unwillingness to participate in corruption may limit its effectiveness and result in negative consequences being levied on a PE Fund by the governments of such countries, which could include: the possibility of expropriation or confiscatory taxation or retrospective taxation, imposition of withholding or other taxes on dividends, interest, capital gains, or other income; limitations on the removal of a PE Fund's assets from such jurisdiction;

managed or manipulated exchange rates; and other issues affecting currency conversion, political or social instability or diplomatic developments that could negatively impact investments in those countries.

*Terrorism and Military Actions.* The continued incidents, and threat, of terrorism, and/or military and other responses by the U.S. and other countries have the potential to result in adverse effects on economies, markets, market segments and individual assets, including those in which the Funds may invest. It is not possible to predict the severity of the impact that any of these future events would have on the transportation, logistics, distribution and related sectors. In addition, insurance on investments may be more costly and coverage may be more limited as a result of these events.

*Russia-Ukraine Conflict.* On February 21, 2022, Russian President Vladimir Putin ordered the Russian military to invade two regions in eastern Ukraine (the Donetsk People's Republic and Luhansk People's Republic regions). On February 22, 2022, the United States, United Kingdom and European Union announced sanctions against Russia. On February 24, 2022, President Putin commenced a full-scale invasion of Russia's pre-positioned forces into Ukraine, including Russia's forces pre-positioned in Belarus. In response, the United States, United Kingdom, and European Union imposed further sanctions designed to target the Russian financial system. The U.S. and allied countries announced their commitment to taking steps to prevent certain Russian banks from accessing international payment systems. Russia's invasion of Ukraine, the resulting displacement of persons both within Ukraine and to neighboring countries and the international sanctions could have a negative impact on the economy and business activity globally, and therefore could adversely affect the performance of the Funds' investments. Furthermore, given the ongoing nature of the conflict between the two nations and its ongoing escalation, it is difficult to predict the conflict's ultimate impact on global economic and market conditions, and, as a result, the situation presents material uncertainty and risk with respect to the Funds and the performance of their investments or operations, and the ability of the Funds to achieve their investment objectives.

*Inflation.* Some of the countries in which the Funds may invest have experienced and/or are experiencing substantial rates of inflation. Inflation and/or rapid fluctuations in the rates of inflation have had, and may continue to have, negative effects on the economies and securities markets of such countries, and the governments of such countries have sometimes imposed drastic economic measures to curb inflation that have adversely affected economic activity. There can be no assurance that governments will be able to exercise effective control over inflation rates or that a return to higher rates will not have a materially adverse effect on Fund investments.

*Valuation of Private Equity Investments.* The PE Funds will rely on Zephyr, or a third-party service provider, such as a fund administrator, for valuation of their assets and liabilities. The Funds will primarily hold assets that will not have readily accessible market values. The valuation of illiquid assets is inherently subjective and subject to increased risk that the information utilized to value such assets or create pricing models may be inaccurate or subject to error. Due to a wide variety of market factors and the nature of certain assets to be held by the PE Funds, there can be no guarantee that the values determined by Zephyr will represent the values that will be realized by the PE Funds upon the disposition of the investment.

*Cross Trades.* Similar investments may be made across the various PE Funds and, therefore, scenarios may arise in which the PE Funds participate in a cross trades, wherein investments are bought or sold between the PE Funds. Such transactions are conducted only if deemed beneficial for the PE Funds involved and the trade serves the best interest of all parties involved. Neither Zephyr nor any participating PE Fund receive brokerage fees or any other form of compensation for cross trades; however, the Firm may benefit from realized profits and related incentive compensation, such as carried interest. Additionally, Zephyr may benefit if one of the



participating PE Funds incurs higher fees than the other. To the extent Investor consent is required for a cross trade, or if deemed necessary by Zephyr, approval may be sought from the relevant parties.

**Minority Investments.** Certain PE Funds may make minority equity investments in portfolio companies where the respective PE Fund does not effectively control or influence the business or affairs of such portfolio companies. Under such circumstances, there is the possibility that the portfolio companies may have economic or business interests or goals that are inconsistent with those of the PE Funds, and the respective PE Fund may not be in a position to limit or otherwise protect the value of the PE Fund's investment in the portfolio company. In addition, although PE Funds may seek board representation in connection with portfolio companies, there is no assurance that such representation, if sought, will be obtained.

**Environmental Liability.** Certain PE Funds may hold real estate investments and as is the case with any holder of real estate investments, The PE Funds could face substantial risk of loss from environmental claims based on environmental problems associated with the respective investments. Changes in environmental laws of emerging market countries may create liabilities that did not exist at the time of acquisition of a real estate investment and that could not have been foreseen.

**Long-Term Investments.** Disposition of PE Fund investments may not occur for a number of years after a PE Fund's initial investment. Certain PE Funds' investment strategies are designed for relatively long holding periods. Investors in certain PE Funds must be prepared to hold their investment for a number of years. While it is the intention of Zephyr to achieve the PE Funds' investment objectives, factors such as overall economic conditions, the competitive environment, the market for certain assets, as well as other factors, may affect the disposition of investments.

### **Risks Related to Zephyr Waterfield Strategies**

**Investment and Trading Risks for Zephyr Waterfield Funds.** Substantial risks are involved in investing in the various securities and instruments the Zephyr Waterfield Funds intend to purchase and sell. Prices may be influenced by, among other factors:

- changing supply and demand relationships;
- domestic and foreign policies of governments, particularly policies to do with trade or with fiscal and monetary matters;
- political events, particularly elections and those events that may lead to a change in government;
- the outbreak of hostilities, even in an area in which a Fund is not invested;
- economic developments, particularly those related to balance of payments and trade, inflation, money supply, the issue of government debt, changes in official interest rates, monetary revaluations or devaluations and modifications in financial market regulations; and
- impacts on economic, business and investment activity, demand, supply, prices, and markets resulting from the continuing presence of the Covid-19 novel coronavirus and related disease, as well as future outbreaks of Covid-19 and other pathogens, and failure to develop treatments and methods of containment thereof, and failure to ameliorate the economic effects of such outbreaks or pandemics.

As a result of the nature of a Zephyr Waterfield Fund's investment activities, its investment results may fluctuate substantially from period to period. Accordingly, performance results of a particular period will not necessarily be indicative of results in future periods.

**Potential Illiquidity of Exchange Traded Instruments.** It may not always be possible for a Zephyr Waterfield

Fund to execute a buy or sell order on exchanges at the desired price or to liquidate an open position due to market conditions, including the operation of daily price fluctuation limits. If trading on an exchange is suspended or restricted, a Fund may not be able to execute trades or close out positions on terms that Zephyr believes are desirable.

While shares of ETFs are designed to and generally do trade at prices closely approximating their net asset values, during periods of sharp market volatility the purchase and sale prices available for an ETF may diverge from its net asset value. This risk is exacerbated in ETFs that hold fewer liquid instruments, such as small capitalization stocks and certain less liquid fixed income securities, particularly of emerging market issuers. During volatile trading in March 2020 resulting from the Covid-19 pandemic and the prospect of government-imposed stay-at-home orders and social distancing, this divergence between certain ETFs' share prices and the values of their underlying portfolios was seen to occur, as well as reduced liquidity of the ETF shares. There can be no assurance that reduced liquidity of certain ETF shares, and divergence between ETF share prices and their underlying asset values, will not occur in the future, which could cause losses to a Fund and its Investors or could interfere with a Zephyr Waterfield Fund's ability to compute its net asset value or to meet redemption requests.

*Market Risk.* Each Zephyr Waterfield Fund's investments are subject to normal market fluctuations and the risks inherent in the purchase, holding or selling of equity securities and related instruments, and there can be no assurance that appreciation will occur. The value of the Interests can go down as well as up and Investors may not realize the value of their initial investment. The Zephyr Waterfield Funds are intended principally for long-term investors. There can be no assurance that, at a given moment in time when Investor may wish to redeem his or her Interest, the net asset value of a Zephyr Waterfield Fund will not have been impacted by falling market prices of the securities in which the Zephyr Waterfield Fund invests. In particular, security prices may be affected by events such as recessions, terrorism, war, global pandemics, banking crises, sovereign debt crises, currency crises, and the economic policies of governments.

*Series Fund Structure.* Groups of affiliated funds with similar terms have increasingly been organized as "series" or "protected cells" or "segregated accounts" of a single fund, instead of as separate legal entities. The nature of these structures is a single legal entity that segregates assets, liabilities, Investors, and income into different segments, each having its own Investors and each functioning much like a separate legal entity.

Such a structure may enable efficiency of expense and administration. For that reason, the Firm has formed the Funds with multiple series.

Investors of the Zephyr Waterfield Funds should be aware that "series" and similar legal structures are relatively new legal concepts, created by statutes in the past 20 years and with little case law interpreting the statutes. The structures do not always fit squarely within securities, tax, pension, and other legal and regulatory regimes, which were created with independent legal entities in mind.

**ITEM 9: DISCIPLINARY INFORMATION**

There are no legal or disciplinary events that are material to a Fund's or a prospective Investor's evaluation of Zephyr's business or the integrity of its management.

## ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

### **Broker-Dealer Registration Status**

Neither the Firm nor its management persons are registered as broker-dealers and do not have any application pending to register as a broker-dealer or registered representative of a broker-dealer.

### **Futures Commission Merchant, Commodity Pool Operator or Commodity Trading Registration Status**

Neither the Firm nor its management persons are registered as, and do not have any application to register as, futures commission merchants, commodity pool operators, commodity trading advisors or associated persons of the foregoing entities.

### **Material Relationships or Arrangements with Related Person Industry Participants**

**NDB Zephyr Partners.** Zephyr Management, L.P. owns 40% of NDB Zephyr Partners Limited (“NDB Zephyr Partners”), an exempt reporting adviser domiciled in Mauritius. Zephyr provides general administrative and management support services, accounting and administration, and investor relations services to NDB Zephyr Partners. Additionally, Zephyr Peacock Management Limited and NDB Zephyr share certain limited investment support resources. NDB Zephyr Partners compensates Zephyr for providing those services through a fixed fee arrangement and through a portion of the performance fees earned by NDB Zephyr Partners for the management of the NDB Zephyr Partners private equity fund. Since NDB Zephyr Partners’ investment strategy is focused solely on private equity opportunities in Sri Lanka, the investment strategy does not overlap with that of Zephyr. Zephyr does not exercise control over NDB Zephyr Partners, however, select employees of Zephyr have the authority to exercise control over certain aspects of NDB Zephyr Partners’ business.

**Affiliated Investment Advisers.** As referenced in Item 4, Zephyr Management, L.P. has created wholly-owned or controlled subsidiaries to serve as investment advisers to certain of the Funds which include ZP India Advisory Private Limited, Zephyr Peacock Management Limited and Zephyr Acorn LLC. Additionally, the General Partner of Zephyr Management, L.P., Zephyr Management, Inc., serves as the investment adviser to certain of the private investment funds.

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

### Code of Ethics

Pursuant to section 204A-1 of the Investment Advisers Act of 1940, as amended (“**Advisers Act**”), Zephyr has adopted a written code of ethics (the “**Code**”) which establishes the standard of business conduct that all Zephyr employees must follow in upholding the Firm’s fiduciary duty to its clients and which incorporates the following general principles that both the Firm and employees are expected to uphold:

- The interests of the Funds must at all times be placed first;
- All personal securities transactions must be conducted in a manner consistent with the Code and any actual or potential conflicts of interest must be mitigated or any abuse of an employee’s position of trust and responsibility must be avoided;
- Employees must not take any inappropriate advantage of their positions;
- Information concerning the identity of securities and financial circumstances of the Funds, including the Investors, must be kept confidential; and
- Independence in the investment decision-making process must be maintained at all times.

The Code also contains controls implemented by the Firm as means to monitor and mitigate potential conflicts of interest, including specific policies to address, among other things, outside activities of employees, the prevention of insider trading, restrictions on the acceptance or offer of significant gifts and the pre-clearance and reporting of political contributions.

Further, Zephyr has adopted a personal trading policy that (i) imposes restrictions on employee trading of certain securities without the approval of the Chief Compliance Officer (“**CCO**”); (ii) prohibits purchasing securities in an initial public offering without CCO approval; (iii) requires pre-clearance before purchasing securities in a limited offering (i.e., a private placement); and (iv) requires periodic reporting of employees’ personal securities transactions and all holdings. The Firm regularly monitors the personal trading of employees. Each employee is required to certify annually that the Code has been read and understood and that the employee agrees to abide by the Code and all policies and procedures set forth therein.

A copy of the Code will be provided upon request by contacting the CCO using the information on the cover page of this Brochure.

### Principal and Cross Trades

Zephyr does not engage in principal transactions with the Funds. As noted above, on rare occasions, Zephyr may arrange for a cross transaction between two of its Funds, in which one Fund buys a security from, or sells a security to, another Fund. Zephyr receives no compensation, directly or indirectly, for effecting a cross transaction. Zephyr may only engage in such transactions after determining that such investments are suitable and appropriate for each participating Fund and will seek to ensure that the terms of the transaction, including the consideration to be paid or received, are fair and reasonable, and the transactions are done for the sole benefit of the Funds.

### **Securities that the Investment Adviser or a Related Person Has a Material Financial Interest**

Neither Zephyr nor any of its related persons recommends to the Funds, or buys or sells for any Fund accounts, securities in which Zephyr or its related persons have a material financial interest. If Zephyr or a related person recommends such securities to a Fund, the CCO will make a determination on a case-by-case basis to address such a situation and any conflicts of interest that such a transaction would present.

In some cases, however, employees of Zephyr may be permitted to invest in securities of a company in which a Fund has invested. Any such proposed investment by an employee would require permission from the CCO.

### **Investing in Securities that the Investment Adviser or a Related Person Recommends to Clients**

Zephyr's employees may make capital commitments in Funds and thus may have a financial interest in the transactions of the Funds and the performance of the Funds' investments. Investments by such related persons are intended to align the interests of the Firm and its related persons with those of the Funds; however, such investments may create conflicts of interest. The CCO will make a determination on a case-by-case basis to address any such conflicts of interest.

### **Conflicts of Interest Created by Contemporaneous Investing**

Zephyr may manage investments on behalf of a number of Funds. Certain Funds may have investment programs that are similar to or overlap and may, therefore, participate with each other in investments. It is the Firm's policy to allocate investment opportunities among all Funds fairly, to the extent practical and in accordance with each Fund's applicable investment strategies, over a period of time. Zephyr will have no obligation to purchase or sell a security for, enter into a transaction on behalf of, or provide an investment opportunity to any Fund solely because it purchases or sells the same security for, enters into a transaction on behalf of, or provide an opportunity to any other Fund if, in Zephyr's reasonable opinion, such security, transaction or investment opportunity does not appear to be suitable, practical or desirable for the Fund.

## ITEM 12: BROKERAGE PRACTICES

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

As part of its fiduciary duty to the Funds, Zephyr has an obligation to seek the best price and execution of all transactions. Zephyr's obligation to seek best execution extends to the implementation of private investments as well as acquisitions and dispositions of portfolio companies. When seeking best execution, the Firm will consider a range of applicable factors (depending on the securities transaction) when retaining broker-dealers or other intermediaries for the purpose of completing said transactions including: quality of overall execution provided by the broker-dealer; promptness of execution; general expertise and background; the type and size of the transaction involved; the stability or solvency of the service provider or counterparty; time required to complete the role sought; historical experience; availability of resources; and specific expertise and intellectual property or any arrangements relating to overall performance in the best interest of the Fund.

In conducting such brokered transactions, Zephyr will seek to obtain best execution. Employees involved in securities transactions on behalf of the Funds will consider at the time of such transactions local market compensation for and the scope of services provided by financial intermediaries if such intermediaries are used. The CCO will review brokered securities transactions, if any, affected on behalf of the Funds in order to attempt to assess whether the fees paid by the Funds are reasonable in light of the services received.

Research and Other Soft Dollar Benefits. Zephyr does not receive research or other soft dollar benefits from broker-dealers or other third parties other than execution from a broker-dealer or a third party in connection with the Funds' securities transaction, if any.

Brokerage for Fund Referrals. Neither Zephyr nor any of its related persons receives Fund referrals from any broker-dealer or third party.

Directed Brokerage. Zephyr does not recommend, request or require that the Funds direct it to execute transactions through a specific broker-dealer.

Order Aggregation. There are situations in which Zephyr may aggregate orders for the benefit of the Funds and Investors. Under such circumstances, Zephyr is committed to allocating investment opportunities on a fair and equitable basis and in a manner that is consistent with the Funds' investment objectives.

Trade Errors. It is the policy of Zephyr that the utmost care is taken in making and implementing investment decisions on behalf of the Funds. To the extent that any trading errors occur, they are to be (a) corrected as soon as practicable without disadvantaging the Funds or benefiting Zephyr, (b) reported to Zephyr's CCO, and (c) scrutinized carefully with a view toward implementing procedures to prevent or reduce future errors, if necessary. Generally, where the error has occurred as a result of negligence or gross misconduct by an employee or associate of Zephyr, the Fund will be fully compensated for any loss suffered as a result of the error. Where the error results in a 'profit', or net gain to the Fund, the Fund will receive the benefit.

## **ITEM 13: REVIEW OF ACCOUNTS**

### **Frequency and Nature of Review of Accounts or Financial Plans**

Zephyr and its respective investment teams have ultimate responsibility for all investment decisions and will continuously review each Fund. In addition, the CCO and the Firm's portfolio managers will periodically monitor the Funds' investment activities to ensure compliance with investment objectives and any investment restrictions set forth in the Governing Documents.

### **Factors Prompting Review of Accounts Other than a Periodic Review**

A review of a Fund's portfolio may be triggered by any unusual activity or special circumstances, including, without limitation, changes in the financial markets, activity and trends in the political or economic environment, as well as the specific circumstances affecting each Fund. Each review analyzes portfolio positions, market trends, and investment opportunities.

### **Content and Frequency of Account Reports**

The following reports and information are routinely provided to Investors:

- Written monthly quarterly reports which include unaudited financial statements, a description of current portfolio holdings, transaction updates and capital account balances.
- For select PE Funds, quarterly Fund-level statements are provided to Investors directly from the Custodian.
- If applicable, information necessary for the preparation of tax returns within ninety (90) days after the end of the applicable fiscal year.
- Information necessary to comply with tax filing obligations with respect to the Investor's domicile and investment in the Fund, with reasonable promptness upon request.
- Annual audited financial statements for the Funds within one hundred twenty (120) days of the applicable fiscal year end, or with respect to any Fund relying on a surprise verification of assets, custodial statements directly from the Fund's custodian.

Zephyr Waterfield Fund Investors routinely receive the following:

- Confirmation of a subscription or redemption from the fund administrator indicating the Zephyr Waterfield Fund bought/sold, the number of shares involved and the price per share.
- Monthly Investor Statements provided directly by the fund administrator showing beginning capital balances, Funds owned, including number of shares, and ending capital balances.
- Written monthly update reports showing underlying investments with financial and performance data.
- If applicable, information necessary for the preparation of tax returns within ninety (90) days after the end of the applicable fiscal year.



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

### **Economic Benefits From Third-Parties for Providing Services to Clients**

Zephyr does not receive economic benefits from persons other than the Funds for providing investment advice or other advisory services to the Funds.

### **Compensation to Non-Supervised Persons for Referrals**

Neither Zephyr nor its related persons directly or indirectly compensate any persons who are not supervised persons, including placement agents, for Fund referrals. However, Zephyr or its related persons have and may in the future, engage third-party placement agents to introduce prospective Investors to the Funds. Zephyr will seek to comply with Rule 206(4)-1 under the Advisers Act to the extent the rule is applicable to the use of placement agents by the Funds.

In connection with Zephyr's collaboration with Waterfield Advisors Private Limited, Zephyr does not compensate Waterfield Advisors Private Limited for client or investor referrals.

## ITEM 15: CUSTODY

Zephyr is deemed to have custody over the funds and securities held by the Funds due to its, or an affiliated person's, role as General/Managing Partner (or similar control capacity) of the Funds. To the extent assets held by a Fund do not meet the exemption for certain privately offered securities, the Firm will maintain such assets at a qualified custodian. In compliance with Section 206(4)-2 of the Advisers Act (the "**Custody Rule**"), the Funds are either (i) subject to an annual audit by an independent public accountant that is registered with, and subject to regular inspection by the Public Company Accounting Oversight Board ("**PCAOB**"); or (ii) subject to an annual independent verification of client funds through examination from an independent public accountant registered with and subject to regular inspection by the PCAOB, at a time that is chosen by the independent public accountant without prior notice to the Firm. The audited financial statements are prepared in accordance with generally accepted accounting principles and are distributed to each Investor within 120 days of the Funds' fiscal year end. In the event a qualified custodian sends quarterly account statements to an investor, the investor should review those statements and compare them to any statements the investor has received from Zephyr.

## **ITEM 16: INVESTMENT DISCRETION**

Zephyr has investment discretion over the Funds' assets, in accordance with the Governing Documents, which may set forth certain limitations with respect to the management of the Funds and the activities of the Firm. Investors may enter into side letters with the Firm, as described in Item 8, which may also have the effect of limiting certain of the Firm's activities.

## **ITEM 17: VOTING CLIENT SECURITIES**

### **Voting Policies and Procedures**

In the event Zephyr is presented with an opportunity to vote a proxy, the Firm's general policy is to vote in accordance with the best economic interest of the Funds. The Firm believes company management generally is best suited to make the decisions that are essential to the ongoing operation of the company. Therefore, the Firm will generally vote proxies in line with company management.

Occasions may arise in which the Firm is required to vote a proxy while having a conflict of interest with the Fund, it is Zephyr's policy to disclose any known conflicts of interest with respect to any proxy vote to the Investors and any applicable parties in accordance with the Governing Documents.

All supervised persons are responsible for bringing all proxies to the attention of the CCO.

Investors cannot direct the Firm's proxy votes, however, they can obtain information on how the Firm voted, as well as obtain a copy of the Firm's proxy voting policies and procedures by contacting the CCO using the information on the cover page of this Brochure.

## **ITEM 18: FINANCIAL INFORMATION**

### **Prepayment of Fees**

Zephyr does not require or solicit prepayment of more than \$1,200 in fees per Fund, six (6) months or more in advance.

### **Financial Conditions**

Zephyr has discretionary authority over the Funds' securities and is not aware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to the Funds and its fiduciary obligation to the Investors.

### **Bankruptcy**

Zephyr has not been the subject of a bankruptcy petition any time during the past ten (10) years.