

## **Part 2A of Form ADV**

### **Firm Brochure**

**March 28, 2024**

#### **Coalescence Partners Investment Management, LP**

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This brochure provides information about the qualifications and business practices of Coalescence Partners Investment Management, LP (the “Adviser”). If you have any questions about the contents of this brochure, please contact the Chief Compliance Officer at 212-603-9860 or [vyu@cp-im.com](mailto:vyu@cp-im.com). This information has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

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

Registration with the SEC does not imply a certain level of skill or training.

**Item 2.      Material Changes**

There are no material changes to report.

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#### **Item 4. Advisory Business**

The Adviser is an investment adviser with its principal place of business in New York, New York. The general partner of the Adviser is CPIM GP, LLC. Hai (Harry) Gao, together with his family trusts, is the principal owner of the Adviser.

The Adviser provides investment advisory services on a discretionary basis to its clients, which consist of private funds (the “Funds”) and one or more separately managed accounts (the “Accounts”, and together with the Funds, “Clients”) intended for sophisticated investors and institutional investors.

The Adviser provides advice to Clients based on specific investment objectives and strategies. The Adviser may tailor advisory services to the individual needs of certain Clients. In addition, Accounts may impose restrictions on investing in certain securities or certain types of securities.

As of March 28, 2024, the Adviser had approximately \$152,106,710 of regulatory assets under management, all of which was managed on a discretionary basis.

#### **Item 5. Fees and Compensation**

*Asset-Based and Performance-Based Compensation.* The asset-based fee and performance-based compensation rates for the Funds is disclosed in each Fund’s offering memorandum supplements.

The Funds pay the Adviser a quarterly asset-based management fee (the “Management Fee”). The Management Fee is paid quarterly in advance, based on the value of each Fund investor’s (“Fund Investor”) capital account as of the first day of each calendar quarter, adjusted for contributions and withdrawals made during the quarter. The Adviser, in its sole discretion, has and will in the future waive or modify the Management Fee for certain Fund Investors.

An affiliate of the Adviser that serves as the general partner (the “General Partner”) of the Funds is paid performance-based compensation by the Funds, which is compensation that is based on a share of capital gains on or capital appreciation of the assets of the Funds. The General Partner, in its sole discretion, has and will in the future waive or modify the performance-based compensation for certain Fund Investors.

The asset-based fees and performance-based compensation that are charged to an Account are set forth in the Adviser’s investment management agreement with the Account.

*Expenses.* In addition to paying the Management Fee and, as applicable, the performance-based compensation, the Funds are also subject to other expenses such as: Fund legal, compliance (including consultants’ fees), risk management expenses (including software licensing and consultants’ fees), administrator, audit and accounting expenses (including third party accounting services); finder’s fees, consultant fees, tax preparation fees; organizational expenses; investment expenses such as commissions, research fees and expenses (including but not limited to research-related travel; Capvision and similar expert network fees, Bloomberg, FactSet, Options Price Reporting Authority, FTSE Russell, NYSE, Eze Castle Software pass-through market data, 86 Research and similar subscriptions and data services); interest on margin accounts and other indebtedness (if any); custodial fees; bank service fees; Fund-related insurance costs (including D&O and E&O insurance for the members of the Fund’s advisory board and personnel of the Investment Manager); independent Fund advisory board members’ fees and expenses; expenses of the Funds’ regulatory compliance (including compliance with AIFMD), filings and reporting (including but not limited to Section 13 (including 13Ds, 13Fs, 13Gs and 13Hs), Section 16 (and other beneficial ownership filings required in non-U.S. jurisdictions) and Form PF filings); trade order management systems (including the costs and fees associated with data and licensing); Director’s fees and expenses, and any other expenses related to the purchase, sale or transmittal of Funds assets. Fund assets are invested in a master-feeder structure. Feeder funds bear a pro rata share of the expenses associated with the related master fund. In addition, Funds will incur brokerage and other transaction costs. Please refer to Item 12 for a discussion of the Adviser’s brokerage practices.

The allocation of expenses by the Adviser between it and a Client and among Clients represents a conflict of interest for the Adviser. The Adviser will adopt an expense allocation policy that is designed to address this conflict. The Adviser will allocate expenses to each Client in accordance with the Client's governing documents. The Adviser will seek to allocate any shared expenses for products and services benefitting multiple Clients or both the Adviser and a Client, and not covered in the Client's governing documents, in a fair and reasonable manner.

In addition to paying the investment management fees and performance-based compensation described in the investment management agreement, the Accounts are also subject to expenses as set forth in the investment management agreement.

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

The Adviser and its investment personnel may provide investment management services to multiple portfolios for multiple Clients. The Adviser (or an affiliate of the Adviser) will be entitled to be paid performance-based compensation by the Clients. Such performance-based compensation may create an incentive for the Adviser to make investments that are riskier or more speculative than would be the case in the absence of such performance-based compensation arrangements. In addition, certain Client accounts may have higher asset-based fees or more favorable performance-based compensation arrangements than other Client accounts or have asset-based fees or performance-based compensation arrangements providing for payment to the Adviser at different times or over different time intervals. When the Adviser and its investment personnel manage more than one Client account a potential exists for one Client account to be favored over another Client account. The Adviser and its investment personnel will have a greater incentive to favor Client accounts that pay the Adviser (and indirectly its investment personnel) higher fees, performance-based compensation, or compensation that is paid at different times or over different time intervals.

The Adviser may manage multiple Client accounts. Accordingly, the Adviser has adopted and implemented policies and procedures intended to address conflicts of interest relating to the management of multiple accounts, including accounts with different fee arrangements, and the allocation of investment opportunities. The Adviser reviews investment decisions for the purpose of ensuring that all accounts with the same or substantially similar investment objectives, strategies and restrictions are treated equitably. The performance of accounts with the same or substantially similar investment objectives, strategies and restrictions is also reviewed to determine whether there are any unexplained significant discrepancies. In addition, the Adviser's procedures relating to the allocation of investment opportunities require that eligible Client accounts with the same or substantially similar investment objectives, strategies and restrictions participate in investment opportunities pro rata based on the relative value of the assets of each participating account to all participating accounts; provided, however that the Adviser may allocate investment opportunities to such accounts on a non-pro rata basis due to a consideration of factors including but not limited to timing of cash inflows/outflows, ability to participate in new issues, etc. To the extent orders are aggregated, the Client orders are price-averaged and allocated in accordance with the aggregated order; provided, that the aggregated order may be allocated on a different basis for reasons including but not limited to partially filled orders and to avoid odd lots or excessively small allocations. Finally, the Adviser's procedures also require the objective allocation for limited opportunities (such as initial public offerings and private placements) to ensure fair allocation among accounts. These areas are monitored by the Adviser's Chief Compliance Officer.

#### **Item 7. Types of Clients**

The Adviser's clients consist of the Funds and one or more Accounts, as described above. The Adviser, however, is not precluded from advising types of clients other than the Funds and Accounts. Any initial and additional subscription minimums with respect to investment in a Fund are disclosed in the Fund's offering memorandum.

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

### ***A. Methods of Analysis and Investment Strategies.***

#### **Investment Objective and Strategy**

The investment objective of the Clients is to achieve long-term capital appreciation by investing largely in Emerging Markets securities (as defined below). The Adviser defines "Emerging Markets" as those countries which are predominantly classified as such, or can reasonably be expected to be classified in the foreseeable future as such, by the International Monetary Fund, Financial Times and the London Stock Exchange ("FTSE"), Morgan Stanley Capital International ("MSCI"), Standard & Poor's ("S&P"), Dow Jones, Russell and/or similarly reputable data providers. The Adviser will generally consider for investment those securities of issuers (i) that are listed, headquartered, reside and/or operate in Emerging Markets, (ii) that have a material portion of their assets or receive a material portion of their revenues or earnings from Emerging Markets or (iii) whose fundamentals are strongly impacted by Emerging Markets.

### ***B. Material Risks (Including Significant or Unusual Risks) Relating to Investment Strategies***

The following summary identifies the material risks related to the Adviser's significant investment strategies and should be carefully evaluated before making an investment with the Adviser; however, the following does not intend to identify all possible risks of an investment with the Adviser or provide a full description of the identified risks. Investors and potential investors in a Client should refer to the offering memorandum for the Client for a further discussion of the applicable risks.

**Emerging Markets.** The Adviser on behalf of the Clients will make significant investments in emerging markets. Investing in emerging markets involves certain risks and special considerations not typically associated with investing in other more established economies or securities markets. Such risks may include (a) the risk of nationalization or expropriation of assets or confiscatory taxation; (b) social, economic and political uncertainty including war; (c) dependence on exports and the corresponding importance of international trade; (d) price fluctuations, less liquidity and smaller capitalization of securities markets; (e) currency exchange rate fluctuations; (f) rates of inflation; (g) controls on foreign investment and limitations on repatriation of invested capital and on the Clients' ability to exchange local currencies for U.S. dollars; (h) governmental involvement in and control over the economies; (i) that governments may decide not to continue to support economic reform programs generally and could impose centrally planned economies; (j) differences in auditing and financial reporting standards which may result in the unavailability of material information about issuers; (k) less extensive regulation of the securities markets; (l) the settlement period of securities transactions in non-U.S. markets may be longer; (m) less developed corporate laws regarding fiduciary duties of officers and directors and the protection of investors; and (n) certain considerations regarding the maintenance of Client portfolio securities and cash with non-U.S. sub-custodians and securities depositories.

As noted above, in emerging markets, there may be less government supervision and regulation of business and industry practices, stock exchanges, over-the-counter markets, brokers, dealers and issuers than in other more established countries. Whatever supervision is in place may be subject to manipulation or control. While many emerging market countries have mature legal systems comparable to those of more developed countries, others do not. Moreover, the process of legal and regulatory reform may not be proceeding at the same pace as market developments which could result in investment risk. Legislation to safeguard the rights of private ownership may not yet be in place in certain areas, and there may be the risk of conflict among local, regional and national requirements. In certain cases, the laws and regulations governing investments in securities may not exist or may be subject to inconsistent or arbitrary appreciation or interpretation. Both the independence of judicial systems and their immunity from economic, political or nationalistic influences remain largely untested in many countries. The Clients may also encounter difficulties in pursuing legal remedies or in obtaining and enforcing judgments in foreign courts.

**Non-U.S. Securities.** Investing in securities of non-U.S. governments and companies which are generally denominated in non-U.S. currencies and utilization of options and swaps on non-U.S. securities involves

certain considerations comprising both risks and opportunities not typically associated with investing in securities of the United States government or United States companies. These considerations include changes in exchange rates and exchange control regulations, political and social instability, expropriation, imposition of foreign taxes, less liquid markets and less available information than is generally the case in the United States, higher transaction costs, less government supervision of exchanges, brokers and issuers, greater risks associated with counterparties and settlement, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards and greater price volatility.

*Small to Medium Capitalized Companies.* The Adviser on behalf of the Clients may invest a portion of its assets in the stocks of companies with small-to medium-sized market capitalizations. While the Adviser believes these investments often provide significant potential for appreciation, those stocks, particularly smaller-capitalization stocks, involve higher risks in some respects than do investments in stocks of larger companies. For example, prices of such stocks are often more volatile than prices of large-capitalization stocks. In addition, due to thin trading in some such stocks, an investment in these stocks may be more illiquid than investments in larger capitalization stocks.

*Short Sales.* Short sales can, in certain circumstances, substantially increase the impact of adverse price movements on the Clients' portfolios. A short sale involves the risk of a theoretically unlimited increase in the market price of the particular investment sold short, which could result in an inability to cover the short position and a theoretically unlimited loss. There can be no assurance that securities necessary to cover a short position will be available for purchase.

*Currency Risks.* The Clients' investments that are denominated in a non-U.S. currency are subject to the risk that the value of a particular currency will change in relation to the U.S. dollar or other currencies. The weakening of a country's currency relative to the U.S. dollar will negatively affect the dollar value of the Clients' assets. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation, central bank policy, and political developments. The Clients may try to hedge these risks by selling or buying foreign currencies in the forward market, selling or buying foreign currency futures contracts, options or other securities thereon, borrowing funds denominated in foreign currencies or other strategies, depending on the availability of liquidity in the hedging instruments and their relative costs. There can be no assurance that such strategies will be implemented, or if implemented, will be effective.

*Hedging Transactions Generally.* The Adviser on behalf of the Clients may utilize a variety of financial instruments such as derivatives, options, swaps, caps and floors, forward contracts for both risk management and general investment and speculation purposes. With respect to the Adviser's risk management and hedging transactions, there can be no assurances that a particular hedge is appropriate, or that a certain risk is measured properly. Further, while the Clients may enter into hedging transactions to seek to reduce risk, such transactions may result in poorer overall performance and increased (rather than reduced) risk for the Clients than if it did not engage in any such hedging transactions. In addition, the Clients may choose not to enter into hedging transactions with respect to some or all of its positions.

*Currency Hedging.* While the Clients are denominated in U.S. dollars, some of the underlying investments of the Clients will be denominated in multiple currencies. Accordingly, any hedging of currency exposure that is implemented by the Clients will primarily involve hedging back to the U.S. dollar, but in certain circumstances may involve other hedging activities. To the extent any such hedges are profitable during any month or quarter, the profits will typically be invested at the end of such month or quarter into the core investment portfolios of the Clients. Conversely, if such hedges generate losses in any month or quarter, the Adviser may liquidate a portion of the Clients' core investment portfolio to cover such losses. While the Clients intends to hedge its overall currency exposure, there can be no assurance that such hedges will be effective.

*Nature of Investments.* The Adviser has broad discretion in making investments for the Clients. Investments will generally consist of equity-related securities and other assets that may be affected by business, financial market or legal uncertainties. There can be no assurance that the Adviser will correctly

evaluate the nature and magnitude of the various factors that could affect the value of and return on investments. Prices of investments may be volatile, especially investments in small and mid-capitalization issuers (which may rely on limited product lines, financial resources and business activities susceptible to setbacks or downturns) and a variety of factors that are inherently difficult to predict, such as domestic or international economic and political developments, may significantly affect the results of the Clients' activities and the value of its investments. In addition, the value of the Clients' portfolio may fluctuate as the general level of interest rates fluctuates. No guarantee or representation is made that the Clients' investment objective will be achieved.

*Lack of Diversification.* The Clients' portfolios may not be as diversified as other investment portfolios. Accordingly, the Clients' portfolios may be subject to more rapid change in value than would be the case if the Clients were required to maintain a wide diversification.

*Portfolio Turnover.* The investment strategy of the Clients may require the Adviser to actively trade the Clients' portfolios, and as a result, turnover and brokerage commission expenses of the Clients may significantly exceed those of other investment entities of comparable size.

*Counterparty Risk.* To the extent that the Adviser on behalf of the Clients invests in swaps, "synthetic" or derivative instruments, repurchase agreements, forward contracts, certain types of options or other customized financial instruments, or, in certain circumstances, non-U.S. securities, the Clients take the risk of non-performance by the other party to the contract. This risk may include credit risk of the counterparty and the risk of settlement default. This risk may differ materially from those entailed in exchange-traded transactions that generally are supported by guarantees of clearing organizations, daily mark-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered directly between two counterparties generally do not benefit from such protections and expose the parties to the risk of counterparty default.

*Lack of Liquidity of Client Investments.* Client assets may, at any given time, include securities and other financial instruments or obligations that are thinly-traded or for which no market exists and/or which are restricted as to their transferability under applicable securities laws. The sale of any such investments may be possible only at substantial discounts, and it may be extremely difficult to accurately value any such investments.

### ***C. Risks Associated With Types of Securities that are Primarily Recommended (Including Significant or Unusual Risks)***

*Equity-Related Instruments in General.* The Adviser may use equity-related instruments in its investment program. Certain options and other equity-related instruments may be subject to various types of risks, including market risk, liquidity risk, counterparty credit risk, legal risk and operations risk. In addition, equity-related instruments can involve significant economic leverage and may, in some cases, involve significant risks of loss.

*Options.* The purchase or sale of an option involves the payment or receipt of a premium by the investor and the corresponding right or obligation, as the case may be, to either purchase or sell the underlying security, commodity or other instrument for a specific price at a certain time or during a certain period. Purchasing options involves the risk that the underlying instrument will not change price in the manner expected, so that the investor loses its premium. Additionally, the premium paid for an option is based, in part, on the time to expiration, and with the passage of time, the premium associated with an option declines, assuming all other factors being equal. Selling options involves potentially greater risk because the investor is exposed to the extent of the actual price movement in the underlying security rather than only the premium payment received (which could result in a potentially unlimited loss). Over-the-counter options also involve counterparty solvency risk.

*Derivatives.* To the extent that the Adviser on behalf of the Clients invest in swaps, derivative or synthetic instruments, or enters into repurchase agreements or other over-the-counter transactions (including, without limitation, contracts for difference), the Client may take a credit risk with regard to parties with whom



it trades and may also bear the risk of settlement default. These risks may differ materially from those entailed in exchange-traded transactions that generally are backed by clearing organization guarantees, more frequent mark-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered directly between two counterparties generally do not benefit from such protections and expose the parties to the risk of counterparty default. It is expected that all securities and other assets deposited with custodians or brokers will be clearly identified as being assets (directly or indirectly) of the Clients, and hence the Clients should not be exposed to a credit risk with regard to such parties. However, it may not always be possible to achieve this segregation, and there may be practical or time problems associated with enforcing rights to its assets in the case of an insolvency of any such party.

*Convertible Securities.* The Adviser on behalf of the Clients may invest in convertible securities, securities that may be exchanged or converted into a predetermined number of the issuer's underlying shares or the shares of another company or that are indexed to an unmanaged market index at the option of the holder during a specified time period. Convertible securities may take the form of convertible preferred stock, convertible bonds or debentures, stock purchase warrants, zero-coupon bonds or liquid-yield option notes, stock index notes, mandatories, or a combination of the features of these securities. Prior to conversion, convertible securities have the same general characteristics as non-convertible debt securities. As with all debt securities, the market value of convertible securities tends to decline as interest rates increase and conversely, increase as interest rates decline. Convertible securities, however, also appreciate when the underlying common stock appreciates, and conversely, depreciate when the underlying common stock depreciates.

*Index or Index Options.* The value of an index or index option fluctuates with changes in the market values of the securities included in the index. Because the value of an index or index option depends upon movements in the level of the index rather than the price of a particular security, whether Clients will realize appreciation or depreciation from the purchase or writing of options on indices depends upon movements in the level of instrument prices in the security market generally or, in the case of certain indices, in an industry or market segment, rather than movements in the price of particular securities.

*Index Futures.* The price of index futures contracts may not correlate perfectly with the movement in the underlying index because of certain market distortions. First, all participants in the futures market are subject to margin deposit and maintenance requirements. Rather than meeting additional margin deposit requirements, participants may close futures contracts through offsetting transactions that would distort the normal relationship between the index and futures markets. Second, from the point of view of speculators, the deposit requirements in the futures market are less onerous than margin requirements in the securities market. Therefore, increased participation by speculators in the futures market also may cause price distortions. Successful use of index futures contracts by Clients also is subject to the Adviser's ability to correctly predict movements in the direction of the market.

*Futures Contracts.* The Adviser on behalf of the Clients may invest in futures contracts or options thereon. Futures positions may be illiquid because, for example, many commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits." Under such daily limits, during a single trading day no trades may be executed at prices beyond the daily limits. Once the price of a contract for a particular future has increased or decreased by an amount equal to the daily limit, positions in the future can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. Futures contract prices on various commodities or financial instruments occasionally have moved the daily limit for several consecutive days with little or no trading. Similar occurrences could prevent Clients from promptly liquidating unfavorable positions and subject Clients to substantial losses. In addition, Clients may not be able to execute futures contract trades at favorable prices if trading volume in such contracts is low. It is also possible that an exchange or a regulator may suspend trading in a particular contract, order immediate liquidation and settlement of a particular contract or order that trading in a particular contract be conducted for liquidation only. In addition, various exchanges impose speculative position limits on the number of positions that may be held in particular commodities. Trading in commodity futures contracts and options are highly specialized activities that may entail greater than ordinary investment or trading risks. Furthermore, low margin or premiums normally

required in such trading may provide a large amount of leverage, and a relatively small change in the price of a security or contract can produce a disproportionately larger profit or loss.

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

***Swap Agreements.*** The Adviser on behalf of the Clients may enter into swap agreements. These agreements are individually negotiated and can be structured to include exposure to a variety of different types of investments, asset classes or market factors. Depending on their structure, swap agreements may increase or decrease Clients' exposure to, for example, equity securities. Swap agreements can take many different forms and are known by a variety of names. Clients are not limited to any particular form of swap agreement if consistent with Clients' investment objective. Whether Clients' use of swap agreements will be successful depends on the Adviser's ability to select appropriate transactions for Clients. Swap transactions may be highly illiquid and may increase or decrease the volatility of Clients' portfolios. Moreover, Clients bear the risk of loss of the amount expected to be received under a swap agreement in the event of the default or insolvency of its counterparty. Clients also bear the risk of loss related to swap agreements, for example, for breaches of such agreements or the failure of Clients to post or maintain required collateral. Many swap markets are relatively new and still developing. It is possible that developments in the swap markets, including potential government regulation, could adversely affect Clients' ability to terminate existing swap transactions or to realize amounts to be received under such transactions.

***Other Derivative Instruments.*** The Adviser on behalf of the Clients may enter into swaps and other derivative instruments. It may take advantage of opportunities with respect to certain other derivative instruments that are not currently contemplated for use or that are currently not available, but that may be developed, to the extent such opportunities are both consistent with the investment objective of Clients and believed by the Adviser to be legally permissible. Special risks may apply to instruments that are invested in by Clients in the future that cannot be determined at this time or until such instruments are developed or invested in by Clients. Certain swaps, options and other derivative instruments may be subject to various types of risks, including market risk, liquidity risk, the risk of non-performance by the counterparty, including risks relating to the financial soundness and creditworthiness of the counterparty, legal risk and operations risk.

***Investment Company Securities Risk.*** Investment in other investment companies typically reflects the risks of the types of securities in which the investment companies invest. Investments in exchange-traded funds (ETFs) and closed-end funds are subject to the additional risk that shares of the fund may trade at a premium or discount to their NAV per share. When the Clients invest in another investment company, Investors of the Clients bear their proportionate share of the other investment company's fees and expenses as well as their share of the Clients' fees and expenses, which could result in the duplication.

***Money Market Funds.*** The Adviser on behalf of the Clients may make investments or have indirect exposure to money market funds, including as a result of its excess cash being placed into prime brokerage or other accounts that periodically sweep such excess cash into money market funds. Money market funds have relatively low risks compared to most other financial instruments. By law, money market funds may only invest in certain high-quality, short-term investments issued by the U.S. government, U.S. corporations,

and state and local governments. While money market funds aim to keep their net asset value at a stable \$1.00 per share, net asset value may fall below \$1.00 per share if the investments of a money market fund perform poorly. Investor losses with respect to money market funds have been rare, but the risk of loss exists. Money market funds pay dividends that generally reflect short-term interest rates, and historically the returns for money market funds have been lower than for either bond or stock funds. Accordingly, there exists the risk with respect to money market funds that inflation will outpace and erode investment returns over time.

### **Additional Risks Relating to the Adviser**

*Systems and Operational Risks.* The Adviser relies on certain financial, accounting, data processing and other operational systems and services that are employed by the Adviser and/or by third party service providers, including prime brokers, the third party administrator, market counterparties and others. Many of these systems and services require manual input and are susceptible to error. These programs or systems may be subject to certain defects, failures or interruptions. For example, the Adviser and Clients could be exposed to errors made in the confirmation or settlement of transactions, from transactions not being properly booked, evaluated or accounted for or related to other similar disruptions in Clients' operations. In addition, despite certain measures established by the Adviser and third party service providers to safeguard information in these systems, the Adviser, Clients and their third party service providers are subject to risks associated with a breach in cybersecurity which may result in damage and disruption to hardware and software systems, loss or corruption of data and/or misappropriation of confidential information. Any such errors and/or disruptions may lead to financial losses, the disruption of Client trading activities, liability under applicable law, regulatory intervention or reputational damage.

*Cybersecurity Risk.* The information and technology systems of the Adviser and of key service providers to the Adviser and Clients may be vulnerable to potential damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. Although the Adviser has implemented various measures designed to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, it may be necessary for the Adviser to make a significant investment to fix or replace them and to seek to remedy the effect of these issues. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in the operations of the Adviser or Client accounts and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information.

*Risk Management Failures.* Although the Adviser attempts to identify, monitor and manage significant risks, these efforts do not take all risks into account and there can be no assurance that these efforts will be effective. Moreover, many risk management techniques, including those employed by the Adviser, are based on historical market behavior, but future market behavior may be entirely different and, accordingly, the risk management techniques employed on behalf of Clients may be incomplete or altogether ineffective. Similarly, the Adviser may be ineffective in implementing or applying risk management techniques. Any inadequacy or failure in risk management efforts could result in material losses to Clients.

*Systemic Risk.* Systemic risk is the risk of broad financial system stress or collapse triggered by the default of one or more financial institutions, which results in a series of defaults by other interdependent financial institutions. Financial intermediaries, such as clearing houses, banks, securities firms and exchanges with which Clients interact, as well as Clients, are all subject to systemic risk. A systemic failure could have material adverse consequences on Clients and on the markets for the securities in which Clients seek to invest.

*Assumption of Business, Terrorism and Catastrophe Risks.* Opportunities involving the assumption by Clients of various risks relating to particular assets, markets or events may be considered from time to time. Clients' portfolios are subject to the risk of loss arising from exposure that it may incur, directly or indirectly, due to the occurrence of various events, including, without limitation, hurricanes, earthquakes, and other natural disasters, terrorism and other catastrophic events and events that could adversely affect the health

or life expectancy of people. These risks of loss can be substantial, could greatly exceed all income or other gains, if any, received by Clients in assuming these risks and, depending on the size of the loss, could adversely affect the return of Clients.

*Valuation of Portfolio Holdings.* There are various conflicts of interest in connection with the valuation of Client assets, in particular, higher valuations of Client assets may result in increased asset-based and performance-based fees, and in some cases, increased compensation for personnel. In addition, inflated valuations may result in better performance which may assist in marketing for the Adviser. Conflicts of interest may be heightened in the case of assets that do not have readily ascertainable market values.

*Effects of Health Crises and Other Catastrophic Events.* Health crises, such as pandemic and epidemic diseases, as well as other catastrophes that interrupt the expected course of events, such as natural disasters, war or civil disturbance, acts of terrorism, power outages and other unforeseeable and external events, and the public response to or fear of such diseases or events, have and may in the future have an adverse effect on Clients' investments and the Adviser's operations. For example, any preventative or protective actions that governments may take in respect of such diseases or events may result in periods of business disruption, inability to obtain raw materials, supplies and component parts, and reduced or disrupted operations for Client portfolio companies. In addition, under such circumstances the operations, including functions such as trading and valuation, of the Adviser and other service providers could be reduced, delayed, suspended or otherwise disrupted. Further, the occurrence and pendency of such diseases or events could adversely affect the economies and financial markets either in specific countries or worldwide.

#### **Item 9. Disciplinary Information**

This Item is not applicable.

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

The Adviser is affiliated with SEC-registered investment adviser Coalescence Partners Investment Management II, LLC (the "Relying Adviser"). The Relying Adviser manages assets for clients using a private equity investment strategy.

Neither the Adviser nor any of the Adviser's management personnel have any relationships or arrangements that pose material conflicts of interest to the business of the Adviser.

While the Clients may trade commodity interests, the Adviser (and its affiliates) have claimed an exemption from registration with the Commodity Futures Trading Commission (the "CFTC") as a commodity pool operator pursuant to CFTC Rule 4.13(a)(3).

Each of the Clients may enter into agreements, or "side letters," with certain prospective or existing Client Investors whereby such Investors including such persons that may be affiliated with the Adviser or its related persons may be subject to terms and conditions that are more advantageous than those set forth in the offering memorandum for the Client. For example, such terms and conditions may provide for special rights to make future investments in the partnership, other investment vehicles or managed accounts; special redemption rights, including those relating to frequency or notice; a waiver or rebate in fees or redemption penalties to be paid by the and/or other terms; rights to receive reports from the Client on a more frequent basis or that include information not provided to other Investors (including, without limitation, more detailed information regarding portfolio positions) and such other rights as may be negotiated by the Client and such Investors. The modifications are solely at the discretion of the Client and may, among other things, be based on the size of the Investor's investment in the Client, an agreement by an Investor to maintain such investment in the Client for a significant period of time, or other similar commitment by an Investor to the Client.

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

The Adviser has adopted a Code of Ethics (the "Code") that obligates the Adviser to put the interests of the Adviser's Clients before its own interests and to act honestly and fairly in all respects in their dealings with Clients. In addition to compliance with the Adviser's policies and procedures, all of the Adviser's personnel are required to comply with applicable federal securities laws. Clients or prospective Clients may obtain a copy of the Code by contacting the Adviser's Chief Compliance Officer by email at [vyu@cp-im.com](mailto:vyu@cp-im.com), or by telephone at 212-603-9860. See below for further provisions of the Code as they relate to the preclearing and reporting of securities transactions by related persons.

The Adviser, in the course of its investment management and other activities, may come into possession of confidential or material nonpublic information about issuers, including issuers in which the Adviser or its related persons have invested or seek to invest on behalf of Clients. The Adviser is prohibited from improperly disclosing or using such information for its own benefit or for the benefit of any other person, regardless of whether such other person is a Client. The Adviser maintains and enforces written policies and procedures that prohibit the communication of such information to persons who do not have a legitimate need to know such information and to assure that the Adviser is meeting its obligations to its Clients and remains in compliance with applicable law. In certain circumstances, the Adviser may possess certain confidential or material, nonpublic information that, if disclosed, might be material to a decision to buy, sell or hold a security, but the Adviser will be prohibited from communicating such information to the Client or using such information for the Client's benefit. In such circumstances, the Adviser will have no responsibility or liability to the Client for not disclosing such information to the Client (or the fact that the Adviser possesses such information), or not using such information for the Client's benefit, as a result of following the Adviser's policies and procedures designed to provide reasonable assurances that it is complying with applicable law.

In addition, the Adviser or its supervised persons invests in the same securities (or related securities, e.g., warrants, options or futures) that the Adviser or a supervised person recommends to clients. The Adviser or its supervised persons may trade in a particular security in a manner that is the same as, different from, or even opposite to the trading activity undertaken by the Adviser on behalf of its clients with respect to that same security. Such practices present a conflict when, because of the information an Adviser has, the Adviser or its supervised persons are in a position to trade in a manner that could adversely affect the Adviser's clients (e.g., place their own trades before or after client trades are executed in order to benefit from any price movements due to the clients' trades). In addition to affecting the Adviser's or its supervised person's objectivity, these practices by the Adviser or its supervised persons may also harm clients by adversely affecting the price at which the clients' trades are executed. The Adviser has adopted the following procedures in an effort to minimize such conflicts: The Adviser requires its supervised persons to preclear transactions in single name securities, certain limited offerings and initial public offerings in their personal accounts with the Chief Compliance Officer, who may deny permission to execute the transaction if such transaction will have any adverse economic impact on one of its clients. In addition, the Adviser's Code prohibits the Adviser or its supervised persons from executing personal securities transactions of any kind in any securities on a restricted securities list maintained by the Chief Compliance Officer. All of the Adviser's supervised persons are required to disclose their securities transactions on a quarterly basis. In addition, the Adviser's supervised persons are required to disclose the holdings in their personal accounts upon commencement of employment with the Adviser and on an annual basis thereafter. The Adviser's supervised persons are also required to provide monthly or quarterly brokerage statements. Trading in the personal accounts of the Adviser's supervised persons is reviewed by the Chief Compliance Officer.

To the extent that the Adviser or a related person or any personnel of the Adviser own securities that the Adviser or its related persons also recommends to clients, such clients' proxies will be voted according to predetermined guidelines rather than subject to the Adviser's (or its related person's) discretion. Please refer to Item 17 for further information regarding the Adviser's proxy voting policy and procedures.

The Adviser or a related person from time to time recommends securities to clients, or buys or sells securities for client accounts, at or about the same time that the Adviser or related person buys or sells the same securities for its own account. In order to minimize the conflicts stemming from situations where the contemporaneous trading results in an economic benefit for the Adviser or its related person to the detriment of the client, the Adviser has adopted the procedures described above.

## **Item 12. Brokerage Practices**

**A. Factors Considered in Selecting or Recommending Broker-Dealers for Client Transactions.** The Adviser considers a number of factors in selecting a broker-dealer to execute transactions (or series of transactions) and determining the reasonableness of the broker-dealer's compensation. Such factors include, but are not limited to stability, the actual executed price and the commission, research (including but not limited to economic forecasts, fundamental and technical advice on securities, valuation advice on market analysis); custodial and other services provided for the enhancement of the Adviser's portfolio management capabilities; the size and type of the transaction; the difficulty of execution and the ability to handle difficult trades; and the operational facilities of the brokers and/or dealers involved (including back office efficiency). In selecting a broker-dealer to execute transactions (or a series of transactions) and determining the reasonableness of the broker-dealer's compensation, the Adviser need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. It is not the Adviser's practice to negotiate "execution only" commission rates, thus a Client may be deemed to be paying for research, brokerage or other services provided by a broker-dealer which are included in the commission rate. The Adviser's Chief Compliance Officer and traders will meet periodically to evaluate the broker-dealers used by the Adviser to execute Client trades using the foregoing factors.

**1. Research and Other Soft Dollar Benefits.** The Adviser receives research or other products or services other than execution from a broker-dealer and/or a third party in connection with Client securities transactions. This is known as a "soft dollar" relationship. The Adviser will limit the use of "soft dollars" to obtain research and brokerage services to services that constitute research and brokerage within the meaning of Section 28(e) of the Securities Exchange Act of 1934, as amended ("Section 28(e)").

Research services within Section 28(e) may include, but are not limited to, research reports (including market research); certain financial newsletters and trade journals; software providing analysis of securities portfolios; corporate governance research and rating services; attendance at certain seminars and conferences; discussions with research analysts; meetings with corporate executives; consultants' advice on portfolio strategy; data services (including services providing market data, company financial data and economic data); advice from broker-dealers on order execution; and certain proxy services. Brokerage services within Section 28(e) may include, but are not limited to, services related to the execution, clearing and settlement of securities transactions and functions incidental thereto (i.e., connectivity services between an adviser and a broker-dealer and other relevant parties such as custodians); trading software operated by a broker-dealer to route orders; software that provides trade analytics and trading strategies; software used to transmit orders; clearance and settlement in connection with a trade; electronic communication of allocation instructions; routing settlement instructions; post trade matching of trade information; and services required by the SEC or a self-regulatory organization such as comparison services, electronic confirms or trade affirmations.

When the Adviser uses client commissions to obtain Section 28(e) eligible research and brokerage products and services, the Adviser will periodically review and evaluate its soft dollar practices and to determine in good faith whether, with respect to any research or other products or services received from a broker-dealer, the commissions used to obtain those products and services were reasonable in relation to the value of the brokerage, research or other products or services provided by the broker-dealer. This determination will be viewed in terms of either the specific transaction or the Adviser's overall responsibilities to the accounts or portfolios over which the Adviser exercises investment discretion.

The use of Client commissions (or markups or markdowns) to obtain research and brokerage products and services raises conflicts of interest. For example, the Adviser will not have to pay for the products and services itself. This creates an incentive for the Adviser to select or recommend a broker-dealer based on its interest in receiving those products and services.

The Adviser may cause Clients to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for soft dollar benefits, resulting in higher transaction costs for Clients.

Research and brokerage services obtained by the use of commissions arising from a Client's portfolio transactions may be used by the Adviser in its other investment activities, including, for the benefit of other client accounts of the Adviser or its affiliates. The Adviser does not seek to allocate soft dollar benefits to client accounts of the Adviser or its affiliates proportionately to the soft dollar credits the accounts generate.

**2. Brokerage for Client Referrals.** The Adviser may participate in capital introduction programs arranged by broker-dealers, including firms that serve as prime brokers to a private fund managed by the Adviser or recommend investments in these private funds as investments to the clients of the broker-dealer. The Adviser may place client portfolio transactions with firms who have made such recommendations or provided capital introduction opportunities, if the Adviser determines that it is otherwise consistent with seeking best execution. In no event will the Adviser select a broker-dealer as a means of remuneration for recommending the Adviser or any other product managed by the Adviser (or an affiliate) or affording the Adviser with the opportunity to participate in capital introduction programs.

In the event the Adviser has trading authority for multiple clients, it is the Adviser's practice, where appropriate, to aggregate Client orders for the purchase or sale of the same security submitted contemporaneously/at or near the same time for execution using the same executing broker. The Adviser will also aggregate in the same transaction, the same securities for accounts where the Adviser has brokerage discretion. Such aggregation may enable the Adviser to obtain for Clients a more favorable price or a better commission rate based upon the volume of a particular transaction.

In cases where the Client has negotiated the commission rate directly with the broker, the Adviser will not be able to obtain more favorable commission rates based on an aggregated trade. In such cases, the client will be precluded from receiving the benefit of any possible commission discounts that might otherwise be available as a result of the aggregated trade. In cases where trading or investment restrictions are placed on a client's account, the Adviser may be precluded from aggregating that Client's transaction with others. In such a case, the Client may pay a higher commission rate and/or receive less favorable prices than clients who are able to participate in an aggregated order.

When an aggregated order is completely filled, the Adviser will allocate the securities purchased or proceeds of sale pro rata among the participating accounts, based on the purchase or sale order. Adjustments or changes may be made under certain circumstances, such as to avoid odd lots or excessively small allocations. If the order at a particular broker is filled at several different prices, through multiple trades, generally all such participating accounts will receive the average price and pay the average commission, subject to odd lots, rounding, and market practice. To the extent an order is price-averaged, a Client account participating in the trade may pay a higher price than if the Adviser did not aggregate the order. If an aggregated order is only partially filled, the Adviser's procedures provide that the securities or proceeds are to be allocated in a manner deemed fair to Clients. Depending on the investment strategy pursued and the type of security, this may result in a pro rata allocation to all participating Clients.

## **Item 13. Review of Accounts**

**A. Frequency and Nature of Review.** Each Client will be reviewed by the Adviser on an ongoing basis to determine whether securities positions should be maintained in light of current market conditions. Matters to be reviewed will include specific securities held, adherence to investment guidelines and the performance of each Client.

**B. Factors Prompting a Non-Periodic Review of Accounts.** Significant market events affecting the prices of one or more securities in Client accounts, changes in the investment objectives or guidelines of a particular Client or specific arrangements with particular Clients may trigger reviews of Client accounts on other than a periodic basis.

**C. Content and Frequency of Regular Account Reports.** Fund Investors will receive reports from the Clients pursuant to the terms of each Client's offering memoranda or as otherwise described in the offering document of the Client. Each Account will receive account reports in accordance with the investment management agreement of the Account.

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

The Adviser compensates third-party solicitors or other promoters for referrals of private fund investors. The Adviser's arrangements with third-party solicitors or other promoters may vary. Any compensation paid pursuant to these arrangements creates an incentive for the third-party solicitor or other promoter to recommend the Adviser, resulting in a material conflict of interest.

#### **Item 15. Custody**

The Adviser and the General Partner are deemed to have custody of certain Client assets. The Adviser intends to comply with Rule 206(4)-2 under the Investment Advisers Act of 1940, as amended, by meeting the conditions of the pooled vehicle annual audit provision.

#### **Item 16. Investment Discretion**

The Adviser will provide investment advisory services on a discretionary basis to Clients.

Prior to assuming full discretion in managing a Client's assets, the Adviser will enter into an investment management agreement or other agreement that sets forth the scope of the Adviser's discretion.

Unless otherwise instructed or directed by a discretionary Client, the Adviser will have the authority to determine (i) the securities to be purchased and sold for the Client account (subject to restrictions on its activities set forth in the applicable investment management agreement and any written investment guidelines), and (ii) the amount of securities to be purchased or sold for the Client account. Because of the differences in Client investment objectives and strategies, risk tolerances, tax status and other criteria, there may be differences among Clients in invested positions and securities held. The Adviser will submit an aggregated order to the Adviser's trading desk describing the allocation of securities to (or from) Client accounts for each trade/order submitted. The Adviser may consider the following factors, among others, in allocating securities among Clients: (i) a Client's investment objectives and strategies; (ii) risk profiles; (iii) tax status and restrictions placed on a Client's portfolio by the Client or by applicable law; (iv) size of the Client account; (v) nature and liquidity of the security to be allocated; (vi) size of available position; (vii) current market conditions; (viii) account liquidity, account requirements for liquidity and timing of cash flows; and (ix) amount of trade away fees or other transaction fees. Although it is the Adviser's policy to allocate investment opportunities to eligible Client accounts that have the same or substantially similar investment objectives, strategies and restrictions on a pro rata basis (based on the value of the assets of each participating account relative to value of the assets of all participating accounts), these factors may lead the Adviser to allocate securities to Client accounts in varying amounts. Even Client accounts that are typically managed on a pro rata basis may from time to time receive differing allocations of securities based on total assets of each account eligible to invest in the particular investment type (e.g., equities) divided by the total assets of all accounts eligible to invest in the particular investment.

Allocations will be made among Client accounts that have the same or substantially similar investment objectives, strategies and restrictions and are eligible to participate in initial public offerings (IPOs) and secondary offerings on a pro rata basis, except when the Adviser determines in its discretion that a pro rata allocation is not appropriate, which may include a Client's investment guidelines explicitly prohibiting participation in IPOs or secondary offerings and a Client's status as a "restricted person" under applicable regulations.

Securities acquired by the Adviser for its Clients through a limited offering will be allocated pursuant to the procedures set forth in the Adviser's allocation policy. The policy provides that the Adviser will determine the proposed allocation of limited offering securities after considering the factors described above with respect to general allocations of securities and determining those Client accounts eligible to hold such securities. Eligibility will be based on the legal status of the Clients and the Clients' investment objectives and strategies.

If it appears that a trade error has occurred, the Adviser will review the relevant facts and circumstances to determine an appropriate course of action. To the extent that trade errors occur, the Adviser's error



correction procedure is to ensure that Clients are treated fairly. The Adviser has discretion to resolve a particular error in any manner that it deems appropriate and consistent with the above stated policy. In the event that a Client incurs a trade error as a result of the Adviser's violation of the standard of care that is applicable to the Client, the Adviser will reimburse the Client for losses attributable to such violation. Trade errors that do not result from the Adviser's violation of the standard of care applicable to the Client are borne by the Client. The Adviser is not responsible for the errors of other persons, including third party brokers and custodians, unless otherwise expressly agreed to by the Adviser.

To the extent the Adviser has authority, pursuant to the investment management agreement or other governing documents of a Client, to participate in class action claims (each, a "Claim") it will do so on a case-by-case basis. Once the Adviser receives a Claim, the Adviser will determine whether any Clients or former Clients of the Adviser owned the security during the period covered by the Claim. Appropriate personnel of the Adviser will determine whether they agree with the basis of the Claim and whether or not to participate in the Claim depending upon (i) the nature of the Claim; (ii) prospects for recovery; (iii) resources required to pursue the Claim; (iv) other relevant factors pertaining to the particular Claim; and (v) any other factors that the Adviser deems relevant. To the extent the Adviser receives proceeds from a Claim on behalf of a Client, including a Client, the Adviser's general policy is that only current investors at the time of receipt of the proceeds will participate in the proceeds. The Adviser may under certain circumstances elect not to participate in the proceeds of a Claim.

#### **Item 17. Voting Client Securities**

To the extent the Adviser has been delegated proxy voting authority on behalf of certain of its Clients, the Adviser will comply with its proxy voting policies and procedures that are designed to ensure that in cases where the Adviser votes proxies with respect to Client securities, such proxies are voted in the best interests of its Clients. The Adviser generally will vote against proposals that make it more difficult to replace members of a board of directors. For all other proposals including matters such as, without limitation, corporate events (mergers and acquisition transactions, dissolutions, conversions, or consolidations) or contested elections for directors, the Adviser will determine whether a proposal is in the best interests of the Client and may take into account the following factors, among others: (i) whether the proposal was recommended by management and the Adviser's opinion of management; (ii) whether the proposal acts to entrench existing management; (iii) whether the proposal fairly compensates management for past and future performance; and (iv) the potential effect of the vote on the value of Clients' investments.

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

Clients may obtain a copy of the Adviser's proxy voting policies and procedures and information about how the Adviser voted a Client's proxies by contacting the Chief Compliance Officer by email at [vyu@cp-im.com](mailto:vyu@cp-im.com) or by telephone at 212-603-9860.

#### **Item 18. Financial Information**

This Item is not applicable.