

**Item 1.       Cover Page**

**Philosophy Capital Management LLC**

**3201 Danville Boulevard  
Suite 100  
Alamo, CA 94507  
Telephone: (415) 433-2010  
Email: [operations@philosophycap.com](mailto:operations@philosophycap.com)**

**March 19, 2024**

This brochure (this “Brochure”) provides information about the qualifications and business practices of Philosophy Capital Management LLC (“Philosophy”). If you have any questions about the contents of this Brochure, please contact us at (415) 433-2010 or [operations@philosophycap.com](mailto:operations@philosophycap.com). 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.

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

Although Philosophy is a “Registered Investment Adviser,” that registration does not imply a certain level of skill or training.

**Item 2.           Material Changes**

There are no material changes to report since March 30, 2023, the date of Philosophy Capital Management LLC's most recent updating amendment to its Brochure. Nonetheless, Philosophy encourages all recipients to read this brochure carefully in its entirety.

### **Item 3. Table of Contents**

Item 1.	Cover Page .....	1
Item 2.	Material Changes .....	2
Item 3.	Table of Contents .....	3
Item 4.	Advisory Business .....	4
Item 5.	Fees and Compensation .....	4
Item 6.	Performance-Based Fees and Side-By-Side Management .....	7
Item 7.	Types of Clients .....	7
Item 8.	Methods of Analysis, Investment Strategies and Risk of Loss .....	8
Item 9.	Disciplinary Information .....	15
Item 10.	Other Financial Industry Activities and Affiliations .....	15
Item 11.	Code of Ethics, Participation or Interest In Client Transactions and Personal Trading .....	15
Item 12.	Brokerage Practices .....	17
Item 13.	Review of Accounts .....	21
Item 14.	Client Referrals and Other Compensation .....	21
Item 15.	Custody .....	21
Item 16.	Investment Discretion .....	22
Item 17.	Voting Client Securities .....	22
Item 18.	Financial Information .....	23
Item 19.	Requirements for State-Registered Advisers .....	23

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

Philosophy Capital Management LLC (“Philosophy” or the “Firm”) is a Delaware limited liability company that has been in business since April 2020. Philosophy’s manager, controlling owner and portfolio manager is Jacob Rubin (the “Principal”). Philosophy provides discretionary investment advice to Philosophy Capital Partners LP (the “Philosophy Fund”), private funds sponsored by unaffiliated entities (the “Private Funds”), and one or more separately managed accounts (each, an “SMA”). References throughout this document to “Client Accounts” refer to the Philosophy Fund, the Private Funds, the SMA, and any other fund or account that may be advised by the Firm in the future.

Philosophy Capital Management LLC serves as the general partner (the “General Partner”) of Philosophy Capital Partners, LP.

Client Accounts are managed in accordance with their own investment and trading objectives, as described in their respective offering documents, governing agreements or advisory agreements (collectively, the “Governing Documents”), as applicable. The investors in the Client Accounts that Philosophy manages have no opportunity to select or evaluate any Fund investments or strategies. Philosophy selects all Client Account investments and strategies. Philosophy typically does not tailor its services to the individual needs of individually managed accounts, but manages each such account according to the strategy selected by the client, subject to any investment restrictions imposed by the client. Philosophy’s discretionary authority is limited, however, as described in Item 16.

Philosophy does not participate in wrap fee programs.

As of December 31, 2023, Philosophy had regulatory assets under management of approximately \$1,183,313,132, which it manages on a discretionary basis. Philosophy does not manage any assets on a non-discretionary basis. Note that Philosophy began managing an additional private fund, Philosophy Distressed and Special Situations Fund, LP, in January 2024. The assets of such vehicle are not reflected in this Brochure since this document primarily presents information as of December 31, 2023.

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

Philosophy’s fees and compensation are described in each Client Accounts’ Governing Documents. All of Philosophy’s clients are “qualified purchasers” (as defined in Section 2(a)(51) of the Investment Company Act of 1940, as amended).

##### *The Philosophy Fund*

Philosophy is paid management fees from the Philosophy Fund quarterly in advance. An investor who withdraws from the Philosophy Fund on a date other than the last day of a quarter, however, does not receive a refund of the management fee previously paid. Philosophy has the

right to waive or modify the management fee payable with respect to any investor and has done so with respect to internal capital. Philosophy is entitled to receive performance-based allocations from client accounts, as further described in Item 6 – Performance-Based Fees and Side-By-Side Management.

#### *The Private Funds and the SMA*

The Private Funds and the SMA pay management fees, which are paid quarterly in advance or arrears. Such management fees are invoiced to, and paid by, the Private Funds and the SMA. In the case of any Private Funds or SMA that pays management fees in advance, such fees would be prorated if the advisory agreement relating to such Private Funds or SMA were terminated mid – quarter. Philosophy is also entitled to receive performance-based fees from the Private Funds and the SMA, as further described in Item 6. Client Accounts that invest in exchange-traded funds (“ETFs”) and money market funds also pay, indirectly, investment advisory fees to the managers of those funds.

Philosophy believes that its fees are competitive with fees charged by other investment advisers for comparable services. Comparable services may be available, however, from other sources for lower fees.

The disclosure in this Item 5, together with the disclosure in Item 12, allow a plan that is subject to the Employee Retirement Income Security Act of 1974 and that invests in an investment fund of which Philosophy is general partner, to use the “alternative reporting option” to report Philosophy’s compensation as “eligible indirect compensation” on the Schedule C of the plan’s Form 5500 Annual Return/Report of Employee Benefit Plan.

Relationships with Philosophy’s clients are terminable on expiration of the partnership’s term, dissolution of the partnership or on Philosophy’s withdrawal as General Partner. Each investor may withdraw a portion of such investor’s capital account in a fund on specified prior written notice, on the last day of any calendar quarter, subject to substantial limitations, including a “gate” that limits an investor’s withdrawals on each withdrawal date and other provisions in the fund’s governing documents and described in detail in its offering documents. In all cases, expenses, the pro rata portion of the management fee and the performance allocation or fee through the date of termination are charged to the respective Client Account.

#### *Expenses Generally*

Each Client Account is responsible for its own costs and expenses all as described in each Client Account’s offering documents or Client Account agreement, including, by way of example, but not limited to, trading costs and expenses (such as brokerage commissions, expenses related to short sales, and clearing and settlement charges), ongoing legal, accounting and bookkeeping fees and expenses, and the fees and expenses charged by any fund administrator for its accounting, bookkeeping and other services. In addition, certain Client Accounts pay additional expenses, some of which are similar to those borne by the Fund. Such arrangements are

negotiated with the owner of each relevant client account on a case-by-case basis and are set forth in the Governing Documents relating to such client account. Philosophy bears its own operating, general, administrative and overhead costs and expenses, other than the expenses described above.

In the case of the Philosophy Fund, the Fund will bear all costs and expenses of the Fund organization and ongoing operations, to the extent permitted by applicable law, including, without limitation: (a) all trading costs and expenses (such as, for example, brokerage commissions and charges, expenses relating to short sales, clearing and settlement charges, option premiums, custodial and service fees, and higher commissions, charges related to outsourced trading services or costs or expenses of trade order management software and other portfolio, trading and risk management related software), (b) all interest and commitment fees on loans and debit balances (on margin or otherwise), (c) all costs and expenses of negotiating and entering into contracts and arrangements and making investments (such as brokerage, legal, accounting, investment banking, appraisal and other professional and consulting fees and expenses arising from particular investments and potential investments) and similar expenses in terminating those contracts and arrangements and disposing of the Philosophy Fund's investments, (d) all research-related fees and expenses, including but not limited to fees for research consultants and fees and expenses related to research-related software and related equipment for quotation services, data feeds, publications or other information sources (including Bloomberg, Reuters or similar providers), (e) all costs and expenses associated with regulatory filings of the Philosophy Fund, the General Partner and their affiliates relating to the Philosophy Fund (including, but not limited to filings under section 13 of the securities Exchange Act of 1934 (the "Exchange Act"), and Form PF), (f) all costs and expenses associated with registering the Philosophy Fund's restricted securities, (g) all costs and expenses incurred in attempting to protect or enhance the value of the Philosophy Fund's investments (including the costs and expenses of instituting and defending lawsuits or engaging in proxy contests or tender offers), (h) all income taxes, withholding taxes, transfer taxes and other governmental charges and duties, (i) all fees and charges of custodians, clearing agencies and banks, (j) all administration, bookkeeping, recordkeeping, legal, accounting, auditing, tax preparation and other professional, expert and consulting fees and expenses arising in connection with the Fund's activities, including (1) fees, costs and expenses of counsel for the Philosophy Fund, the General Partner or one or more of their affiliates (other than such fees, costs or expenses that relate to internal matters of the General Partner or such affiliates), and (2) all fees, costs and expenses of accounting, bookkeeping and recordkeeping services of the Philosophy Fund's administrator or any similar service provider retained by the General Partner to assist it in performing services for the Philosophy Fund, including the administrator's fees charged for providing middle and back office services (such as order management and trade reconciliation), (k) all fees, costs and expenses of offering and selling Interests and communicating with existing and prospective investors (including, without limitation, legal and accounting fees and expenses and governmental and self-regulatory agency filing fees), (l) all costs and expenses of investing the Philosophy Fund's assets indirectly, such as through a master fund or a special purpose vehicle, including all of the items described in this paragraph as they might apply to such master fund or any such vehicle and its portfolio, including the

Philosophy Fund's proportionate share of the costs and expenses of organizing and operating the master fund or any such vehicle, (m) all premiums and other costs and expenses of insurance policies as the General Partner considers appropriate, insuring the Philosophy Fund, the General Partner and their affiliates against liabilities that may arise in connection with the business or management of the Philosophy Fund, (n) all costs and expenses of proxy voting and class action services, (o) any contingencies for which the General Partner determines reserves are required, and (p) any extraordinary expenses (such as litigation expenses).

Any of the above expenses that are applicable to the Client Accounts will be equitably allocated among the Client Accounts as reasonably determined by the General Partner. The Client Accounts shall reimburse the General Partner for any of such expenses paid by it.

To the extent that a Client Accounts benefit from an item that is chargeable to other Client Accounts but is not permitted to incur such expense under its Governing Documents, Philosophy will bear such client's pro rata portion of the expense.

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

Philosophy receives annual performance-based compensation from each Client Account, which is based on a percentage of the capital appreciation of an account's assets. From time to time, Philosophy may reduce or modify its performance compensation for certain investors in the Client Accounts, including the Firm's employees, in Philosophy's discretion.

Performance-based compensation arrangements create an incentive for Philosophy to recommend investments that may be riskier or more speculative than those that would be recommended under a different compensation arrangement. Performance-based compensation arrangements also create an incentive for Philosophy to favor accounts with higher compensation rates over other accounts when allocating investments. Philosophy adopted procedures designed and implemented to ensure that all clients are treated fairly and equitably, and to prevent this conflict from influencing the allocation of investment opportunities among them, as further described in See Item 12.

In addition, because Client Accounts management fees and performance-based compensation are generally based on the net asset values of such accounts, Philosophy has a conflict of interest in valuing assets held in certain client accounts. To mitigate this conflict, Philosophy follows documented valuation policies and expects to periodically consult with auditors and the respective Client Accounts' administrator.

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

Philosophy provides investment advice to the Client Accounts. Investors in the Philosophy Fund are generally pension plans, endowments, other institutional investors and high net worth individuals that qualify as "accredited investors" (as defined in Rule 501 under the Securities Act of 1933, as amended (the "Securities Act")) and qualified purchasers. Investors in the

Philosophy Fund are required to invest a minimum of \$5,000,000, but Philosophy may waive this minimum. Philosophy generally requires a minimum of \$50,000,000 to open an individually managed account but may waive this minimum.

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

### *Investment Strategy*

Philosophy invests (long and short) primarily in securities using an opportunistic value-oriented approach targeting securities perceived to be mispriced. Philosophy's strategy is centered on three broad categories: value, event-driven/distressed and short selling.

The investments that Philosophy recommends can include but are not limited to, publicly-traded equity securities, derivatives (including swaps, futures, covered and uncovered put and call options and warrants), other tradable instruments (such as private claims (including bank debt or trade claims), debt issued under Rule 144A or Regulation S, preferred stock and convertible securities), government securities, credit default swaps, distressed debt, currencies, money market interests, commodities and other instruments of U.S. and non-U.S. issuers. Philosophy engages in short selling, margin trading, hedging and other investment strategies. Philosophy generally does not make venture capital investments (such as equity, SAFE or convertible debt investments in private companies) or investments in other types of private placements (other than the types specified above).

The investment strategies summarized above represent Philosophy's current intentions, are general in nature and are not exhaustive. There are no limits on the types of securities in which Philosophy may take positions on behalf of its clients, the types of positions that it may take, the concentration of its investments or the amount of leverage that it may use. Philosophy may use any trading or investment techniques, whether or not contemplated by the expected investment strategies described above. In addition, there are limitations in describing any investment strategy due to its complexity, confidentiality and indefinite nature. Depending on conditions and trends in securities and commodities markets and the economy generally, Philosophy may pursue any objectives or use any techniques that it considers appropriate and in clients' interest.

### *Risk Factors*

Investing in securities involves risk of loss that clients should be prepared to bear. Below are some of the risks that investors should consider before investing with Philosophy. Any or all of such risks could materially and adversely affect investment performance, the value of any Client Account or any security held in a Client account, and could cause investors to lose substantial amounts of money. Prospective clients and investors are strongly urged to review the applicable Governing Documents carefully and consult with their own financial, legal and tax advisers before investing. The risks described below also generally apply to individually managed accounts. A potential client should discuss with Philosophy's representatives any questions that



such person may have before opening an account.

Concentration of Investments. There are no particular limits as to concentration in particular issuers or types of investments. If Client Accounts concentrate their investments in several, relatively large securities positions or industries relative to its capital, a loss in any one position or downturn in any one industry could reduce its performance materially.

Short Sales. A short sale results in a gain if the price of the securities sold short declines between the date of the short sale and the date on which securities are purchased to replace those borrowed. A short sale results in a loss if the price of the securities sold short increases. Any gain is decreased, and any loss is increased, by the amount of any payment, dividend or interest that the Client Accounts may be required to pay with respect to the borrowed securities, offset (wholly or partly) by short interest credits. In a generally rising market, the Client Accounts' short positions may be more likely to result in losses because securities sold short may be more likely to increase in value. A short sale involves a finite opportunity for appreciation, but a theoretically unlimited risk of loss.

Private Claims. Private claims and obligations of domestic and non-U.S. entities experiencing significant financial or business difficulties, such as loans, loan participations, claims held by trade or other creditors, non-performing and sub-performing mortgage loans, fee interests in real estate, partnership interests and similar financial instruments, executory contracts and participations therein, most of which are not publicly traded, involve a substantial degree of risk. Some of the Client Accounts' private investments may have very little liquidity as a result of trading restrictions, or the marketability of such interests may be hindered for other reasons. For example, at times the market for private claims investments can become very illiquid or, in extreme circumstances, non-existent.

Securities of Financially Distressed Companies. Investing in assets, liabilities or equity of companies that are, or appear to be, in financial distress or emerging from financial distress, including companies that have undergone or are undergoing major restructurings or bankruptcy reorganizations and companies that the General Partner anticipates are likely to undergo such restructurings or reorganizations involves a high degree of risk. Analyzing those securities can require a high level of sophistication (including financial and legal sophistication) and the General Partner may misjudge those situations. At times there is very limited liquidity in such securities and they are subject to abrupt and erratic price movements and wide spreads between bid and ask prices. If the Client Accounts are required to sell those securities to fund withdrawals, it may incur material losses. Changes in economic conditions can have major negative effects on such issuers and securities.

Small Capitalization Companies. The Client Accounts may invest a substantial portion of their assets in (or sell short) companies with modest capitalization. Investing in the securities of such companies also involves greater risk, potential price volatility and cost than investing in securities of larger companies. These companies involve higher risk because they often lack the management experience, financial resources, product diversification, markets, distribution

channels and competitive strengths of larger companies. In addition, in many instances, the frequency and volume of trading of the securities of such companies is substantially less than is typical of larger companies. Therefore, the securities of smaller companies may be subject to wider price fluctuations. The spreads between the bid and asked prices of the securities of these companies in the U.S. over-the-counter market typically are larger than the spreads for more actively traded securities.

General Risks of Fixed-Income Related Investments. The Client Accounts intend to invest a portion of its assets in fixed-income securities. These investments are subject to certain risks, such as interest rate risk and inflation/deflation risk, that affect most other types of fixed-income securities. The General Partner is not obligated to hedge the Client Accounts' inflation or deflation risk.

Hedging. The Client Accounts may use hedging strategies to attempt to control risk. Hedging strategies may not be effective in controlling risk, due to unexpected non-correlation (or even positive correlation) between the hedging instrument and the position being hedged. The Client Accounts may not be able to hedge a particular position, which can result in undesired exposure to that position and may lead to liquidation of that position when it is disadvantageous to the Client Accounts. The General Partner is not obligated to hedge the Client Accounts' portfolio positions and it frequently may not do so.

General Risks of Leverage. The Client Accounts intend to use leverage through the leverage inherent in instruments in which it invests (such as certain ETFs, futures, options, swaps and other derivative contracts), and also may engage in short sales, borrowing on margin and other leveraging strategies. Such leverage increases the risk of loss and volatility.

Swaps, Options, Futures and Other Derivatives. The Client Accounts may use both exchange-traded and over-the-counter derivatives for a variety of reasons, including to gain economic exposure (whether long or short) to a particular underlying security that the Client Accounts cannot or do not want to own directly or for hedging purposes. Such derivatives include, but are not limited to, swaps, contracts for differences, options, futures, options on futures and forwards. Trading in these instruments is highly speculative and entails risks that are greater than those of investing in other securities. Prices of these instruments may be more volatile than prices of other securities. The Client Accounts speculate on market fluctuations of such securities, and securities exchange indices while investing only a small percentage of the value of the securities or index underlying the contract, thus permitting a high degree of leverage. As a result, depending on the type of instrument, a relatively small change in the market price of the contract may result in a profit or loss that is high in proportion to the Client Accounts' funds actually placed as initial collateral and may result in unquantifiable further loss exceeding any collateral deposited. These changes are extremely difficult to predict.

Credit Default Swaps. The Client Accounts may enter into credit default swaps for hedging and other purposes. If the Client Accounts do not own the debt securities that are deliverable on a specified credit event under a credit default swap, the Client Accounts are exposed to the risk

that deliverable securities will not be available in the market, or will be available only at unfavorable prices, as would be the case in a so-called “short squeeze.” The derivative contracts may not clearly define whether or not a “credit event” triggering the seller’s payment obligation has occurred. In either of these cases, the Client Accounts would not be able to realize the full value of the credit default swap on a default by the reference entity.

Borrowing on Margin. The Client Accounts may use leverage by borrowing on margin. Thus any purchase of securities using leverage increases the risk and volatility of the Client Accounts’ portfolio and may result in losses that greatly exceed the amount invested. In addition, margin trading requires Client Accounts to pledge its securities as collateral. Margin calls or changes in margin requirements can require the Client Accounts to pledge additional collateral or liquidate its holdings, which can force the Client Accounts to sell portfolio securities at substantial losses that it otherwise would not incur. Trading on margin also results in interest charges, which can be substantial.

Securities Lending. The Client Accounts may lend securities to brokers, FCMs and other institutions to earn additional income. These loans typically are fully collateralized on a daily basis, but the value of the collateral may fall below the value of the loaned securities on any given day. If the other party becomes insolvent or bankrupt, the Client Accounts could experience losses due to insufficient collateralization or due to delays and costs of liquidating the collateral or recovering the securities or payment for the securities. If, in the meantime, the value of the securities changes, the Client Accounts could experience further losses.

Repurchase Agreements. The Client Accounts may enter into overnight and term repurchase agreements, by which it buys a Security and simultaneously agrees to sell it back later at a predetermined price, or in reverse repurchase agreements, by which the Client Accounts sell a security and simultaneously agrees to buy it back later at a predetermined price. The repurchase date for term repos is usually within 7 days after initiating the agreement. If the other party to a repurchase or reverse repurchase agreement becomes insolvent or bankrupt, the Client Accounts may incur losses if the collateral is insufficient or experience delays and incur costs in recovering payment or the securities. If the value of the security purchased changes in the meantime, the Client Accounts could experience further losses. Repurchase and reverse repurchase agreements can have effects similar to margin trading and other leveraging strategies.

Forward Trading. Forward contracts and options thereon are not traded on exchanges and are not standardized. Instead, banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and “cash” trading is substantially unregulated; there are no limits on position sizes or daily price movements. The principals who deal in the forward markets are not required to continue to make markets in the currencies they trade and these markets can experience periods of illiquidity, sometimes of significant duration. There have been periods during which certain participants in these markets have refused to quote prices for certain currencies or commodities or have quoted prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were

prepared to sell. Disruptions can occur in any market in which the Client Accounts trades due to unusually high trading volume, political intervention or other factors. Controls by governmental authorities might also limit the Client Accounts' desired level of forward trading. Any such market illiquidity or disruption could adversely affect the Client Accounts.

Investment Companies. Investment companies (such as ETFs) are companies registered with the SEC under the Investment Company Act that purchase and sell securities, such as stocks and bonds, under the direction of an investment adviser. The Client Accounts may invest in registered investment companies from time to time, and many of the investment companies purchased for the Client Accounts' portfolio will concentrate heavily in a particular asset category or sector. These categories could include, among others, stock and other securities market indices, sector funds, bond funds and international funds; such funds may specialize even further on the basis of country or region of the world. Shareholders of an investment company generally bear all expenses of that company, including fees of the investment adviser and custodian, brokerage commissions and legal and accounting fees. As a result, limited partners will be paying two levels of advisory fees – the management fee and performance allocation to the General Partner and the advisory fee charged by the investment adviser of the investment companies in the Accounts' portfolio. The Client Accounts will also bear its own brokerage commissions and other expenses related to the purchase, sale or transmittal of the Client Accounts' assets. The foregoing fees and expenses may be expected to result in a higher cost of investment than would be the case if a limited partner were to invest directly in the investment companies purchased by the Client Accounts.

Contract Default Risk. The Client Accounts have contractual agreements with various counterparties, including brokers, custodians and the administrator, to perform various functions or effect certain transactions for or on behalf of the Client Accounts. These entities may not be subject to credit evaluation and regulatory oversight and may default on their obligations, which could adversely affect the Client Accounts and the partners.

Risk of Default by Counterparties, Brokers and Exchanges. The Client Accounts will be exposed to the credit risk of the counterparties with which, or the brokers, dealers and exchanges through which, they deal, whether they engage in exchange-traded or off-exchange transactions. The Client Accounts may be subject to risk of loss of their assets on deposit with a broker in the event of the broker's bankruptcy, the bankruptcy of any clearing broker through which the broker executes and clears transactions on behalf of the Client Accounts, or the bankruptcy of an exchange clearing house.

Risks of Non-U.S. Investments. Client Accounts invest in securities of non-U.S. companies, which may be denominated in U.S. or non-U.S. currencies, and may use forward non-U.S. currency exchange contracts, which involve unusual risks not typically associated with investing in U.S. companies. These risks include, but are not limited to, less public information available regarding non-U.S. issuers, limited liquidity of non-U.S. securities and political risks associated with the countries in which non-U.S. securities are traded and the countries where non-U.S. issuers are located. Individual non-U.S. economies may differ unfavorably from the

U.S. economy in gross national product growth, inflation rate, savings rate and capital reinvestment, resource self-sufficiency and balance of payments positions, and in other respects. The Client Accounts may invest in securities of non-U.S. governments (or agencies or subdivisions thereof). These investments are subject to certain risks, such as developing countries, political risks, non- U.S. investment limitations, non-U.S. securities regulation, limited liquidity of non- U.S. investments, and non- U.S. currency risks.

**Significant Volatility.** Investments in illiquid securities and securities of companies with small-sized market capitalizations may involve significant business and financial risk and can result in substantial or complete loss. Even if the securities of such companies are sold publicly, the public trading markets for those securities may be extremely volatile from day to day or from period to period. Additionally, Client Accounts may invest in portfolio companies that experience substantial variation in operating results from period to period, and Client Accounts' portfolio may be concentrated in only a few companies, all of which could be in the same business, industry or geographic region, increasing the volatility and risk of Client Accounts' portfolio.

**Limited Liquidity of Investments.** Client Accounts invest in thinly traded and relatively illiquid securities, securities that may not be traded at the time Client Accounts invest or securities that may cease to be traded after Client Accounts invest. Client Accounts are also likely to take positions in particular securities that are relatively large as compared to trading volumes or overall market capitalization. In such cases and in the event of extreme market activity, Client Accounts may not be able to liquidate its investments promptly if necessary. In addition, Client Accounts sales of thinly traded securities are likely to depress the market value of those securities and thereby reduce the profitability or increase its losses.

**Changes in Economic Conditions.** Changes in economic conditions, due to, among other things, changes in interest rates, credit availability, inflation rates, industry conditions, government regulation, competition, technological developments, public health issues, political and diplomatic events and trends, war, defaults on governmental obligations, tax and other laws and innumerable other factors, can affect the Client Accounts' investments and prospects materially and adversely. None of these conditions is within the General Partner's control, and it may not anticipate these developments. These factors may affect the volatility of securities prices and the liquidity of the Accounts' investments. Unexpected volatility or illiquidity could impair the Client Accounts' profitability or result in losses. Global financial markets periodically experience sharp declines and high volatility. Credit markets have sometimes tightened significantly, and the stability of major financial institutions can be affected by these economic conditions. As a result, securities markets have at times been extremely volatile and many investment funds have incurred significant losses. In particular, without limiting the generality of the foregoing, the global coronavirus pandemic continues to cause disruption in the global economy, business and travel disruption and fluctuations in global capital and financial markets. The pandemic has led to significant changes in unemployment levels, worker shortages, supply chain disruptions, inflation, residential and commercial property vacancy rates, and changes in business and consumer confidence and spending. It has also led to an economic recession in

many economies throughout the world and significant increases in federal, state and local deficits and debt. The severity and extent of the impact of the pandemic on the U.S. and global capital and financial markets and economies will depend largely on future developments, including the duration of the spread of the pandemic and the policies implemented in connection with restoring business and other activity, all of which are highly uncertain and cannot be predicted. A prolonged period of economic contraction or stagnation may adversely affect the Accounts' performance and reduce available investment opportunities. Additional effects may arise that cannot be predicted currently, including the impact of the pandemic on service providers to the Client Accounts, the General Partner and their affiliates. Global central banks, and other international, national and local government and regulatory bodies, have implemented a variety of programs to respond to current economic conditions (including significant rates of inflation), and will take additional actions in the future. Any such actions could adversely affect issuers of the Client Accounts' securities and securities markets generally, including by reducing economic growth or causing a recession. Given the volatile nature of the market environment, the General Partner may not timely anticipate or manage existing, new or additional risks, contingencies or developments.

Cybersecurity. Although the General Partner and its affiliates employ various computer security measures, there can be no guarantee that they would be successful in fending off cybersecurity attacks from viruses, malware, computer hackers or other malicious corruption of their information technology systems. Cybersecurity breaches of the systems of the General Partner, its Affiliates or its service providers (including accountants, custodians, transfer agents and administrators) may cause disruptions to business operations, cause losses due to theft or other reasons, interfere with the Accounts' net asset value calculations, impede trading, or lead to violations of applicable privacy and other laws, regulatory fines and penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs. Any cybersecurity breach could materially and adversely affect the Client Accounts.

Business Disruptions. The Client Accounts and the General Partner rely heavily on their service providers (including administrators and custodians) and on internal and third-party computer hardware and software, online services, data feeds, trading platforms, and other technology. The occurrence of a cyberattack, a natural catastrophe, a pandemic, an industrial accident, a terrorist attack or war, public service or utility disruptions (such as those caused by fires, floods, earthquakes, market trading halts, systems failures and other extraordinary event), events unanticipated in the General Partner's disaster recovery systems, or a support failure from external providers, could have an adverse effect on the ability of the General Partner or the Client Accounts to conduct business and on their operations and financial condition, particularly if those events affect the General Partner's or the Client Accounts' computer-based data processing, transmission, storage, and retrieval systems, or if these events destroy data. If a significant number of the General Partner's employees were unavailable in the event of a disaster, the ability of the General Partner and the Client Accounts to effectively conduct business could be severely compromised.

The above is only a brief summary of some of the important risks that a client or an investor

may encounter. Before deciding to invest with Philosophy, you should consider carefully all of the risk factors and other information in the respective clients' Governing Documents.

**Item 9.           Disciplinary Information**

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of Philosophy's advisory business or the Firm's management.

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

Philosophy and its employees do not have any relationships or arrangements with other financial services companies that pose material conflicts of interest. Philosophy acts as a commodity pool operator or commodity trading adviser with respect to its clients but is exempt from registration with the Commodity Futures Trading Commission.

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

*Code of Ethics Overview*

Philosophy has adopted a Code of Ethics (the "Code") in compliance with Rule 204A-1 under the Investment Advisers Act of 1940, that establishes standards of conduct for Philosophy's supervised persons. The Code includes general requirements that Philosophy's supervised persons comply with their fiduciary obligations to clients and applicable securities laws, and specific requirements relating to, among other things, personal trading, insider trading, conflicts of interest and confidentiality of client information. It requires supervised persons to comply with the personal trading restrictions described below and periodically to report their personal securities transactions and holdings to Philosophy's Chief Compliance Officer ("CCO") and requires the CCO to review those reports. It also requires supervised persons to report any violations of the Code promptly to the CCO. Each supervised person of Philosophy receives a copy of the Code upon the commencement of his or her employment with the Firm and provides a written acknowledgement to the CCO that he or she has been provided with, read and understood the Code. Such acknowledgment must also be completed by supervised persons on an annual basis or upon an amendment to the Code. Clients and prospective clients may obtain a copy of Philosophy's Code by contacting [yedi@philosophycap.com](mailto:yedi@philosophycap.com).

*Personal Trading Policy*

Under Philosophy's Code, employees are generally prohibited from engaging in personal trading without obtaining the prior written consent of the CCO. If Philosophy and its supervised persons personally invest in the same securities that Philosophy trades for client accounts, there is a conflict of interest in that any of such persons can use his or her knowledge about actual or proposed securities transactions and recommendations for client accounts to profit personally by the market effect of such transactions and recommendations. To address this conflict,

Philosophy's CCO will generally not approve trades in securities held by client accounts or in securities that a client account is planning to trade. Additionally, supervised persons are restricted from transacting in securities of issuers on the Philosophy's restricted list. Prohibitions relating to personal trading also generally apply to any spouse or minor child, or an immediate family member of an employee living in the same household as such employee. Supervised persons are required to provide the CCO with periodic reporting relating to their trading activity and personal accounts. supervised persons' personal trading activity is subject to review by the CCO. Philosophy has an incentive to cause a client to invest in its investment funds instead of an individually managed account for the following reasons: (i) the reduced expenses and administrative burdens of managing a fund compared to an individually managed account, (ii) Philosophy's performance compensation from a private fund receives more favorable tax treatment than that from an individually managed account, and (iii) investors have less transparency and liquidity than individual account clients. In addition, if a fund investor also has an individually managed account with Philosophy that uses an investment strategy that is similar to that of the fund, the investor may use knowledge of the other account's portfolio to decide if and when to make an additional investment or to withdraw assets from the fund at times when other fund investors would have made similar decisions had they had similar transparency. Philosophy discloses these conflicts of interest to clients and investors.

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

Philosophy's Principal, employees and/or other related persons have a greater portion of their personal assets invested in the Philosophy Fund.

#### *Allocation of investments*

Because Philosophy manages more than one account, there may be conflicts of interest over its time devoted to managing any one account and allocating investment opportunities among all accounts that it manages. To mitigate this conflict, Philosophy will generally follow documented procedures in allocating investment opportunities among the client accounts, as further described in Item 6. For example, Philosophy selects investments for each client based solely on investment considerations for that client. Certain clients may have differing investment strategies and expected levels of trading than other clients. Philosophy may buy or sell a security for one type of client but not for another, or may buy (or sell) a security for one type of client while simultaneously selling (or buying) the same security for another type of client. Philosophy attempts to resolve all such conflicts in a manner that is generally fair to all of its clients. Philosophy may give advice to, and take action on behalf of, any of its clients that differs from the advice that it gives or the timing or nature of action that it takes on behalf of any other client so long as it is Philosophy's policy, to the extent practicable, to allocate investment opportunities to its clients fairly and equitably over time. Philosophy is not obligated to acquire for any account any security that Philosophy or its managers, members or employees may acquire for its or their own accounts or for any other client, if in Philosophy's absolute discretion, it is not practical or desirable to acquire a position in such security for that account.



### *Cross-Trades*

A cross-trade occurs when an investment adviser effects a trade between two or more of its advisory clients. Subject to applicable law, Philosophy expects that the Firm will, from time to time, cause Client Accounts to engage in cross-trades for a variety of reasons, including, without limitation, for regulatory, liquidity or tax purposes, to rebalance the portfolios of such client accounts, or to reduce transaction costs that may arise in an open market transaction. This may result in a conflict of interest because a potential transaction may result in benefits to one transacting party that may be greater than the benefits to the other transacting party. In order to mitigate such conflicts, Philosophy effects such transactions only when the Firm believes that they are in the best interests of, and fair and equitable to, the applicable clients. Further, Philosophy will take steps to ensure that any such transaction is made in a manner consistent with the Firm's duty to obtain best execution for each of the participating accounts. In addition, all cross trades between client accounts require the prior approval of Philosophy's CCO. Transactions between client accounts will generally be effected at the closing price of the particular security or, if no closing price is available, in a manner that is consistent with the pricing and valuation methodologies set forth in Philosophy's relevant policies and procedures. No brokerage commission, transfer fee or other commission will be paid to Philosophy or related persons in connection with any such transaction.

Philosophy will not engage in any transaction that would constitute a principal transaction unless it has determined that the transaction is in the relevant clients' best interests and has obtained consent in accordance with its written procedures.

## **Item 12. Brokerage Practices**

### *Selection of Brokers*

Philosophy has complete discretion in selecting the broker or futures commission merchant that it uses for client transactions and the commission rates that clients pay such brokers and futures commission merchants. Philosophy generally allocates portfolio transactions to securities brokers (which term also includes futures commission merchants) based on best execution and in consideration of certain services that benefit Philosophy, its affiliates and its clients that are paid for or provided by those brokers. These considerations in selecting brokers may include, among other things, outsourced trading expertise and services of brokers that provide trading desks to their customers, research reports, services and conferences (including third party research fees), economic and market information, portfolio strategy advice, industry and company comments technical data, recommendations, general reports, consultations, performance measuring data, on-line pricing, special execution capabilities, block trading and block positioning capabilities, willingness to execute related or unrelated difficult transactions in the future, willingness to commit capital, knowledge of market participants, order of call, offering to Philosophy on-line access to computerized data regarding clients' accounts, computerized trading systems, clearance, settlement, reputation, financial strength and stability, confidentiality, efficiency of execution and error resolution, quotation services, the availability

of stocks to borrow for short trades, custody, recordkeeping and similar services, and other matters involved in the receipt of brokerage services generally. Philosophy also may purchase from a broker or allow a broker to pay for all or a portion of a client's, Philosophy's or its affiliates' costs and expenses of operation. Accordingly, a client may be deemed to be paying for research and these other services with "soft" or commission dollars. In selecting brokers to execute transactions (or series of transactions) and determining the reasonableness of the brokers' compensation, Philosophy needs not solicit competitive bids and do not have an obligation to seek the lowest available commission cost.

Philosophy established a best execution team, which meets on a semi-annual basis to evaluate, among other things, the execution that the Firm is receiving from broker-dealers. In conducting its analysis, the committee considers the factors listed above, among others, and reviews gifts and entertainment received and any known or perceived conflicts of interests (e.g., directing commissions to a broker that a family member is employed).

During Philosophy's last fiscal year, the Firm acquired the following bundled products or services with client brokerage commissions (or markups or markdowns): (i) research, such as proprietary research from brokers and (ii) research services, such as consultation with industry consultants concerning specific companies, industries or sectors.

Philosophy has retained certain brokerage firms to serve as some client's prime brokers and custodians. The services that they provide as prime broker and custodian may include providing custody, margin financing, clearing, settlement and stock borrowing in accordance with the terms of the prime brokerage and custody agreements entered into with the client. Philosophy receives other services from them. These services may include: technology services (such as internet access, IT support, Bloomberg connections, wireless networking, email archiving and disaster recovery systems), capital introduction services, portfolio reporting and access to electronic communications networks. Philosophy expects to use a substantial portion of these services for research and trading on behalf of its clients, but some may be used for administrative purposes, which would not be within the safe harbor of section 28(e). Although many prime brokers and custodians provide similar services to investment advisers in exchange for brokerage, custody and clearance fees and other charges, if Philosophy did not receive these services from them, Philosophy would be required to pay for all or some portion of them. Philosophy is not required to direct a particular number of trades to any of these firms or to continue to use them as custodians for client accounts, but it has an incentive to do so based on their prior and continued services.

A client's obligations to those custodians and their affiliates will be secured by way of a first priority perfected security interest over all of the client's assets held in custody by them and their affiliates may transfer to themselves all rights, title and interest in and to those assets as collateral and may deal with, lend, dispose of, pledge or otherwise use all such collateral for their own purposes. If any such transfer occurs, the client will rank as such custodian's (or affiliate's) unsecured creditor. If such custodian or affiliate becomes insolvent, the client may not be able to recover such equivalent securities in full. In addition, the client's cash held by a

custodian may not be segregated from such custodian's own cash and, if not so segregated, may be used by such custodian or affiliate in the course of its business and the client will therefore rank as an unsecured creditor in relation thereto. If any of the client's investments are registered in the name of a custodian or affiliate due to the nature of the law or market practice of a particular jurisdiction, such investments will not be segregated from the custodian's or affiliate's own investments and if such custodian or affiliate becomes insolvent, the client may not be able to recover such equivalent investments in full.

Philosophy may select a broker to act as an outsourced "trading broker" for a client. In such cases, Philosophy or the trading broker may select the executing broker, and the trading broker would then place or manage the order. The trading broker is compensated (through commissions or otherwise) for this trading service in addition to the commissions paid to the executing brokers. As with all soft dollar arrangements, using a trading broker in this manner causes the client to pay brokerage commissions, mark-ups and other transactions fees that are higher than might otherwise be paid if brokers were selected solely based on lowest execution cost. In addition, using a trading broker (rather than an employee of Philosophy) to provide those services may allow Philosophy to reduce its own personnel expenses.

#### *Research and Other Soft Dollar Benefits*

Section 28(e) of the Exchange Act provides a "safe harbor" to investment advisers who use commission dollars of their advised accounts to obtain investment research and brokerage services that provide lawful and appropriate assistance to the adviser in performing investment decision-making responsibilities. Conduct outside of the safe harbor of section 28(e) is subject to the traditional standards of fiduciary duty under state and federal law. If Philosophy uses commission dollars to pay for products or services that provide administrative or other non-research assistance to itself or its affiliates, such payments may not fall within the section 28(e) safe harbor.

Philosophy does not currently have any formal soft dollar arrangements, but occasionally receives bundled products or services from broker-dealers. To Philosophy's knowledge, such products and services are generally made available to all institutional clients doing business with these broker-dealers. If Philosophy determines to engage in soft dollar transactions in the future, Philosophy intends to comply with the safe harbor provided by Section 28(e) of the Exchange Act.

#### *Allocation of Investments; Aggregation of Orders*

Client Accounts receive investment advice based upon the strategies outlined in their offering or governing documents. Client Accounts may have substantially similar components but may have differing investment objectives.

Participation in specific investments may be appropriate, at times, for more than one client account. In such cases, Philosophy will seek to allocate such investment opportunities between

client accounts, on a fair and equitable basis under the circumstances existing at such time based upon a number of factors, which may include one or more of the following: (i) the intended objective and strategy of each participating client account and any applicable investment or risk restrictions or guidelines, including leverage constraints and position limits, (ii) legal, regulatory and tax considerations, (iii) Philosophy's perception of the appropriate risk/reward ratio for each participating client account, taking into account, among other things, market exposure, anticipated volatility and diversification, (iv) the overall portfolio composition of each participating client account, (v) the relative amounts of capital in each participating client account available for new investments of the type at issue, (vi) the liquidity of each participating client account, (vii) the desire to avoid de minimis allocations and odd lots, and (viii) such other considerations as Philosophy believes are relevant at such time. In general, we will allocate investments among client accounts that pursue the same strategy on a pari passu basis.

Philosophy may aggregate securities sale and purchase orders for a client with similar orders being made contemporaneously for other client accounts that Philosophy manages or with accounts of its affiliates. In such event, Philosophy may charge or credit a client the average transaction price of all securities purchased or sold in such transactions. As a result, however, the price may be less favorable to the client than it would be if Philosophy were not executing similar transactions concurrently for other client accounts. Philosophy may also cause a client to buy or sell securities directly from or to another client, if such a cross-transaction is in the interests of both clients.

#### *Brokerage for Client Referrals*

Philosophy may direct a certain amount of brokerage to a broker or futures commission merchant in return for the broker's or futures commission merchant's referral of prospective clients or investors. Directing brokerage in exchange for client or investor referrals creates a conflict of interest in that Philosophy has an incentive to refer its clients' brokerage business to brokers and futures commission merchants to which it might not otherwise direct transactions. Philosophy has policies and procedures to review its brokerage practices regularly, including brokers from which it receives client or investor introductions.

#### *Trade Errors*

Philosophy may on occasion experience errors with respect to trades made on behalf of Client Accounts. Philosophy will reimburse each SMA for net losses resulting from trade errors in accordance with each client account's investment management agreement. To the extent permitted by applicable law, the Funds, and not Philosophy, are responsible for any trade errors that Philosophy makes in their accounts, even when the error hurts the Funds, except to the extent required under their Governing Documents.

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

#### *Review of Accounts*

Philosophy's Principal reviews all Client Accounts on a regular basis. Those reviews take into account such matters as asset allocation, cash management, the prospects of individual securities, changes in issuer earnings, industry outlook, market outlook and price levels.

#### *Reporting*

Each investor in the Philosophy Fund receives a quarterly letter stating performance for the quarter and investment commentary. Philosophy may change the content and frequency of its reporting or provide certain investors with more frequent updates. In addition, on an annual basis, Philosophy provides investors with a copy of the relevant Philosophy Fund's annual audited financial statements and, if applicable, a statement of taxable income (Schedule K1).

Pursuant to "side letter" or other agreements, Philosophy will provide certain investors with access to more frequent and/or more detailed information regarding the Client Accounts' securities positions, performance, finances, and management and/or other information about the Client Accounts or the Firm (including notifications of redemptions from a Client Account by Philosophy and/or its personnel), possibly enabling such investors to better assess the prospects and performance of the Funds.

In addition, investors may be provided with certain information about Philosophy and the Client Accounts in response to questions and requests. This information may not be distributed to other investors or prospective investors. Each investor is responsible for asking such questions as it believes are necessary in order to make its own investment decisions and must decide for itself whether the limited information provided by the Firm is sufficient for its needs.

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

Other than the products and services that Philosophy receives from broker-dealers (described above in Item 12); Philosophy does not receive any economic benefits from third parties in connection with the provision of investment advice to the Funds. Philosophy currently did not engage any solicitors to whom it pays cash or a portion of the advisory fees paid by clients referred to it by those solicitors.

### **Item 15.      Custody**

For purposes of Rule 206(4)-2 under the Investment Advisers Act of 1940, as amended (the "Custody Rule"), Philosophy is deemed to have custody over the Philosophy Fund's assets. In accordance with the Custody Rule, a qualified custodian is not required to deliver quarterly account statements to the Philosophy Fund or their respective investors as long as: (i) the Philosophy Fund is audited by an independent public accountant that is registered with, and

subject to inspection by, the Public Company Accounting Oversight Board, (ii) the Philosophy Funds' audited financial statements are prepared in accordance with U.S. generally accepted accounting principles, and (iii) Philosophy delivers such annual audited financial statements to investors within 120 days after the end of the Philosophy Fund's fiscal year.

The custodian of each Private Fund and SMA sends account statements at least quarterly to the client. Each client should carefully review those statements and compare them with the statements that such client receives directly from Philosophy, if any. Philosophy does not have custody over the Private Funds sponsored by unaffiliated entities or the SMA.

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

Philosophy has discretionary authority to manage investment accounts on behalf of clients pursuant to a grant of authority in each Client Accounts' governing document or a limited power of attorney in each client's account agreement. Except for Philosophy Fund, such discretion is limited by the requirement that clients advise Philosophy of:

- the investment objectives of the account;
- any changes or modifications to those objectives; and
- any specific investment restrictions relating to the account.

A client must promptly notify Philosophy in writing if the client considers any investments recommended or made for the account to violate such objectives or restrictions. A client may at any time direct Philosophy to sell any securities or take such other lawful actions as the client may specify to cause the account to comply with the client's investment objectives. In addition, a client may notify Philosophy at any time not to invest any funds in the client's account in specific securities or specific categories of securities.

The investors in the Philosophy Fund generally are not able to place any limits on Philosophy's authority beyond the limitations set forth in their offering and governing documents.

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

When Philosophy trades in public securities for client accounts, the Firm will generally have voting discretion over such securities. Philosophy votes proxies in accordance with its fiduciary duty to the Client Accounts. Client Accounts are generally not able to direct their votes in a particular situation. Philosophy has adopted proxy voting policies and procedures, which are summarized below.

Philosophy decides whether to vote proxies on behalf of each Client Account over which Philosophy has proxy voting authority after considering whether the proposal will have a material effect on the Client Accounts investment strategy. This analysis frequently leads Philosophy to not vote proxies. In determining whether a proposal serves in the client's best interests, Philosophy considers a number of factors, including:

- the proposal's economic effect on shareholder value;
- the threat that the proposal poses to existing rights of shareholders;
- the dilution of existing shares that would result from the proposal;
- the effect of the proposal on management or director accountability to shareholders; and
- if the proposal is a shareholder initiative, whether it wastes time and resources of the company or reflects the grievance of one individual.

Philosophy abstains from voting proxies when Philosophy determines it to be appropriate or in the best interest of the Client Accounts. Conflicts of interest may arise between the interests of our clients and us or our affiliates. If Philosophy determines that a conflict of interest exists in connection with a proxy solicitation, Philosophy's CCO will review and determine the appropriate course of action.

Upon request by a client, Philosophy will disclose to such client how the Firm voted proxies for securities owned by such client. Philosophy will also provide a copy of its proxy voting policies and procedures to clients upon request.

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

Philosophy is not required to include its balance sheet for Philosophy's most recent fiscal year with this Brochure.

#### **Item 19. Requirements for State-Registered Advisers**

Philosophy is not a state-registered adviser.