

## Part 2A of Form ADV: Firm Brochure

### Item 1 Cover Page

#### A. Contact details

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Date: March 30, 2012

#### B. Disclosure

This brochure provides information about the qualifications and business practices of FDO Partners, LLC. If you have any questions about the contents of this brochure, please contact us at the address above. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

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

#### C. Competency

Please note that registration with the SEC does not imply a certain level of skill or training in the performance of investment advisory services.

## Item 2      Material Changes

For the 2012 update FDO has made two material changes to the brochure.

First, since 2008, the FDO global currency strategy has been made available to investors in an offshore master-feeder structure, Brattle Street Offshore Partners, Ltd. (BSOP) and Brattle Street Master Fund, Ltd (BSMF). This structure was wound up as of January 31, 2011, and the intention is to replace it with a UCITS IV compliant vehicle later in the year. At the current time, therefore, FDO does not provide currency advice to any pooled vehicle, and the brochure has been revised to reflect this. The company's ADV filing will be updated once the new vehicle is established.

Second, per the definition of advisory client stated in Section [203\(b\)\(3\)-1\(b\)](#) of the Act, and the guidance on clients who are not fee-paying clients contained in the [IARD FAQ](#) on the SEC website, we have taken the position that assets of the closed-end investment company, Revere Street Master Partners, Ltd (RSMP), should be included in the formal definition of *regulatory assets under management*. Discussion of FDO's custody obligations with respect to these assets under Rule 206(4)-2 is therefore also included.

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## Item 4      **Advisory Business**

### A. History of the company

FDO Partners, LLC (FDO) was founded in 1997 by Kenneth Froot and Rudi Dornbusch, well-known experts in international finance. Paul O'Connell joined as President in 1997, and became a Partner in 1998. Rudi Dornbusch passed away in July 2002. Jesse Lacika became Partner in 2011 and the firm is wholly owned by Messrs. Froot, O'Connell and Lacika. As shown in Form ADV Part 1A, Messrs. Froot and O'Connell are principal owners.

### B. Types of advisory services

The firm has managed currency strategies for institutional investors since December 1997. These strategies are based on the research of FDO's principals, and are designed from the ground up to cover all major and emerging markets currencies. Currency assets under management totaled approximately \$2.6bn (scaled to 2.5% volatility) as of December 31, 2011, comprised of \$2.5bn of active alpha mandates, and \$106m of passive hedging mandates. This figure differs from regulatory assets under management, as reported in Form ADV Part I, as it scales all accounts to have comparable volatility. The client base is comprised of pension funds, governmental entities and other institutions. Investments can be made through a variety of media, including separately managed accounts, pooled vehicles, and a number of multi-manager investment platforms.

In regard to pooled vehicles, the FDO global currency strategy has been made available in an offshore master-feeder structure, Brattle Street Offshore Partners, Ltd. (BSOP) and Brattle Street Master Fund, Ltd (BSMF), since 2008. This structure was wound up as of January 31, 2011, and the intention is to replace it with a UCITS IV compliant vehicle later in the year. At the current time, therefore, FDO does not provide currency advice to any pooled vehicle. The company's ADV filing will be updated as and when the new vehicle is established.

The firm also periodically offers commodities management services to institutional clients. The commodities strategies are implemented using futures, and are designed to meet specific client requirements in terms of exposure and horizon.

Finally, the firm has managed equity strategies using internal capital since 2002. These strategies are not offered to outside investors.

Regulatory assets under management (as formally defined by the SEC, not normalized for target volatility) were \$3,053.5bn as of December 31, 2012.

### C. Customization of advisory services

The bulk (approximately 90 per cent) of FDO's assets under management is in separately managed accounts. Managed accounts give clients full and complete transparency on the securities and derivatives exposures taken on their behalf. In addition, clients have the ability to customize the strategy to meet their specific needs, by, for example, delimiting the permitted universe or the tenor of the instruments traded.

#### D. Wrap-fee programs

FDO does not participate in any wrap-fee programs.

#### E. Client Assets

FDO manages some client assets on a non-discretionary basis, as part of its passive hedging currency services. Such assets comprise less than five percent of total regulatory assets under management.

## Item 5 Fees and Compensation

### A. Forms of compensation

FDO Partners is compensated for its advisory services with both management and incentive fees. The management fee is typically one-sixth of target volatility, but this can vary depending on the size of investment, its duration, the choice of investment vehicle, and whether operational and distribution costs are borne by FDO or a third-party. The incentive fee is typically twenty percent of value-added in excess of;

- (a) management fees;
- (b) interest earnings on funding collateral (the “hurdle”);
- (c) any vehicle expenses, such as administration, audit, etc.

This incentive fee is subject to a high-water mark provision, such that incentive fees are only payable for those periods in which cumulative excess value-added exceeds its historical high point.

### B. Method of payment

For separately-managed accounts, fees are invoiced to clients quarterly in arrears, and not deducted from clients' assets. Within any pooled vehicle, fees are calculated and accrued monthly, and deducted from fund assets quarterly.

### C. Other expenses

Managed-account clients are not charged for any expenses other than investment advisory fees. Investors in pooled funds do incur additional fund-related expenses beyond the investment advisory fees. The most important of these are for administration and audit, but expenses are also payable for legal, custodial, governance and secretarial services. Clients who invest through multi-manager platforms are subject to a variety of platform fees that are determined by the platform provider.

Clients invested in FDO's foreign exchange strategies are not subject to specific commissions or brokerage fees. However, the trading of foreign exchange does incur bid-ask spread costs. Client's who receive commodities advice from FDO do pay commissions to our counterparties, and in addition are subject to exchange fees mandated for the trading of futures. See Item 12 below for further information around brokerage practices.

### D. Advance fees

Clients are not asked or required to pay any fees in advance.

### E. Compensation for the sale of securities

Neither FDO nor any of its supervised persons accepts compensation for the sale of securities or other investment products.

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

FDO Partners does receive performance-based or incentive fees from some, but not all, of its clients. This creates a number of conflicts of interest, including:

- (a) FDO has an incentive to allocate its “highest-conviction” trades to those accounts that pay incentive fees;
- (b) FDO has an incentive to alter the sequencing and allocation of trades in favor of accounts that pay incentive fees;
- (c) The non-linear payout structure associated with incentive fees creates an incentive to “cross” client trades among accounts that have differing mandate stipulations (e.g. where one goes long a security and another goes short a security).

To address these conflicts, FDO maintains a strict and demonstrable policy of pari-passu trading with respect to all client accounts, whether they earn incentive fees or not. All portfolios are constructed from the same underlying expected return and risk engine. All mandates that have the same underlying trade guidelines (after adjusting for volatility) are pooled together and traded as a block. Resulting trade prices are allocated evenly across all such clients, so that there is no time or value distinction between them. In addition, clients who differ in their underlying trade guidelines are given equal treatment for the subset of securities that overlaps with other clients.

The book-of-record for all clients clearly demonstrates this symmetry of treatment, and daily checks and reports are run to ensure that no performance discrepancies occur between comparable accounts on a risk-adjusted basis. Equal treatment of clients is a core element of our compliance code, and is stated clearly in the FDO Compliance Policies and Procedures Manual.

## Item 7      **Types of Clients**

FDO's client base is wholly institutional. It includes pension funds, quasi-governmental/sovereign entities, fund-of-funds, multi-manager platforms and other financial institutions. The client base is globally dispersed.

The minimum size for a separately-managed account is generally USD 5 million at 10 per cent volatility, though this may be waived in certain circumstances. For example, an existing client who wishes to open a separate silo for an alternative pool of assets would be permitted to do so at smaller scale.



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

### A. Methods of analysis

FDO's currency strategy is a systematic strategy that combines fundamental, technical, financial and behavioral data to forecast currencies at a variety of forecast horizons. There is a modest role for portfolio manager discretion in the forming of the portfolio, to take account of factors that might lie outside the formal modeling (e.g. political unrest). The strategy seeks to diversify across a broad currency universe and a broad set of information sources. For emerging markets currencies, the alpha proposition is that their levels are often set in response to conflicting policy goals. For example, a country might choose to fix its exchange rate to stabilize inflation, but often this leads to overvaluation and current account crises (e.g. Latin America in the period 1999-2002). The FDO strategy seeks to take advantage of such policy inconsistencies.

An important source of alpha across both developed and emerging markets currencies is information on the investment flows and positioning of institutional investors. This information is derived and developed by State Street Associates , LLC, a joint venture involving FDO and State Street Corporation (NYSE: STT). Other important elements of the strategy include a proprietary transactions costs optimizer (essential for the effective management of emerging markets currencies), and integrated risk management that operates at every level of the forecasting and portfolio construction process.

FDO's commodities advice is dictated primarily by client preferences. FDO's primary contribution is in the refinement and implementation of client-specified commodities portfolios.

FDO's equity advisory services are not offered to outside investors.

Investing in both currencies and commodities involves risk of loss, and all clients should be prepared to bear such losses.

### B. Material risks in method of analysis

The following general risks attach to the methods of analysis.

- 1) **Data errors.** Numerical data is a key input to FDO's investment processes. Errors may occur in the sourcing or collection of data that give rise to spurious results. FDO maintains a rigorous approach to the collection and cleaning of data, but it is possible that raw data errors may be missed, and affect client portfolios.
- 2) **Algorithmic or coding error.** FDO's investment strategies are systematic in nature, and rely on formalized algorithms that process data to formulate portfolios. Errors may arise in the construction and programming code of these algorithms. While FDO has in place specific procedures to monitor and control its algorithms and code, there can be no assurance that such errors will not occur.

### C. Material risks of securities traded

The following general risks attach to both the foreign exchange and commodities strategies.

- 1) **Portfolio manager skill.** Performance depends on individual judgment and skill of portfolio managers.
- 2) **Market impairment.** There may be generalized impairment of credit and/or capital markets, as occurred in 2008-2009.

The following risks relate specifically to the currency strategies.

- 1) **Speculative securities.** Trading in currencies is inherently speculative. Their value can change in response to a wide variety of political, economic and financial factors.
- 2) **Emerging markets.** Trading in emerging markets currencies brings additional risks over and above trading of liquid developed currencies. For example, some emerging markets have experienced major adjustments in value periodically. In addition, governments of certain emerging markets have exercised and continue to exercise substantial influence over many aspects of the private sector.
- 3) **Over-the-counter securities.** The strategies invest primarily in over-the-counter currency spot and forward contracts, both deliverable and non-deliverable. Such contracts are not standardized and are not traded on exchanges, and their trading is substantially unregulated. The principals who deal in currency markets are not required to make markets. Non-deliverable currency contracts are dollar-settled derivatives, and there is no guarantee that the final fixing price will be in alignment with the value of the underlying currency when they come to settlement.
- 4) **Leverage.** Trading in currencies can be leveraged. The precise level of leverage adopted is a client-specific decision, but in principal a relatively small movement in the foreign exchange rate may result in losses that exceed the amount invested.
- 5) **Diversification.** The investment process is designed to achieve a diversified portfolio. However, the portfolio may from time to time be invested heavily in specific currencies, increasing its exposure to specific credit and market risks in those currencies.
- 6) **Transaction costs.** Transaction costs associated with trading currencies vary both over time and currencies. The trading costs associated with emerging markets are generally higher than those of other asset classes. While FDO employs a proprietary algorithm intended to minimize total transaction costs, there can be no assurance that the portfolio's transaction costs will not be higher relative to capital than those of other investments.
- 7) **Counterparty credit risk.** Client accounts are exposed to the credit risk of foreign exchange trading counterparties. Although FDO imposes appropriate credit standards and other business requirements upon counterparties, credit risk remains. Counterparties in the currency markets typically impose credit requirements on the participants with which they establish trading relationships. While FDO believes that it will be able to mediate the establishment of such credit relationships on behalf of clients, it is possible that counterparties may be unwilling to enter into transactions with certain prospective clients.

The following risks relate specifically to the commodities strategies.

- 1) **Speculative securities.** Trading in commodities futures is inherently speculative. The value of commodities contracts can change in response to a wide variety of political, economic and financial factors.
- 2) **Leverage.** Futures trading involves relatively small invested capital relative to risk exposure, and therefore can increase, perhaps significantly, portfolio volatility and exposure to loss.

## Item 9      Disciplinary Information

### A. Criminal or civil actions

There have been no criminal or civil actions in a domestic, foreign or military court of competent jurisdiction in which FDO or a management person:

- 1) was convicted of, or pled guilty or nolo contendere ("no contest") to (a) any felony; (b) a misdemeanor that involved investments or an investment-related business, fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, or extortion; or (c) a conspiracy to commit any of these offenses;
- 2) is the named subject of a pending criminal proceeding that involves an investment-related business, fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, extortion, or a conspiracy to commit any of these offenses;
- 3) was found to have been involved in violation of an investment-related statute or regulation; or
- 4) was the subject of any order, judgment, or decree permanently or temporarily enjoining, or otherwise limiting, FDO or a management person from engaging in any investment-related activity, or from violating any investment-related statute, rule, or order.

### B. Administrative proceedings

There has been no administrative proceeding before the SEC, any other federal regulatory agency, any state regulatory agency, or any foreign financial regulatory authority in which FDO or a management person:

- 1) was found to have caused an investment-related business to lose its authorization to do business; or
- 2) was found to have been involved in a violation of an investment-related statute or regulation and was the subject of an order by the agency or authority
  - (a) denying, suspending, or revoking the authorization of FDO or a management person to act in an investment-related business;
  - (b) barring or suspending FDO's or a management person's association with an investment-related business;
  - (c) otherwise significantly limiting FDO's or a management person's investment-related activities; or
  - (d) imposing a civil money penalty of more than \$2,500 on FDO or a management person.

### C. Self-regulatory organization proceedings

There has been no proceeding before a self-regulatory organization in which FDO or a management person:

- 1) was found to have caused an investment-related business to lose its authorization to do business; or
- 2) was found to have been involved in a violation of the SRO's rules and was: (i) barred or

suspended from membership or from association with other members, or was expelled from membership; (ii) otherwise significantly limited from investment-related activities; or (iii) fined more than \$2,500.

## Item 10 Other Financial Industry Activities and Affiliations

### A. Broker-dealer registration

Neither FDO nor any of its management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

### B. Commodities registration

FDO falls under the definition of a Commodity Trading Advisor with respect to certain of its advisory services. However, FDO claims exemption from the requirement to register with the CFTC as a CTA, under Rule 4.14(a)(8)(i). The commodities trading advice provided by FDO is furnished to entities that are organized and operated outside the United States, and that meet the requirements of 4.14(a)(8)(i)(C).

FDO is aware that there are ongoing changes to the regulatory requirements in regard to trading commodities futures. We continue to pro-actively monitor the regulations as they evolve.

### C. Related persons

Neither FDO nor any of its management persons have relationships or arrangements with any related person who falls into the following categories:

- (a) broker-dealer, municipal securities dealer, or government securities dealer or broker;
- (b) other investment adviser or financial planner;
- (c) futures commission merchant, commodity pool operator, or commodity trading advisor;
- (d) banking or thrift institution;
- (e) accountant or accounting firm;
- (f) lawyer or law firm;
- (g) insurance company or agency;
- (h) pension consultant;
- (i) real estate broker or dealer;
- (j) sponsor of syndicator of limited partnerships.

FDO currently serves as investment advisor to one offshore master-feeder structure, comprised of the Revere Street Offshore Partners, Ltd. (RSOP) feeder entity and the Revere Street Master Partners, Ltd. (RSMP) master entity. This master-feeder structure is not offered to outside investors. It does not create any conflict of interest with clients.

### D. Other investment advisors

FDO does not recommend or select other investment advisors for its clients.

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

### **A. Overview**

FDO Partners, LLC (FDO) seeks to foster a reputation for integrity and professionalism. That reputation is a vital business asset. The confidence and trust placed in us by our clients is something we value and endeavor to protect. FDO has developed a Code of Ethics in adherence to Rule 204A-1 of the Investment Advisors Act of 1940. This Code encourages sound business practices on behalf of its partners and employees. It also demonstrates the high ethical standards FDO employs in conducting our daily business.

This Code of Ethics has been developed around FDO's specific obligations to the Investment Advisors Act of 1940 and Rule 204(A)-1 thereof. However, FDO has not limited its responsibilities to solely that Rule, and has implemented a number of additional ethical requirements which apply company-wide.

Violations of FDO's Code of Ethics must be promptly reported to the CCO. Such reports will be treated confidentially to the extent permitted by law, and investigated promptly. In the case where the CCO is involved in the violation or is unreachable, employees must report violations to any of FDO's Partners. Violations could include but are not limited to, noncompliance with applicable laws, rules, regulations, fraud, illegal acts involving any aspect of the firm's business, material misstatements, activity harmful to clients and any violation of the Code of Ethics itself.

The Chief Compliance Officer (CCO) has responsibility for training employees in respect of their ethical obligations. On an annual basis all Access Persons must certify in writing that they have read and understand the Code of Ethics.

The Code of Ethics is organized into the following sections:

- 1) reporting requirements (governing personal holdings and personal transactions);
- 2) securities transactions pre-approval;
- 3) conflicts of interest;
- 4) disclosure of personal interests;
- 5) gifts and entertainment;
- 6) confidentiality;
- 7) substance-abuse policies;
- 8) anti-money laundering.

Confidentiality with respect to client information is paramount, and employees must keep all information relating to clients, including past clients, in the strictest confidence.

FDO's Code of Ethics is included in our Compliance Policies and Procedures Manual and will be provided to any client or prospective client upon request.

### **B. Securities in which FDO has a material financial interest**

FDO does not recommend to clients securities in which the firm has a material financial interest.

### C. Investments in the same securities that are recommended to clients

Related persons of FDO, specifically employees and partners of the firm, may invest in securities that are also recommended to clients. However, as set down in the Code of Ethics, in order to do so, they must first receive pre-approval from the firm's Chief Compliance Officer.

Conflicts of interest arise here in that related persons may have knowledge of current or future advisory recommendations to clients, and so the timing of their investments may be adjusted to take advantage of this advance knowledge. The policies contained in the Code of Ethics are specifically designed to address this.

The interpretation of the restrictions here is broad. For example, FDO does not recommend currency-related exchange-traded funds to clients. However, Access Persons are precluded from investing in currency ETFs because their value is related to the value of securities that FDO does recommend to clients.

### D. Investments in the same securities at the same time as clients

As discussed above, related persons of FDO, specifically employees and partners of the firm may invest in securities that are also recommended to clients. However, in order to do so, they must first receive pre-approval from the firm's Chief Compliance Officer. Moreover, related persons are not permitted to buy or sell any security in which FDO has an open order for a client, or is likely to have an open order for a client in the subsequent 24 hours.

The interpretation of this restriction is broad. For example, even though FDO does not recommend currency-related exchange-traded funds to clients, related persons are prohibited from transacting in currency exchange-traded funds when FDO has an open order for a client in that currency, or is likely to do so in the coming 24 hours.

## Item 12 Brokerage Practices

### A. Selection of counterparties

FDO will seek what it judges to be best overall execution of purchase and sales orders, and the most favorable net securities prices for its clients. These judgments take into consideration the business qualifications of the various broker dealer firms with whom FDO may do business, and FDO may not necessarily choose the broker offering the lowest available commission rate. In decisions with respect to the market where the transaction is to be completed, the form of the transaction, and the allocation of orders among portfolio transactions, consideration is given to the credit-worthiness of counterparties; their proven integrity and financial responsibility; execution experience; capabilities with respect to particular markets and securities; competitiveness of commission rates and/or net prices; and clearance and settlement capabilities.

FDO makes every effort to stay informed of commission rate structures and prevalent bid/ask spreads in markets relevant to its clients. FDO may or may not solicit competitive bids based on its judgment of expected improvement or harm to the process for a given transaction.

#### A.1 Research and other soft-dollar arrangements

FDO does not actively seek to receive research or market commentary from its foreign exchange counterparties. FDO's investment process is predominantly systematic, and the underlying model data is obtained from independent third-party data providers, including WM Reuters, Bloomberg, and the IMF. The exception here is with respect to State Street Global Markets. FDO has a foreign exchange trading relationship with State Street Global Markets, the sell-side division of State Street Corporation. Since FDO and State Street Corporation are joint shareholders in State Street Associates, LLC (discussed in Item 8 above), and FDO uses information that it jointly developed with State Street Associates, there is the potential for a conflict of interest with respect to the direction of trading volume to the benefit of State Street.

FDO judges whether to allocate a trade to State Street based solely on the considerations outlined above. Careful records of all foreign exchange trades are maintained to ensure this, and the performance of each counterparty, including State Street, in executing those trades to the fullest benefit of clients is continuously monitored.

Aside from this, FDO has no research or "soft-dollar" arrangements with counterparties.

#### A.2 Brokerage for client referrals

FDO's foreign exchange counterparties do provide, from time-to-time, capital introduction services to FDO. While FDO does not have any formal arrangements in place with counterparties to this end, it is implicit that counterparties would expect to receive a benefit in terms of deal-flow for such services. This creates a conflict of interest in that FDO may have incentives to direct deal flow to counterparties not providing the best service, in order to gain new clients.

To address this conflict, it is FDO policy to select counterparties for trades based first on the



criteria mentioned in the first paragraph of this Section. If, however, two counterparties are judged to be equal on these dimensions, then capital introduction services can serve as a tie-breaker in choosing between counterparties. Careful records are maintained on the allocation and pricing of every trade and these are used to ensure that trades are continuously monitored to the fullest benefit of clients.

### A.3 Directed brokerage

FDO does not routinely recommend, request or require that clients direct the choice of execution counterparties.

FDO does permit clients to direct the choice of counterparty, and the legal and/or credit arrangements that attach to those choices. If a client elects to direct the choice of counterparties, FDO will explain that this may not lead to first-best execution, and can provide an analysis (if requested) of the execution slippage that a constrained set of counterparties might create.

### B. Aggregation of client trades

As mentioned in Item 6, FDO maintains a strict and demonstrable policy of pari-passu trading with respect to all client accounts that trade with similar counterparties. All mandates that have the same underlying trade guidelines (after adjusting for volatility) are pooled together and traded as a block. Resulting trade prices are allocated evenly across all such clients, on a value-weighted average price (VWAP) basis, so that there is no time or value distinction between them.

Clients who differ in their underlying trade guidelines are given equal treatment for the subset of securities that overlaps with other clients. Clients who differ with respect to their permitted set of counterparties are given equal treatment for the subset of securities that are traded with common counterparties across clients.

## Item 13 Review of Accounts

### A. Periodic review of client accounts

FDO's institutional management accounts undergo a periodic review either monthly or quarterly. The frequency is set down in the investment management agreements that govern these accounts. The reviews are undertaken in collaboration with the client. Typically they take the form of a conference call in which prepared materials are reviewed. Once a year, on average, the review is conducted in person.

Ken Froot, Paul O'Connell and Shelley Stiles are involved in these reviews.

All accounts are reviewed on a top-level basis during FDO's bi-weekly investment committee meetings.

### B. Other-than-periodic review of accounts.

In special circumstances, such as a change in the value of an account by a certain amount, accounts can undergo instantaneous review. The precise circumstances in which this can take place are specific to each client, and are set out in the advisory agreements that govern the account.

### C. Regular reports to clients

Written reports are provided to each currency client on a monthly basis. These reports detail:

- 1) profit-and-loss (both realized and unrealized) for the month;
- 2) cash balance reconciliation with client custodian (if relevant);
- 3) aggregate positioning at month-end;
- 4) month and year-to-date turnover;
- 5) monthly performance statistics;
- 6) supplementary performance analysis since account inception;
- 7) current positioning and risk exposures;
- 8) all trades conducted on behalf of the client during the month.

In addition, for those clients for whom FDO manages currency exposure passively, a separate report is provided on a monthly basis showing:

- 1) the gain/loss on actual hedging positions;
- 2) the gain/loss on benchmark hedging positions;
- 3) the impact of the hedging program on the total return of the underlying investment.

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

### **A. Economic benefit from someone who is not a client**

No person, who is not a client, provides economic benefit to FDO for investment advice to its clients.

### **B. Compensation to third-parties for client referrals**

Neither FDO nor any related person directly or indirectly compensates any person who is not a supervised person for client referrals.

## Item 15 Custody

According to the definition of custody in Rule 206 (4)-2 (as amended in Release No. IA-2176 and Release No. IA-2968), FDO does not have custody of any managed account assets.

Prior to its closure, FDO did have custody of assets invested in the Brattle Street Offshore Partners, Ltd. currency hedge fund, since it had the authority to withdraw fees from the Fund's bank accounts. FDO therefore coordinated with the Fund's Administrator, Meridian Fund Services (Bermuda) Limited, to maintain all books and records required under Rule 204-2 (b) and Rule 206 (4)-2, including the preparation and presentation of semi-annual financials and annual audited financials for the Fund to all investors. A set of closing audited financial statements will be prepared to coincide with the winding up of the company on January 31, 2012.

With respect to Revere Street Master Partners, Ltd. (RSMP), FDO has custody of the company's assets, since FDO has the authority to withdraw funds or securities from the company's brokerage and bank accounts. Since broker statements are received daily from the brokers by the advisor's related persons, who are themselves also the sole investors, the requirements of the custody rule to be satisfied. Shares in this closed-end entity are not offered to outside investors.

## Item 16 Investment Discretion

FDO does accept discretionary authority to manage securities on behalf of clients. To give effect to this authority, FDO and its counterparties require a duly authorized instruction from clients giving FDO authority to act as a trading agent for the client account.

Clients typically place limits on the size of individual security positions, and also place limits on the aggregate size of security groups (e.g. emerging markets currencies). For separately managed accounts, these limits are set forth in the advisory agreements that govern those accounts.

## **Item 17    Voting Client Securities**

FDO does not manage any securities for outside clients to which voting rights attach.

With respect to the private trading vehicle, Revere Street Master Partners, Ltd. (RSMP), decisions on all corporate actions and voting decisions are made within the FDO equities trading team.

## Item 18 Financial Information

### A. Prepayment of client fees

FDO does not require or solicit any prepayment of fees from its clients.

### B. Custody of client assets and financial condition

As discussed in Item 15, according to the definition of custody in Rule 206 (4)-2 (as amended in Release No. IA-2176 and Release No. IA-2968), FDO does not have custody of any managed account assets. Prior to its closure, FDO did have custody of assets invested in the Brattle Street Offshore Partners, Ltd. fund, since it had the authority to withdraw fees from the Fund's bank accounts. FDO also has custody of the assets in the RSMP closed-end equity vehicle. FDO hereby affirms that there are no financial conditions that would impair the ability of the firm to meet its obligations to any accounts.

### C. Bankruptcy petition

FDO has not been the subject of a bankruptcy petition at any time during the past 10 years.

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

FDO is not registered or registering with any state securities authority.



# Part 2B of Form ADV: Brochure Supplement for Kenneth A. Froot

## Item 1 Cover Page

### A. Contact details

Firm Name: FDO Partners, LLC

Name of Supervised Person: Kenneth A. Froot

Business: Address: 134 Mount Auburn Street, Cambridge, MA 02138, USA

Telephone: +1 (617) 503-4600

Facsimile: +1 (617) 503-4602

E-mail: [ken.froot@fdopartners.com](mailto:ken.froot@fdopartners.com)

Date: March 30, 2012

### B. Disclosure

This brochure supplement provides information about Kenneth A. Froot that supplements the FDO Partners, LLC brochure. You should have received a copy of that brochure. Please contact Shelley Stiles (e-mail: [shelley.stiles@fdopartners.com](mailto:shelley.stiles@fdopartners.com)) if you did not receive FDO Partners' brochure, or if you have any questions about the contents of this supplement.

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

## Item 2 Educational Background and Business Experience

Name: Kenneth A. Froot

Year of birth: 1957

Education after high-school: Stanford University, B.A.; University of California at Berkeley, Ph.D. in Economics. Fields: finance, international finance, econometrics.

Business experience: Ken Froot is the André R. Jakurski Professor of Finance and a former Director of Research at Harvard University's Graduate School of Business. He founded FDO Partners, LLC in 1997. At Harvard he teaches courses in International Finance, Risk Management, Capital Markets and Investment Management. He previously held the Thomas Henry Carroll-Ford Foundation Visitor's Chair at Harvard, and prior to that the Ford International Development Chair at MIT. His research and books on a wide range of topics in finance and international economics have been published by many academic journals and publishing houses. Professor Froot has served financial companies, countries, and official institutions, including the International Monetary Fund, the World Bank, the Board of Governors of the Federal Reserve, and the Executive Office of the US President. Professor Froot is also Founding Partner of State Street Associates, created jointly by State Street Corporation and FDO Partners to provide knowledge resources and tools to global investors and asset owners.

### Item 3      Disciplinary Information

#### A. Criminal or civil actions

There have been no criminal or civil actions in a domestic, foreign or military court of competent jurisdiction in which Kenneth A. Froot:

- 1) was convicted of, or pled guilty or nolo contendere ("no contest") to (a) any felony; (b) a misdemeanor that involved investments or an investment-related business, fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, or extortion; or (c) a conspiracy to commit any of these offenses;
- 2) is the named subject of a pending criminal proceeding that involves an investment-related business, fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, extortion, or a conspiracy to commit any of these offenses;
- 3) was found to have been involved in a violation of an investment-related statute or regulation; or
- 4) was the subject of any order, judgment, or decree permanently or temporarily enjoining, or otherwise limiting, FDO or a management person from engaging in any investment-related activity, or from violating any investment-related statute, rule, or order.

#### B. Administrative proceedings

There has been no administrative proceeding before the SEC, any other federal regulatory agency, any state regulatory agency, or any foreign financial regulatory authority in which Kenneth A. Froot:

- 1) was found to have caused an investment-related business to lose its authorization to do business; or
- 2) was found to have been involved in a violation of an investment-related statute or regulation and was the subject of an order by the agency or authority
  - (a) denying, suspending, or revoking the authorization of Kenneth A. Froot to act in an investment-related business;
  - (b) barring or suspending Kenneth A. Froot's association with an investment-related business;
  - (c) otherwise significantly limiting Kenneth A. Froot's investment-related activities; or
  - (d) imposing a civil money penalty of more than \$2,500 on Kenneth A. Froot

#### C. Self-regulatory organization proceedings

There has been no proceeding before a self-regulatory organization in which Kenneth A. Froot:

- 3) was found to have caused an investment-related business to lose its authorization to do business; or
- 4) was found to have been involved in a violation of the SRO's rules and was: (i) barred or suspended from membership or from association with other members, or was expelled from membership; (ii) otherwise significantly limited from investment-related activities; or

(iii) fined more than \$2,500.

D. Other proceedings

There have been no other proceedings in which a professional attainment, designation, or license of Kenneth A. Froot was revoked or suspended because of a violation of rules relating to professional conduct.

## Item 4 Other Business Activities

### A. Other investment-related businesses

Kenneth A. Froot serves as trustee to Cluster C of the Blackrock Funds. Serving in this capacity does not create any conflicts of interests for FDO clients.

Kenneth. A. Froot is also a founding partner of State Street Associates, LLC (SSA) a joint venture involving FDO and State Street Corporation (NYSE: STT), and receives compensation from State Street Corporation for his role in SSA. As discussed in Item 12 of Part A of the Firm Brochure, this creates a conflict of interest because State Street Corporation also serves as a foreign exchange trading counterparty of FDO. To address this conflict of interest, FDO maintains a strict policy of allocating foreign exchange trading volume across its counterparties based solely on the criteria outlined in Item 12 of Part A of the Firm Brochure.

### B. Other non-investment related businesses

Kenneth A. Froot is the André R. Jakurski Professor of Finance at Harvard University's Graduate School of Business.

## **Item 5      Additional Compensation**

No person who is not a client provides compensation to Kenneth A. Froot for advisory services.

## **Item 6      Supervision**

Responsibility for advising clients rests jointly with the two Founding Members of FDO, Kenneth A. Froot and Paul O'Connell. All decisions with respect to client advice are taken jointly by Messrs. Froot and O'Connell. Paul O'Connell's contact details are contained in the Brochure Supplement pertaining to him.

## **Item 7      Requirements for State-Registered Advisers**

Not applicable.



# Part 2B of Form ADV: Brochure Supplement for Paul G. O'Connell

## Item 1 Cover Page

### A. Contact details

Firm Name: FDO Partners, LLC

Name of Supervised Person: Paul G. O'Connell

Business: Address: 134 Mount Auburn Street, Cambridge, MA 02138, USA

Telephone: +1 (617) 503-4600

Facsimile: +1 (617) 503-4602

E-mail: [paul.oconnell@fdopartners.com](mailto:paul.oconnell@fdopartners.com)

Date: March 30, 2012

### B. Disclosure

This brochure supplement provides information about Paul G. O'Connell that supplements the FDO Partners, LLC brochure. You should have received a copy of that brochure. Please contact Shelley Stiles (e-mail: [shelley.stiles@fdopartners.com](mailto:shelley.stiles@fdopartners.com)) if you did not receive FDO Partners' brochure, or if you have any questions about the contents of this supplement.

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

## Item 2 Educational Background and Business Experience

Name: Paul G. O'Connell

Year of birth: 1971

Education after high-school: Trinity College, Dublin, B.A.; Harvard University, Ph.D. in Economics. Fields: finance, international finance, econometrics.

Business experience: Paul O'Connell is President and Partner of FDO Partners, LLC. Dr. O'Connell has 15 years of experience in the research and practice of international finance and capital allocation. He has written and published articles on a wide variety of related topics including exchange rate behavior, international capital flows and labor migration. From 1994 to 1997, he served as an international economics Teaching Fellow at Harvard University. He has also served as a member of the Editorial Board of the Emerging Markets Review, a member of the Review Board for the Research Foundation of the CFA Institute, and a referee to a number of academic journals. Dr. O'Connell received a B.A. from Trinity College, Dublin in 1992, and a Ph.D. in economics from Harvard University in 1997. He is Chair of the Board of the GAVI Campaign, a non-profit organization based in Washington DC dedicated to expanding access to immunization in the world's poorest countries.

### Item 3      Disciplinary Information

#### A. Criminal or civil actions

There have been no criminal or civil actions in a domestic, foreign or military court of competent jurisdiction in which Paul G. O'Connell:

- 5) was convicted of, or pled guilty or nolo contendere ("no contest") to (a) any felony; (b) a misdemeanor that involved investments or an investment-related business, fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, or extortion; or (c) a conspiracy to commit any of these offenses;
- 6) is the named subject of a pending criminal proceeding that involves an investment-related business, fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, extortion, or a conspiracy to commit any of these offenses;
- 7) was found to have been involved in a violation of an investment-related statute or regulation; or
- 8) was the subject of any order, judgment, or decree permanently or temporarily enjoining, or otherwise limiting, FDO or a management person from engaging in any investment-related activity, or from violating any investment-related statute, rule, or order.

#### B. Administrative proceedings

There has been no administrative proceeding before the SEC, any other federal regulatory agency, any state regulatory agency, or any foreign financial regulatory authority in which Paul G. O'Connell:

- 3) was found to have caused an investment-related business to lose its authorization to do business; or
- 4) was found to have been involved in a violation of an investment-related statute or regulation and was the subject of an order by the agency or authority
  - (a) denying, suspending, or revoking the authorization of Paul G. O'Connell to act in an investment-related business;
  - (b) barring or suspending Paul G. O'Connell's association with an investment-related business;
  - (c) otherwise significantly limiting Paul G. O'Connell's investment-related activities; or
  - (d) imposing a civil money penalty of more than \$2,500 on Paul G. O'Connell.

#### C. Self-regulatory organization proceedings

There has been no proceeding before a self-regulatory organization in which Paul G. O'Connell:

- 5) was found to have caused an investment-related business to lose its authorization to do business; or
- 6) was found to have been involved in a violation of the SRO's rules and was: (i) barred or suspended from membership or from association with other members, or was expelled from membership; (ii) otherwise significantly limited from investment-related activities; or

(iii) fined more than \$2,500.

D. Other proceedings

There have been no other proceedings in which a professional attainment, designation, or license of Paul G. O'Connell was revoked or suspended because of a violation of rules relating to professional conduct.

## Item 4 Other Business Activities

### A. Other investment-related businesses

Paul G. O'Connell is a part-time employee of State Street Corporation. His current responsibility there relates to commentary on the Investor Confidence Index®, an index produced in collaboration with State Street Associates, LLC (SSA). As discussed in Item 12 of Part A of the Firm Brochure, SSA is a joint venture involving FDO and State Street Corporation (NYSE: STT). As discussed in Item 12 of Part A of the Firm Brochure, this creates a conflict of interest because State Street Corporation also serves as a foreign exchange trading counterparty of FDO. To address this conflict of interest, FDO maintains a strict policy of allocating foreign exchange trading volume across its counterparties based solely on the criteria outlined in Item 12 of Part A of the Firm Brochure.

### B. Other non-investment related businesses

None.

## **Item 5      Additional Compensation**

No person who is not a client provides compensation to Paul G. O'Connell for advisory services.

## **Item 6      Supervision**

Responsibility for advising clients rests jointly with the two Founding Members of FDO, Kenneth A. Froot and Paul G. O'Connell. All decisions with respect to client advice are taken jointly by Messrs. Froot and O'Connell. Kenneth A. Froot's contact details are contained in the Brochure Supplement pertaining to him.

## **Item 7      Requirements for State-Registered Advisers**

Not applicable.