



VENUS CAPITAL MANAGEMENT, INC.

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Form ADV Part 2A Brochure

March 22, 2016

This Brochure provides information about the qualifications and business practices of Venus Capital Management, Inc., (the "Firm"). If you have any questions about the contents of this Brochure, please contact the Firm at (617) 423-1901 or info@venuscapital.com. 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 the Firm is also available on the SEC's website at www.adviserinfo.sec.gov. The searchable IARD/CRD number for the Firm is 110477.

The Firm is an investment adviser registered with the United States Securities and Exchange Commission. Registration does not imply a certain level of skill or training.

ITEM 2. MATERIAL CHANGES

The purpose of this Item 2 is to disclose material changes that have been made to this Brochure since the last annual update of this Brochure filed March 30, 2015.

This Brochure has not been materially revised since the last annual update.

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ITEM 4. ADVISORY BUSINESS

Venus Capital Management, Inc. was founded in 1994 and registered with the Securities & Exchange Commission as a Registered Investment Adviser in 2000. Initially, Venus focused on money management for wealthy families but has evolved into a firm that specializes in investing in emerging markets. Venus was founded by Vik Mehrotra and is owned by 2 family trusts - Mehrotra Children's Irrevocable Trust, 2010 and Vikas Mehrotra Family Irrevocable Trust, dated, July 31, 2009. The Trustees of these two trusts are Ms. Neelu Mehrotra and Ms. Amita Pancholi respectively.

SERVICES VENUS CAPITAL OFFERS

Venus Capital Management specializes in making investments in the emerging markets. Research and trading is specialized in both quantitative and fundamental strategies with an overlay of macro considerations.

Over its many years of presence in emerging markets, Venus Capital has developed strong relationships with brokers, analysts, fund managers and independent investors, all of whom are invaluable in assisting us to identify, source, and analyze these opportunities.

The investment strategies followed by the 3 funds (together "the Funds") are as below:

Venus India Structured Finance Fund

The general investment objective of the Fund is to provide a medium through which investors may participate primarily in secured and unsecured lending to Indian companies and to companies which undertake business in India and to the principal shareholders and promoters of such companies. The objective of the Fund is to preserve capital and generate current yield with a potential for capital appreciation, primarily through investment in a combination of senior and/or subordinated debt and warrants issued by Indian Companies across industries and sectors and loans to their principal shareholders and promoters. The Investment Manager may have to invest in illiquid instruments with no active market. As a result these investments may be hard to value. The Investment Manager will also have discretion to invest Fund assets in options, futures and forwards contracts, swaps, other derivatives and currencies in order to hedge certain risks and for the purposes of efficient portfolio management and investment.

Venus Global Macro Fund

The fund will allocate capital with a global focus to capture long-term macro-economic shifts as well as medium and short-term price trends. The Investment Manager will shift between concentrated bets and diversified portfolio-style investments depending on whichever offers a more compelling risk-reward characteristic. The fund may invest in a variety of securities including, equities, fixed income instruments, convertibles, foreign currency convertible bonds, derivatives (including single stock futures, index futures, currency futures, commodity futures, and other futures, options and futures on options, interest rate futures, volatility futures), money market instruments, contracts for differences (CFD), total return swaps, IPOs and pre-IPO opportunities. The fund may enter into OTC derivative contracts and also utilize swaps in pursuit of its objectives and enter into ISDA agreements with various counterparties to achieve the objectives of the Fund. The Investment Manager may use several qualitative and quantitative parameters and do fundamental analysis before incorporating a position into the fund's portfolio.

Venus Relative Value Fund

The objective of the Fund is to seek long term capital growth through execution of several different relative value strategies. All buy and sell decisions are signaled by quantitative systemic proprietary computer models based on historical relationships of securities and anomalies created due to volatility in the market. These

computer models are an integral part of decision making. Large bloc trading is a significant part of the Fund. The Investment Manager believes that investors cause aberrations in the marketplace when they buy (demand) and sell (supply) securities in large quantities, and need liquidity to be provided. Due to these aberrations, small price differentials arise in two comparable securities or industries. The objective of the fund is to take advantage of these relative values or price divergences and produce very low volatility by hedging at the individual security level. The Investment Manager intends the fund to have uncorrelated returns with any Index or market and almost all of the returns will come from alpha generation, hence producing a high Sharpe ratio.

TAILORED SERVICES & RESTRICTIONS

The majority of the firm's clients are the Funds, and the investment advice for each is tailored according to the investment parameters for each Fund. However, as our firm offers a few different hedge funds as investment vehicles to potential investors, as well as the possibility of managed accounts, Venus can customize advisory services for any client.

The mandate of each of the Funds is described in its PPM and is based on the strategy chosen and objectives to be achieved. Venus can bespoke a portfolio or advice for any investor who may seek such services and in that case, the investor can request restrictions and risk parameters it desires.

ASSETS UNDER MANAGEMENT

The assets under management of the firm as of December 31, 2015 were approximately \$292.3 million.

Approximately, \$75.97 million was invested through our hedge funds with the fund manager having the discretion on where to invest, within the parameters of the mandate of each fund, as disclosed to the investors.

Approximately, \$216.4 million was advised on behalf of a separate client. With respect to this client account, Venus Capital Management Inc. provides only advice and does not initiate specific security executions.

ITEM 5. FEES AND COMPENSATION

We typically charge our clients (the Funds) a 2% management fee and a 20% performance fee.

Some investors are able to negotiate discounts to these and many are offered share classes with lower fees when investing into the Funds.

Managed accounts can be done at a fixed percentage or flat fee.

See below a detailed description of our fees by fund:

Venus India Structured Finance Fund

Management Fees

As compensation for the management of the Fund, the Fund will pay to the Investment Manager (or its designee) in respect of each Class, management fees ("Management Fees") payable calendar quarterly in advance in an amount equal to one-quarter per cent (0.25%) (1.0% per annum) for Classes invested in vanilla debt securities and one-half per cent (0.5%) (2.0% per annum) for Classes invested through the equity of VIAF or another NBFC or in debt securities with equity kickers, multiplied by the Net Asset Value of the Shares of that Class determined at the start of business on the first Business Day of each calendar quarter, and in the

case of the first subscription to a Class, determined on the date of issue of the Shares of that Class, including all contributions made as of such date. A pro rata portion will be charged if the Class is issued or redeemed in whole on a date other than the first or last Business Day of a calendar quarter respectively. In addition, the Investment Manager may waive the Management Fee in whole or in part for any Shareholder by rebating all or a portion of such fee to such Shareholder. The Investment Manager expects to waive the Management Fee for itself and for its employees and affiliates. The Investment Manager may, in its discretion, designate an affiliate to receive such Management Fees.

Performance Fee

In addition to the Management Fees, the Investment Manager (or its designee) will be paid a performance fee in respect of each Class ("Performance Fee") equal to 10 per cent for Classes invested in vanilla debt securities and 20 per cent for Classes invested through VIAF or other NBFCs or in debt securities with equity kickers, of the amount by which the Net Asset Value of the Shares of that Class at the end of each calendar quarter plus all distributions made on such Shares during the calendar quarter, (making no provision for any Performance Fee) exceeds the Net Asset Value of the Shares of that Class at the end of the previous calendar quarter or in the case of a newly issued Class, on the date of issue of the Shares of that Class (in all cases disregarding redemptions). A Performance Fee will only be paid if the Net Asset Value of the Shares of that Class at the end of any calendar quarter plus all distributions made on such Shares during the calendar quarter, (making no provision for any Performance Fee) exceeds the previous highest Net Asset Value of the Shares of that Class on which a Performance Fee was paid, as adjusted for redemptions. The Performance Fee shall be paid on each calendar quarter date. The Performance Fee may be implemented through the capital structure of the Fund by the issuance of Shares to the Investment Manager (or its designee) with the prior written approval of the Investment Manager.

Venus Global Macro Fund

Management Fees

As compensation for the management of the Fund, the Fund will pay to the Investment Manager (or its designee) in respect of each Class or Series (as the case may be), management fees ("Management Fees") payable monthly in advance in an amount equal to one twelfth (1/12) of the Management Fee Percentage for the Class or Series of Shares held by the Shareholder, multiplied by the Net Asset Value of the Shares of that Class or Series determined at the start of business on the first Business Day of each month, including contributions made as of such date. The Management Fee Percentage for each Class or Series may be different. In addition, the Investment Manager may waive the Management Fee in whole or in part for any Shareholder by rebating all or a portion of such fee to such Shareholder. The Investment Manager expects to waive the Management Fee for itself and for its employees and affiliates. The Investment Manager may, in its discretion, designate an affiliate to receive such Management Fees.

Performance Fee

A Performance Fee will be payable by the Fund to the Investment Manager (or its designee) monthly, as of the last Business Day of each calendar month (or upon the termination of the Fund other than on the last Business Day of a calendar month), (each such date, a "Measurement Date") based on the return to each Class or Series (as the case may be) of Shares and each Shareholder is charged for the Performance Fee attributable to its Shares of the Fund. Performance Fees will also be charged upon a redemption of Shares with respect to such Shares, and upon termination of the Fund. In addition, the Investment Manager may waive the Performance Fee in whole or in part for any Shareholder by rebating all or a portion of such fee to such Shareholder. The Investment Manager expects to waive the Performance Fee for itself and for its employees and affiliates.

As of any Measurement Date, the Performance Fee payable in relation to a Class or Series will be equal to the Performance Fee Percentage (as herein defined) for each Class or Series, multiplied by the amount, if any, by which the Net Asset Value of such Class or Series exceeds the Previous High Water Mark (as defined below) for such Class or Series. The Performance Fee percentage for each Class ("Performance Fee Percentage") may be different. The Net Asset Value of a Class or Series is determined net of all Management Fees but before accruing for Performance Fees.

Venus Relative Value Fund

Management Fees

As compensation for the management of the Fund, the Fund will pay to the Investment Manager (or its designee), monthly Management Fees in advance equal to the sum of (i) one-twelfth of two percent of the Net Asset Value of the Class A Shares and (ii) one-twelfth of one percent of the Net Asset Value of the Class C Shares, determined in each case at the start of business on the first Business Day of each month and including contributions made as of such date. A pro rata portion will be refunded if the Fund ends on a date other than the last day of a month. The Investment Manager may waive the Management Fee in whole or in part for any Investor by rebating all or a portion of such fee to such investor or by setting up a separate class ("Class") or series ("Series") of Shares. Such investors will be issued a specific Class of Shares to account for such waiver. The Investment Manager expects to waive the Management Fee for itself and for its employees and affiliates. The Investment Manager may, in its discretion, designate an affiliate to receive such Management Fees. Class B Shares will not be charged a Management Fee.

Performance Fee

Performance fees will be payable by the Fund to the Investment Manager (or its designee) monthly, as of the close of business on the last Business Day of each calendar month upon determination of the final Net Asset Value (or upon the termination of the Fund other than on the last Business Day of a calendar month), based on the return to each Series of Class A Shares and Class C Shares, and each Investor is charged for the performance fee attributable to its Class A Shares and/or Class C Shares (as applicable) of the Fund (each such date, a "Measurement Date"). Performance fees will also be charged upon redemption of Class A Shares or Class C Shares with respect to such Shares, and upon termination of the Fund. Class B Shares will not be charged a performance fee.

With respect to Class A Shares, as of any Measurement Date, performance fees will be equal to 20% of the amount by which the Net Asset Value of each Series of Class A Shares exceeds the Previous High Water Mark (as defined below) for such Series.

With respect to Class C Shares, as of any Measurement Date, performance fees will be equal to 15% of the amount by which the Net Asset Value of each Series of Class C Shares exceeds the Previous High Water Mark for such Series

The Net Asset Value of a Series is determined net of all management fees.

DEDUCTION OR DIRECT BILLING FOR FEES

In case of Funds, the fees are charged directly and calculated by a third party administrator. Funds do not receive any separate invoices. The fee is reflected in the monthly or quarterly NAV statements they receive.

In case of managed accounts and other clients, like corporations, the clients pay the fee separately.

ADDITIONAL FEES & EXPENSES

The Funds are responsible for paying normal fees to the independent service providers like administrators, custodians, brokers and auditors. The Funds typically have an expense ratio of 1% or less of the assets under management. However, the level of assets in each Fund ultimately determines the expense ratio for such Fund. The investors into the Funds do not get a separate bill for these administrative costs as the NAV reflects the net value, after these costs. However, in the annual report, they can see these costs. Brokerage is discussed in Item 12 of this Brochure.

Please refer to Item 12 for additional information regarding brokerage services.

COMPENSATION FROM SALES OF SECURITIES

No person at our firm is compensated for the sale of securities or investment products.

ITEM 6. PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

Our Funds typically charge investors a 2% management fee and a 20% performance fee unless discounted. One of the funds charges a 1% management fee and a 10% performance fee. The performance fee is charged at the Fund level and no individual at the firm gets a fee. So, there is no conflict of interest.

We believe that performance-based fees serve to align our interests with the interests of our clients who pay such fees. However, such performance-based fees may create a conflict of interest by giving us and our affiliates a financial incentive to make investment decisions that are riskier or more speculative than those that would be made in the absence of such performance-based fees.

In addition, side-by-side management scenarios create a potential conflict of interest by giving us and our affiliates an incentive to devote more resources or allocate more favorable investment opportunities to client accounts that pay performance-based fees or higher performance-based fees instead of those that pay only fixed fees or lower performance-based fees.

A variety of measures are in place to mitigate these risks. The most significant safeguard is the fact that, typically, there is no overlap of investment objectives between client accounts; accordingly, investment opportunities do not often overlap between these types of client accounts.

In addition, our investment allocation policy requires us to allocate investments between competing clients on a fair and equitable basis, having due regard for concentration and other suitability risks, timing in the respective clients' investment periods, required capital commitments relative to the remaining capital of the respective clients, and the portfolio of assets held by respective clients. The primary basis for allocating investment opportunities is finding the best "fit" among competing clients when these metrics are considered.

If these considerations do not yield a definitive conclusion regarding the allocation, the investment will either be allocated (1) on a client rotation schedule, or (2) if appropriate in light of the metrics discussed above, jointly to the respective clients on a co-investment basis.

Investment allocation decisions are never made based on which of two (or more) competing clients will yield the greatest financial reward to Venus Capital.

ITEM 7. TYPES OF CLIENTS

Our clients are generally the Funds that we manage. In turn, investors, who invest in these Funds are

accredited investors, family offices, fund-of-funds, pension funds, endowments and other institutional investors. The Funds in which they invest have a minimum investment requirement generally between \$100,000 to \$1 million.

ITEM 8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES & RISK OF LOSS

METHODS OF ANALYSIS

The offering memorandum of each one of our funds provides the detail about the investment strategies we pursue, risks associated with the markets and strategies the funds are involved in. The investment strategies have been outlined in Section 4 of this brochure. The investment process followed by each fund is outlined below and the risk factors are described in the next section (8B).

Venus India Structured Finance Fund

The Investment Manager will employ bottom-up credit and equity research, with the assistance in some cases of Country Advisors, to lend to borrowers that can meet contractual repayment terms and that, in certain cases, are expected to exhibit strong equity growth in the medium to long term. Country Advisors may also co-lend and co-invest with the Fund. Country Advisors may also assist the Fund in taking enforcement action in respect of its investments if required. VIAF has appointed IFCI Venture Capital Funds Limited as a Country Advisor on the basis described below. As at the date of this Memorandum, no co-investments have been made, although many of the Fund's investments have been originated through IFCI Venture.

Investments may be made across all industries and sectors. The attention of investors is drawn to Investment Restrictions below.

The first step is to ensure the credit quality of the borrower and the sufficiency of the collateral, if any, being offered. This is done by a thorough analysis of the company's financial performance, position, leverage and capital structure, working capital cycle, liquidity and solvency. Cash flow analysis is done to establish the borrower's ability to service and repay debt. Wherever required credit appraisals from independent credit rating agencies may be consulted. A legal team analyzes the collateral's title, if applicable, while experts determine its value.

The next step is closely to study ownership interests in the underlying assets, the stakeholders and the first mortgage lenders, if applicable. In such cases, the terms of the inter-creditor agreement specify the rights of each lender and will establish the interests and restrictions in the event of a default. Wherever feasible, the Fund's objective will be to set the terms such that the subordinate lender can carry out remedial action before any adverse action is taken by the senior lender.

Venus Relative Value Fund

In order to execute the strategy, the Investment Manager has developed computerized systemic proprietary models based on the more than two decades of collective investing experience of its investment professionals. These models are quantitative in nature though the strategy does also require various qualitative aspects. The models are linked to various sources of data feeds, in order to run live during market hours. Though a spread (price differential) in a relative value trade can be quantified, the Investment Manager also has to pay attention to qualitative aspects of understanding liquidity and events related to each specific security. The Investment Manager believes global volatility assists in the execution of the relative value strategy, and that irrational exuberance by market participants on a daily basis causes imbalances in the demand and supply of securities, giving the opportunity to provide liquidity at the right price differentials. The Investment Manager further believes that market participants tend to make emotional decisions at certain times, and react differently in

different market places for the same event or news, henceforth affecting the price of the same company differently in different markets. All buy and sell decisions are signaled by quantitative systemic proprietary computer models based on historical relationships of securities and anomalies created due to volatility in the market. These computer models are an integral part of decision making. Large bloc trading is a significant part of the Fund.

The Investment Manager believes that speed and low cost of execution are the keys to the success of the relative value strategy. The Investment Manager has a substantial network of broker-dealers and relationships to source large blocks of securities at low transaction costs. Venus Capital seeks to be nimble, including by directing its internal resources towards technology, particularly software, to cultivate an advantage of speedy execution over other market participants.

It is the belief of the Investment Manager that risk is not synonymous with uncertainty, but rather that risk and reward are inseparable components of an uncertain return. The range of possible returns and the probabilities associated with them describe the shape of uncertainty (technically this is called a probability distribution). To the extent that one can describe the uncertainty associated with an investment, one can manage the risk component with the quantitative tools at hand. Hence, the Investment Manager's goal is to quantify the downside, in dollar terms, with respect to each trade.

Venus Global Macro Fund

The Investment Manager believes that markets are inefficient and the best opportunities from which the Fund may benefit may very well be when markets are most volatile, for it is under such circumstances that the Investment Manager believes investors tend to act most emotionally and irrationally. It is the belief of the Investment Manager that risk is not synonymous with uncertainty, but rather that risk and reward are inseparable components of an uncertain return. The range of possible returns and the probabilities associated with them describe the shape of uncertainty (technically this is called a probability distribution). To the extent that one can describe the uncertainty associated with an investment, one can manage the risk component with the quantitative tools at hand.

The investment selection process begins with identifying macro-economic catalysts such as policy and regulatory changes, demand-supply dislocations and so on. Geographies, assets classes, sectors and industries that will be most significantly impacted by these catalysts are then filtered using fundamental and demand-supply studies. The next step is to identify the most efficient way of setting up the trade that captures the opportunity. This involves identifying the instrument that has the most direct correlation to the catalyst and the strategy that optimizes the use of capital.

The portfolio of each Class or Series of Shares may be constructed with:

1. a -CORE- central tier that has long-term strategic holdings,
2. a -DYNAMIC- secondary tier that has tactical positions, and,
3. a -MOMENTUM- tertiary tier that has medium-term trades,

or one or more of the above.

Risk mitigation is evaluated using quantitative tools and derivative instruments, in particular. The objective of risk mitigation is to attempt to achieve the Fund's objective with the least amount of risk. Finally, the position is evaluated based on the worst case scenario impact it can have on the net assets of the Fund. For certain Classes or Series of Shares, the Fund may not mitigate any of the potential risks.

INVESTMENTS, STRATEGIES & RISKS

Nature of Securities Investments. Venus Capital will be investing substantially all of the Master Fund's assets in securities of issuers in global emerging markets, including in Asia, Latin America, South Africa and the Middle East and North Africa (MENA), some of which may be particularly sensitive to economic, market, industry and other variable conditions. In addition, there may be limited information available about investment targets and the targets may have limited internal reporting and accounting systems. No assurance can be given as to when or whether adverse events might occur which could cause immediate and significant losses to the Master Fund.

Risks in Emerging Market Countries. The Master Fund is subject to various risks incidental to investing in and/or managing businesses abroad, including nationalization, expropriation or confiscatory taxation, political and economic instability and diplomatic developments which could affect investments in those countries. The economies of certain countries may differ favourably or unfavourably from the economies of more industrialized countries, in such respects as growth of domestic product, rate of inflation, currency depreciation, capital reinvestment, resource self-sufficiency and balance of payments position. Moreover, economic factors in various international markets can affect demand for the goods and services of issuers of securities held by the Master Fund. In addition, there is the greater difficulty of administering business abroad and the need to comply with a wide variety of foreign laws and regulatory requirements.

The laws and regulations in some of the countries in which the Master Fund may have exposure are subject to frequent changes driven by economic, social and political instability. The legal systems in certain countries may be transitional and the laws regulating securities transactions, protection of investors and ensuring market discipline, which are customary in countries with developed securities markets, are not always available. Where the legal and regulatory framework is in place, the enforcement may be inadequate or insufficient.

Some of the countries where the Master Fund may have exposure may not recognize regulation by the exchanges and self-regulatory organizations as law that can be enforced through the judiciary or by means otherwise available to the investors in developed markets.

Derivatives regulation and trading has not been developed in some of the countries where the Master Fund may have exposure. The investments made by the Master Fund may not be recognized as securities protected by the securities laws in the countries where the investments are made. Investments that are recognized as securities under the local laws are often traded on the foreign exchanges with very little liquidity, thus adversely affecting the ability of the securities holders to liquidate their investment holdings.

Some of the countries where the Master Fund may have exposure currently have or may in the future introduce foreign exchange control regulations which can limit the ability of an investor to repatriate the dividends or other income from the investments or the proceeds from sale of securities.

Risks associated with the investments in emerging market countries, including but not limited to the risks described above, could adversely affect the performance of the Master Fund and result in substantial losses.

Certain Stock Sales. The Investment Manager may take positions in certain portfolio companies when it believes a security is overvalued, including for hedging purposes. To profit from such transactions, the Investment Manager would expect or hope that the price of a particular stock will fall at a future date. To engage in such transactions, the Master Fund would borrow stock to sell at market prices and if the price falls, it would be able to buy the lot back from the market at a lower price than it purchased it for, and upon returning the borrowed stock, realize a profit. Engaging in this type of transaction may present greater risk

than purchasing a security, as there is no ceiling on the possible cost of replacing the borrowed security, whereas the risk of loss on a “long” position is limited to the purchase price of the security.

Use of Leverage. The Investment Manager will use leveraged borrowing or investing only when it believes doing so is an appropriate means to enhance its returns. By using leverage, the Master Fund may be able to purchase a larger portfolio using a small amount of capital. Although margin borrowing usually will be fully collateralized, the Master Fund’s assets may change in value while a borrowing is outstanding. A relatively small price movement in an investment may, as a result of such leverage, result in exaggerated and substantial losses to the Master Fund. In the event that the Master Fund, or an investment vehicle or separate account in which the Master Fund invests, employs a substantial degree of leverage in its investment operations, the Master Fund and the Investors will be subject to substantial risk of loss. With volatile instruments, downward price swings can result in margin calls that could require liquidation of securities at inopportune times.

Risks of Investments in Options. Investing in options can provide a greater potential for profit or loss than an equivalent investment in the underlying asset. The value of an option may decline because of a change in the value of the underlying asset relative to the strike price, the passage of time, changes in the market’s perception as to the future price behavior of the underlying asset, or any combination thereof. In the case of the purchase of an option, the risk of loss of an investor’s entire investment (i.e., the premium paid, plus transaction charges) reflects the nature of an option as a wasting asset that may become worthless when the option expires. In the event that an option is written or granted (i.e., sold) uncovered, the seller may be liable to pay substantial additional margin, and the risk of loss is unlimited, as the seller will be obligated to deliver or take delivery of an asset at a predetermined price which may, upon exercise of the option, be significantly different from the market value.

Over-the-counter options, which the Master Fund may use in its investment strategies, generally are not assignable except by agreement between the parties concerned, and no party or purchaser has any obligation to permit such assignments. The over-the-counter market for options is relatively illiquid, particularly for relatively small transactions.

Other Derivative Investments. Derivative instruments, or “derivatives,” include futures, options, swaps, structured securities and other instruments and contracts that are derived from or the value of which is related to one or more underlying securities, financial benchmarks, currencies or indices. Derivatives allow an investor to hedge or speculate upon the price movements of a particular security, financial benchmark currency or index at a fraction of the cost of investing in the underlying asset. The value of a derivative depends largely upon price movements in the underlying asset. Therefore, many of the risks applicable to trading the underlying asset are also applicable to derivatives of such asset. However, there are a number of other risks associated with derivatives trading. For example, because many derivatives are “leveraged,” and thus provide significantly more market exposure than the money paid or deposited when the transaction is entered into, a relatively small adverse market movement cannot only result in the loss of the entire investment, but may also expose the Master Fund to the possibility of a loss exceeding the original amount invested. Derivatives may also expose investors to liquidity risks, as there may not be a liquid market through which to close or dispose of outstanding derivatives contracts. The Fund achieves counter positions through the sale of futures in the Indian market. Such futures get settled on the last Thursday of every month, others are rolled over from month to month. If prices of the futures have gone down at the time of monthly rollover, then the Fund may incur a loss.

The Dodd-Frank Wall Street Reform and Consumer Protection Act, which was enacted in the United States on July 21, 2010, extensively changed the regulation of swaps and other derivative instruments in the United States. While the Master Fund does not generally trade derivatives in the United States, the changes enacted

by the Dodd-Frank Act and implementing regulations that will be adopted by the SEC and the United States Commodity Futures Trading Commission ("CFTC") could have unanticipated impacts on the costs and manner of implementation of derivative transactions by the Master Fund.

No Assurance of Investment Return. There can be no assurance that the Master Fund will be able to locate, make, manage and liquidate its investments successfully, that the Fund will be able to generate returns for its investors or that the returns will be commensurate with the risks of investing in the type of companies and transactions described herein. There may be little or no near-term cash flow available to the Shareholders from the Fund, and there can be no assurance that the Fund will pay any dividends to the Shareholders. Partial or complete sales, transfers, or other dispositions of investments which may result in a return of capital or the realization of gains, if any, are generally not expected to occur for a number of years after an investment is made. The Fund's performance over a particular period may not necessarily be indicative of the results that may be expected in future periods. An investment in the Fund should only be considered by persons who can afford a loss of their entire investment. There can be no assurance that the Fund or Master Fund will be able to implement its investment strategy and investment approach or achieve its investment objective.

Unspecified Use of Proceeds. As of the date of this Memorandum, many of the investments that will be made by the Master Fund have not been finally selected. Investors will not have an opportunity prior to investing to evaluate any of the investments to be made by the Fund or Master Fund, or the relevant economic, financial and other information regarding such investments and, accordingly, will be entirely dependent upon the judgment and ability of the Investment Manager in investing and managing the capital of the Fund.

Operating and Financial Risks of Portfolio Companies. One of the fundamental risks associated with the Master Fund's investments is credit risk, which is the risk that an issuer will be unable to make principal and interest payments when due. While the Master Fund will generally target investing in high quality companies, these companies could still present a high degree of business and credit risk. Companies in which the Master Fund invests could deteriorate as a result of, among other factors, an adverse development in their business, a change in the competitive environment, or an economic downturn. As a result, companies which the Master Fund expected to be stable may operate, or expect to operate, at a loss or have significant variations in operating results, may require substantial additional capital to support their operations or to maintain their competitive position, or may otherwise have a weak financial condition or be experiencing financial distress.

Illiquid and Long-Term Investments. The Master Fund may invest its assets in long-term investments, many of which will consist of private, illiquid securities. There will not be any readily available market for many of the Master Fund's investments. Shareholders should expect that they will not receive a return of capital for several years even if the Master Fund's investments prove successful. In addition, there can be no assurance that the distribution of dividends, if any, from the Fund to the Shareholders will be sufficient to cover any Shareholder's tax obligations arising from taxable income of the Fund.

CFTC Exemption. Although the Master Fund may invest and trade in futures, the Investment Manager is not registered with the CFTC as a commodity pool operator due to the exemption described below. As a result, unlike a registered commodity pool operator, the Investment Manager is not required to deliver a disclosure document prepared in accordance with CFTC regulations and a certified annual report to participants in the Fund. The Investment Manager is exempt from registration because participation in the Fund is limited to (i) qualified purchasers, (ii) non-U.S. persons, and (iii) knowledgeable employees of the Manager. In addition, the Funds will not be marketed as a vehicle for trading commodity interests. The Investment Manager is not registered with the CFTC as a Commodity Trading Advisor in reliance on an exemption.

Potential Roll-Over of Futures. The Master Fund may invest in single stock futures and index futures to execute some of its strategies. These futures typically expire during the last week of each month and are either rolled over to the next month's futures contracts or are closed. If the futures are held for rolling purposes, they are exposed to the risk that the next month's futures contracts may be trading at a significant discount to the current local price and this may result in losses in these investments. These investments may also be exposed to liquidity risks if there is no liquid market through which to close the contract or roll over the futures contracts.

Undervalued or Incorrectly Valued Securities. Securities which the Investment Manager believes are fundamentally undervalued or incorrectly valued may not ultimately be valued in the capital markets at prices and/or within the time frame the Investment Manager anticipates. As a result, the Master Fund may lose all or substantially all of its investment in any particular instance. In addition, there is no minimum credit standard that is a prerequisite to the Master Fund's investment in any instrument and some obligations and preferred stock in which the Master Fund invests will be less than investment grade.

Portfolio Liquidity and Transfer Restrictions. As a result of the Investment Manager's investment strategies, certain investments (especially those involving private companies or financially distressed entities) may have to be held for a substantial period of time before they can be liquidated to the Master Fund's greatest advantage or, in some cases, at all. The Master Fund's investments may also include private securities which may be subject to substantial legal or other restrictions on transferability and for which there may be no readily available market. The market prices, if any, for such securities tend to be quite volatile and the Investment Manager may not be able to sell them when they desire to do so or to realize what they perceive to be their fair value in the event of a sale. The sale of restricted and illiquid securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets. Restricted securities may sell at a price lower than similar securities that are not subject to restrictions on resale.

Workouts and Startups. Investments in distressed companies and new ventures are subject to greater risk of loss than investments in companies with more stable operations or financial conditions.

Control Positions. The exercise of control over a company imposes additional risks of liability for environmental damage, product defects, failure to supervise management, violation of governmental regulations and other types of liability in which the limited liability generally characteristic of business entities may be ignored.

Economic and Regulatory Climate. Changing market and economic conditions, and other factors such as changes in federal or state tax laws, federal or state securities laws or accounting standards, may make corporate mergers, exchange offers, tender offers or other similar transactions less desirable or may make trading activities engaged in by the Master Fund less profitable. In particular, it should be noted that many tender offers, acquisitions and other corporate reorganizations require the acquirer to obtain high levels of financing to successfully complete the transaction. As a result of cycles of uncertainty in credit markets, such financing may become difficult to obtain, and therefore adversely affect the Master Fund's opportunities and investments.

Market Volatility and Execution Risk. Changing global market and economic conditions may affect the quantity and quality of available relative value trades on a counterbalanced or hedged basis, and therefore limit the investment opportunities available to the Master Fund. Due to time differences in various world markets, the Master Fund will be exposed to overnight risks of one-side positions. Overseas markets therefore may open with gaps and cause losses for the Master Fund.

Diversification. While the Investment Manager generally seeks to cause the Master Fund to be amply diversified, there may be times at which it may be concentrated in fewer positions, when the Investment Manager has strong convictions about those securities. The Investment Manager may invest as much as 20% (measured at the time of investment) of the Master Fund's assets in a single security or group of securities of the same issuer. Such percentage may also subsequently increase if that security's performance is strong relative to that of the other holdings in the Master Fund, or because of distributions to investors therein. Thus, at times, the results of the Master Fund may be heavily dependent on a relatively small number of investments.

Risk Arbitrage Transactions. The Investment Manager may seek to purchase securities for the Master Fund at prices below their anticipated value following the occurrence of a predicted event, including proposed mergers, tender offers, takeover bids, exchange offers, spin-offs, liquidations, corporate restructuring or similar transactions. The purchase price of such securities may be in excess of the market price of the securities immediately prior to the announcement of the proposed transaction. If the proposed transaction is not consummated or is delayed, the market price of the security may decline and result in significant losses to the Master Fund. In certain transactions, the Master Fund may not be hedged against market fluctuations unrelated to the anticipated transaction but which may affect the value of the consideration to be received. This may result in losses, even if the proposed transaction is consummated.

Commodities. Investments in commodities futures and options contracts involve numerous risks which include leverage (margin is usually only 5-15% of the face value of the contract, and exposure can be nearly unlimited), illiquidity, governmental intervention designed to influence commodity prices, and credit risk vis-à-vis the contract counterparty.

Currency Speculation. Currency exchange rates have been highly volatile in recent years and the Master Fund is able to invest in currencies with nearly unlimited leverage. The combination of volatility and leverage gives rise to the possibility of large profits and large losses. In addition, there is counterparty risk since currency trading is done on a principal to principal basis.

Foreign Securities. The Master Fund intends to invest in securities of issuers in several global emerging markets. Foreign securities investments may be affected by changes in currency rates or exchange control regulations, changes in governmental administration, regulation or economic or monetary policy (both in the United States and abroad) or changed circumstances in dealings between nations. Changes in foreign currency exchange rates relative to the U.S. dollar will affect the U.S. dollar value of the Master Fund assets denominated in those currencies and thereby impact upon the Master Fund's total return on such assets.

Investments in foreign securities will also occasion risks relating to political and economic developments abroad, including the possibility of expropriations or confiscatory taxation, limitations on the use or transfer of Master Fund assets and any effects of foreign social, economic or political instability. Foreign companies may not be subject to the same regulatory requirements as U.S. companies and, as such, there may be less publicly available information about such companies.

Technology Companies. Investing in securities and other instruments of technology companies involves substantial risks, including the following: certain companies in the portfolio of the Master Fund may have limited or no operating histories; rapidly changing technologies may cause products to quickly become obsolete; cyclical patterns in information technology spending may result in inventory write-offs, cancellation of orders and operating losses; scarcity of management, engineering and marketing personnel with appropriate technological training may slow or impede companies' growth; the possibility of lawsuits related to technological patents; changing investors' sentiments and preferences with regard to technology sector

investments (which are generally perceived as risky) may have an adverse effect on the price of underlying securities; volatility in the U.S. stock markets affecting the prices of technology company securities may cause the performance of the Master Fund to experience substantial volatility; and certain technology sector companies may be subject to extensive government regulation. In addition, many technology sector companies in the health care field may have substantial and ongoing capital needs for research and development, clinical trials and marketing and may have difficulty obtaining such funding under various market conditions or even under normal market conditions or such capital may be obtained on terms that are not favorable to existing equity holders. Furthermore, obtaining government approval for new products from governmental agencies can be lengthy, expensive and uncertain.

Small and Medium Capitalization Companies. A portion of the Master Fund's portfolio, as well as the portfolios of the investment vehicles and separate accounts in which the Master Fund may invest, may be invested in the stocks of companies with small to medium-sized market capitalizations, including growth stage companies. While the Investment Manager believes such companies often provide significant potential for appreciation, those stocks, particularly smaller-capitalization stocks, involve higher risks in some respects than do investments in stocks of larger companies. For example, prices of small-capitalization and even medium-capitalization stocks are often more volatile than prices of large-capitalizations stocks and the risk of bankruptcy or insolvency of many smaller companies (with the attendant losses to investors) is higher than for larger, "blue-chip" companies. In addition, due to thin trading in some small-capitalization stocks, an investment in those stocks may be highly illiquid.

Some small companies have limited product lines, distribution channels and financial and managerial resources. The Master Fund may invest, either directly or through investment vehicles and separate accounts in which the Master Fund may invest, in companies which may have product lines that have, in whole or in part, only recently been introduced to the market or that may still be in the research or development state. Such companies may also be dependent upon key personnel with limited experience.

Turnover. The Master Fund's activities involve investments on the basis of various short-term market considerations. The turnover rate of the Master Fund is expected to be significant, potentially involving substantial brokerage commissions and fees.

Aggregation of Trades. The Investment Manager manages other portfolios and expects that the Master Fund and other portfolios it manages will, from time to time, purchase or sell the same securities, and the Investment Manager expects that it may aggregate trades on a regular basis for the Master Fund and such other portfolios it manages. Investors should be aware that if the Investment Manager comes into possession of material inside information of an issuer in connection with one of the accounts it manages, it will be unable to trade securities issued by such issuer for all accounts under management until the information is made public.

Risks in investing in Debt Securities

The various risks involved in investing in debt are given below:

Credit Risk: The risk of non-payment of principal and/or interest to investors can be at two levels: Special Purpose Vehicle (SPV) and the underlying assets. Since the SPV is normally structured to have no other activity apart from the asset pool sold by the originator, the credit risk principally lies with the underlying asset pool. A careful analysis of the underlying credit quality of the obligors and the correlation between the obligors needs to be carried out to ascertain the probability of default of the asset pool. A well-diversified asset portfolio can significantly reduce the simultaneous occurrence of default.

Sovereign Risk: In case of cross-border debt transactions where the assets and investors belong to different countries, there is a risk to the investor in the form of non-payment or imposition of additional taxes on the income and capital repatriation. This risk can be mitigated by having a foreign guarantor or by structuring the SPV in an offshore location or having a neutral country of jurisdiction.

Collateral Deterioration Risk: Sometimes the collateral against which credit is secured to the obligor may undergo a severe deterioration. When this coincides with a default by the obligor then there is a severe risk of non-payment to the investors. A recent example of this is the sub-prime crisis in the US.

Legal Risk: Debt transactions hinge on a very important principle of “bankruptcy remoteness” of the SPV from the sponsor. Structuring the asset transfer and the legal structure of the SPV are key points that determine if the SPV can uphold its right over the underlying assets, if the obligor declares bankruptcy or undergoes liquidation.

Prepayment Risk: Payments made in excess of the scheduled principal payments are called prepayments. Prepayments occur due to a change in the macro-economic or competitive industry situation. For example in case of residential mortgages, when interest rates go down, individuals may prefer to refinance their fixed rate mortgage at lower interest rates. Competitors offering better terms could also be a reason for prepayment. In a declining interest rate regime prepayment poses an interest rate risk to the investors as they have to reinvest the proceedings at a lower interest rate. This problem is more severe in case of investors holding long term bonds. This can be mitigated by structuring the tranches such that prepayments are used to pay off the principal and interest of short-term bonds.

Servicer Performance Risk: The servicer performs important tasks of collecting principal and interest, keeping a tab on delinquency, maintaining statistics of payment, disseminating the same to investors and other administrative tasks. The failure of the servicer in carrying out its function can seriously affect payments to the investors.

Swap Counterparty Risk: Some debt transactions are so structured wherein the floating rate payments of obligors are converted into fixed payments using swaps. Failure on the part of the swap counterparty can affect the stability of cash flows of the investors.

Financial Guarantor Risk: Sometimes external credit protection in the form of insurance or guarantee is provided by an external agency. Guarantor failure can adversely impact the stability of cash flows to the investors.

ITEM 9. DISCIPLINARY INFORMATION

We must disclose any legal or disciplinary events that are material to an evaluation of our advisory business or the integrity of our management.

In 2007, Venus Capital Management and other related Venus entities, not including the Funds (collectively "Venus"), were named in a complaint by the Securities and Exchange Board of India in relation to Venus' investment in the December 2006 IPO of Nissan Copper. Venus subscribed to the IPO, which floated at Rs 39, and sold its shares at Rs 42. The case was settled, without admission of guilt or wrongdoing. On August 4, 2008, Venus Accepted A Consent Order In Full And Final Settlement On A No Fault Basis, Relinquishing \$545,000 In Withheld Profits.

ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

We are required to disclose certain relationships or arrangements involving the firm, its management persons, and any related persons.

Venus Capital Management, Inc. is the Investment Manager for two hedge funds namely, Venus Relative Value Fund and Venus Global Macro Fund.

Venus Capital Management, Inc. also owns another investment adviser, namely Venus Capital Management Company, which is the Investment Manager of the Venus India Structured Finance Fund. This presents no conflict of interest for clients.

ITEM 11. CODE OF ETHICS, PARTICIPATION IN CLIENT TRANSACTIONS AND PERSONAL TRADING

We have a comprehensive code of ethics governing all our actions. In summary, the code of ethics commands that the interests of clients always comes first; personal securities transactions must follow the guidelines laid out and be properly disclosed; any potential conflicts of interest must be promptly reported; all compliance and confidentiality procedures must be rigorously followed.

We will provide the copy of our code of ethics to any client or potential client upon request.

While related persons usually invest in our own funds, they do not have a material financial interest in any of the securities held by the funds.

ITEM 12. BROKERAGE PRACTICES

In selecting brokers to effect portfolio transactions, we consider such factors as price, the ability of the brokers to effect the transaction, the brokers' facilities, reliability and financial responsibility and products or services offered by the broker that may benefit the clients.

We have taken a decision not to use soft dollar arrangements. We have historically not used soft dollars,

However, this decision is subject to change if management feels it is appropriate to accept soft dollars and the law permits. Investors will be notified in case this soft dollar policy is changed. The firm's code of ethics manual elaborates the soft dollar policy.

BEST EXECUTION

The firm also maintains a fiduciary duty to seek the best execution pricing available for client transactions. While best execution is difficult to define and challenging to measure, there is some consensus that it does not solely mean the achievement of the best price on a given transaction. Rather, it appears to be a collective consideration of factors concerning the trade in question. Such factors include the security being traded, the price of the trade, the speed of the execution, apparent conditions in the market, and the specific needs of the client.

Venus Capital Management's primary objective when placing orders for the purchase and sale of securities for client accounts is to obtain the most favorable net results taking into account such factors as price, size of order, difficulty of execution, and broker skill. Based on these criteria, the firm may not necessarily pay the

lowest commission or commission equivalent, as specific transactions can involve specialized services on the part of the broker.

Venus Capital Management evaluates daily whether clients are receiving best execution to ensure the services provided by broker-dealers remain competitive and are in the best interest of the firm's clients.

ITEM 13. REVIEW OF ACCOUNTS

Reviews: Individual investors in our Funds typically have their own financial planners.

With respect to our Funds and to the extent, we have managed accounts or individually designed bespoke portfolios. We review each of them regularly. The fund manager reviews the portfolios on a daily basis.

Daily portfolio changes may require the Fund accounts to be reviewed daily by the fund manager. Based on the strategy, some may require weekly, monthly or quarterly reviews.

Reports: We provide written monthly or quarterly statements to investors in our Funds as required by each Fund's mandate.

ITEM 14. CLIENT REFERRALS AND OTHER COMPENSATION

CLIENT REFERRALS

We may from time to time engage sub-advisors to benefit from their investment expertise. They are compensated through a share of the fees we earn (as disclosed earlier). No additional fee is charged to any investor and there are no conflicts of interest.

OTHER COMPENSATION

We may enter into written arrangements to pay cash referral fees to individuals or companies who recommend prospective clients or investors. In these cases, there will be a written agreement which clearly defines the duties and responsibilities of the solicitor under this arrangement. In addition, each Solicitor is required to provide a written disclosure document, which explains to the prospective client the terms under which the Solicitor is working with the Firm and the fact that the Solicitor is being compensated for the referral activities. The Solicitor is also required to furnish a copy of the Investment Manager's written disclosure document (Form ADV) to the prospective client or investor and obtain a written acknowledgement from the client that both the Solicitor's and the Investment Manager's disclosure documents have been received.

ITEM 15. CUSTODY

We appoint reputable qualified custodians for holding the custody of assets in our Funds. An independent third party administrator calculates and verifies the monthly Net Asset Value and sends out statements to fund investors.

ITEM 16. INVESTMENT DISCRETION

The clients decide to invest in one of our funds after reviewing the fund's mandate and risk profile. As the investment manager, we have full discretion on making investment decisions within the parameters of the mandate defined for the fund.

ITEM 17. VOTING CLIENT SECURITIES

The Firm provides discretionary investment advice to the Funds. The Firm votes proxies for the investments held by the Fund.

With regard to the Fund, the Firm is responsible for seeing that proxies and other corporate actions are acted upon in a timely manner. The Firm is adopting Advisers Act Rule 206(4)-6 ("Proxy Rule") regarding proxy voting. The Firm's proxy voting policies and procedures are designed to ensure the Firm will act in a prudent and diligent manner and to assure compliance with the Proxy Rule.

GUIDELINES

Proxies and other actions requiring a vote by shareholders or partners will be reviewed on an individual basis and generally voted with management, unless it is not deemed to be in the best interest of shareholders. In cases where the Firm does not vote with management, the reasons for the vote will be documented and maintained in accordance with the record keeping requirements below.

The Compliance Officer is responsible for ensuring that all proxies that it is required to vote are voted on in a timely manner and in a manner consistent with the Firm's determination of the client's best interests.

Should a vote be deemed to present a material conflict of interest, such as a conflict between the interests of the client on the one hand and those of the Firm on the other hand, then the matter is subject to resolution by an independent third party to make the determination.

The Firm is required to describe its proxy voting policies and procedures to clients and, upon written request, provide clients with a copy of those policies and procedures.

ITEM 18. FINANCIAL INFORMATION

PREPAYMENT OF FEES SIX MONTHS OR MORE IN ADVANCE

Advisers who solicit or accept fees of more than \$1,200 per client, six months or more in advance are required to provide their clients an audited balance sheet.

Because we do not accept pre-paid fees exceeding \$1,200 per client, six months or more in advance, we have not provided a balance sheet.

DISCLOSURE OF CERTAIN FINANCIAL CONDITIONS

Advisers who have custody or discretion over client funds or securities, or who require prepayment of fees exceeding \$1,200 six months or more in advance must disclose any financial condition reasonably likely to impair their ability to meet contractual commitments to clients.

There is no financial condition that is reasonably likely to impair our ability to meet contractual commitments to our client

BANKRUPTCY WITHIN PAST TEN YEARS

Advisers who have been the subject of a bankruptcy petition during the past ten years must disclose certain information about the matter.

We have never been the subject of a bankruptcy petition.