

## **ITEM 1: COVER PAGE**

### **BUENA VISTA FUND MANAGEMENT, LCC Form ADV Part 2A: Brochure**

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**This brochure provides information about the qualifications and business practices of Buena Vista Fund Management, LLC, an investment adviser registered with the United States Securities and Exchange Commission ("SEC"). If you have any questions about the contents of this brochure, please contact us at 415.433.1020 or [jhu@buenavistafund.com](mailto:jhu@buenavistafund.com). The information in this brochure has not been approved or verified by the SEC or by any state securities authority.**

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

**Additional information about Buena Vista Fund Management, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)**

## **ITEM 2: MATERIAL CHANGES**

There have been no material changes to this brochure since its last update in March 2017.

### **ITEM 3: TABLE OF CONTENTS**

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#### **ITEM 4: ADVISORY BUSINESS**

Buena Vista Fund Management, LLC (“Buena Vista” or “we”) began operation in July of 1998. We provide discretionary investment advisory services to several private investment funds. One of those investment funds is a limited partnership of which we are the sole general partner. Two of the funds are non-U.S. companies of which we are the investment manager. Of those, one is a so called “master” fund in which the other funds (both U.S. and non-U.S.) invest substantially all their assets. We refer to all of these investment funds collectively as the “Funds.” At this time we do not manage assets for or provide investment advice to any clients other than the Funds, although we may in the future.

Robert M. Rosner is Buena Vista’s principal equity owner. Mr. Rosner serves as our Chief Executive Officer and Chief Investment Officer.

We have full discretion to invest and trade the Funds’ assets. The Funds have broad investment mandates. We cause the Funds to invest and trade in undervalued securities primarily in Asian markets (generally other than Japan). Our strategy is fundamentally driven with a strong emphasis on evaluating a company’s underlying business value by focusing on economic (cash) earnings not accounting earnings. We use long only investments to implement our strategy.

We manage each Fund pursuant to the objectives specified in the materials by which the Fund offers its ownership interests to investors. We, as general partner, determine those objectives for the fund that is a limited partnership. The boards of directors of the non-U.S. Funds have the authority to determine those objectives, subject to our agreement, and to supervise those Funds’ investment and trading activities. Our agreements with the Funds impose no limits on the types of securities or other instruments in which the Funds may invest, the types of positions they may take, the concentration of their investments by sector, industry, fund, country, class or otherwise, the amount of leverage they may employ or the number or nature of short positions they may take. The Funds’ investors do not have the right to specify, restrict, or influence their Funds’ investment objectives or any investment or trading decisions.

We do not participate in wrap fee programs.

As of December 31, 2017, we managed \$654,971,629, all on a discretionary basis. We manage no assets on a nondiscretionary basis.

#### **ITEM 5: FEES AND COMPENSATION**

***Compensation to Buena Vista.*** For our services to the Funds, we are compensated as follows:

- Our Funds either: (i) pay us a management fee of 1.5% *per annum* and do not allocate any incentive allocation to us (for investors who choose not to be subject to any incentive allocations but instead bear a higher management fee), (ii) pay us a management fee of 1% *per annum* and specially allocate to us 10% of the appreciation above the high water mark, or (iii) pay us a management fee of 1% *per annum* and specially allocate to us 20% of the amount, if any, by which the performance of such shares or interests exceeds the performance such shares or interests would have experienced had they been invested in a certain index, subject to a high water mark procedure that allows us to receive an incentive allocation only to the extent that an interest’s or share’s outperformance for the relevant calendar year exceeds any unrecovered underperformance from earlier years. These funds

pay us a reduced management fee of 1.25% *per annum* with respect to any investments above \$40 million.

Each Fund pays us the management fee at the beginning of each calendar quarter. The management fees are based on the value of investors' holdings in the Fund (either as limited partner interests or shares). The Funds make incentive allocations at the end of each calendar year and at other times when Fund investors withdraw capital or, in the case of non-U.S. Funds, redeem shares, but then only in relation to the amount of capital withdrawn or shares redeemed. For each period and for each Fund, the fees and allocations outlined above are the aggregate of amounts calculated separately for each investor or group of investors in each Fund. They are not generally negotiable, but our agreements with the Funds give us the authority to vary them for particular investors.

The Funds pay our fees directly from their assets that we manage. Incentive allocations take the form of increases in the value of our general partner or special shareholder interests in those Funds.

***Other Fees and Expenses.*** Each Fund pays all the expenses of its administration and operation, including those for:

- brokerage commissions and other transaction-related services (*see* "Brokerage Practices" below);
- legal, research, accounting, audit, and tax preparation;
- bookkeeping and other professional fees and expenses;
- governmental fees and taxes;
- reporting;
- governance activities; and
- similar ongoing operational expenses.

Each Fund bore certain costs in connection with its organization and the initial offering and sale of ownership interests in it and continues to bear the costs of its ongoing offering of those ownership interests.

We may advance costs described above for a Fund and the Fund must reimburse us.

We provide office personnel, space, utilities and other basic "overhead" required for the performance of our services for the Funds. The Funds do not reimburse us for doing so (except to the extent of our fees and incentive allocations).

The Funds assets are held by "prime brokers" as custodians, These custodial fees are paid directly by the Funds.. ***Prepayment of Fees.*** The Funds pay management fees at the beginning of each calendar quarter in advance. Subject in some cases to initial limitations, an investor may redeem or withdraw investments at the end of any calendar quarter. Should an investor request and be granted early redemption or withdrawal, we do not refund to the Fund any portion of the management fee.

**Other Compensation.** We do not and our personnel do not accept compensation for the sale of securities or other investment products.

#### **ITEM 6: PERFORMANCE-BASED FEES**

As disclosed above, most Funds (in some cases through the “master” fund) specially allocate to us a portion of the appreciation in value of investors’ investments. The Funds allow investors to choose not to be subject to incentive allocations, and instead bear a somewhat higher management fee than those investors who are subject to incentive allocations. We have the right to waive incentive fees or incentive allocations as to particular investors in a Fund; however, we manage each Fund’s assets as an undivided pool, so any such waiver would not give rise to incentives to favor any particular account over another. Our potential to receive incentive fees or allocations, and the fact that we will not have to refund any such fees or allocations if the Funds later experience losses, may create an incentive for us to make investments that are riskier or more speculative than would otherwise be the case.

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

We provide investment advice to pooled investment vehicles and have not established a minimum account value.

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

##### ***Investment Objectives and Strategies***

Our investment strategy is mainly focused on investing and trading undervalued securities primarily in the Asian markets. Our strategy is fundamentally driven with a strong emphasis on evaluating a company’s underlying business value by focusing on economic (cash) earnings, not accounting earnings. We use long only investments to implement this investment strategy. We generally perform our own independent research on prospective companies. That research includes: (i) interviews of management personnel and outside directors; (ii) strategic reviews of the target business to understand a company’s positioning within its industry and to evaluate its strengths and weaknesses; (iii) meeting with competitors and customers; (iv) reviewing literature to learn about a particular company’s industry dynamics; and (v) contacting industry experts to learn about trends in the industry and to understand a target company’s positioning within our industry.

As part of our research process, we generally construct an earnings and cash flow model for prospective and current Fund investments. The model is used as an essential part of our analytical process and allows us to run sensitivity analyses under various scenarios and as a check against information obtained during our due diligence of a company. The target company is then valued and a price target established using a combination of a dividend discount model and private market value. Price targets are not static; rather they are adjusted over time to recognize changes in our estimates of the future cash flow of the target company as well as for changes in the macroeconomic variables.

Generally, an investment is sold if: (i) it achieves its target price; (ii) its fundamentals deteriorate; (iii) there is a change to the underlying thesis; or (iv) we deem that alternative securities offer better investment opportunities.

We may invest in equity securities directly or we may use derivatives to obtain the economic equivalent of those investments. Derivatives may include, among other things, total return swaps, contracts for differences, futures contracts, options on futures, and contracts for future delivery. We may also invest or trade in financial futures contracts (including index futures), options on such contracts, other financial products traded on commodities exchanges, foreign currencies, foreign futures contracts and foreign currency forward contracts. We may engage in these activities primarily for certain long security exposure or for other purposes incidental to a Fund's other investment activities.

**Investing in securities involves a risk of loss that investors should be prepared to bear.**

***Material Risks of Our Strategy***

The following is a summary of some of the material risks associated with our investment activities. It does not attempt to describe all of the risks associated with those activities. The confidential offering memoranda by which the Funds offer ownership interests contain more complete descriptions of those risks, as well as some risks that arise out of the Funds' particular attributes, but no such description can fully describe all risks of investing.

**Investment Selection; Reliance on Key Personnel.** We believe the primary risk of our investment strategy relates to investment selection – the risk that our techniques may, at least over certain periods, result in selections of securities that decline in value or do not appreciate as much as alternatives. Our investment advice depends on the judgment and analysis of our investment professionals and in particular Mr. Rosner and Eric WF Chan (who provides us with investment advice through his wholly owned company Buena Vista HK, Ltd.). Should either of them terminate his relationship with us, die or become otherwise incapacitated for any period of time, the Funds' investments could suffer.

**Risk of Investments in Non-U.S. Markets.** We intend to invest primarily in securities of non-U.S. companies and/or securities denominated in currencies other than U.S. dollars, and more particularly in securities of the Asian ex-Japan markets and region. These include securities issued by companies in, and traded in, so-called "emerging markets." Non-U.S. investing, and investing in emerging markets in particular, is subject to risks not typically associated with investing in securities in the U.S.

**Characteristics of Foreign Securities Markets.** We will generally buy and sell securities on the principal stock exchange or over-the-counter market of the country in which the principal offices of the issuer of the security are located. Foreign stock markets generally are not as developed or efficient as those in the U.S. and may be more volatile than the U.S. markets. In particular, there is generally less government supervision and regulation of foreign exchanges, brokers, and listed companies than in the U.S. Further, trading volumes in foreign markets are usually lower than in U.S. markets, resulting in reduced liquidity and potentially rapid and erratic price fluctuations. Commissions for trades on foreign stock exchanges are generally higher than negotiated commissions on U.S. exchanges and custody expenses are generally higher as well. Settlement practices for transactions in foreign markets may involve delays beyond periods customary in the U.S., possibly requiring the borrowing of funds or securities to satisfy obligations arising out of other transactions. In addition, there could be more "failed settlements," which can result in losses.

**Less Company Information and Regulation.** Generally, there is less publicly available information about foreign companies than about domestic companies. This may make it more difficult for us to

keep informed of corporate action that may affect the price of a particular security. Further, many foreign countries lack uniform accounting, auditing and financial reporting standards, practices and requirements. These factors can make it difficult to analyze and compare the performance of foreign companies.

*Currency Fluctuation.* We invest in securities denominated in foreign currencies. A change in value of any such currency against the U.S. dollar causes a corresponding change in the U.S. dollar value of the securities that are denominated in that currency. Those changes may also affect the income and profitability of these securities. Certain foreign countries maintain their currencies at artificial levels relative to the U.S. dollar. This type of system can lead to sudden and large adjustments in the currency, which can result in losses to foreign investors. We may enter into foreign currency hedging transactions to attempt to reduce our foreign currency exposure. These techniques may reduce but will not eliminate the risk of loss due to unfavorable currency fluctuations and they tend to limit any potential gain that might result from favorable currency fluctuations. Certain countries restrict conversion of their currency into foreign currencies, including the dollar, and for some currencies, there is no significant foreign exchange market.

*Restrictions on Investment and Repatriation.* Certain countries impose restrictions and controls regarding investment by foreigners. Among other things, they may require prior governmental approvals, impose limits on the amount or types of securities that may be held by foreigners or impose limits on the types of companies in which foreigners may invest. These restrictions may at times limit or preclude the investment in certain countries and may increase costs and expenses. Indirect foreign investment may, in some cases, be permitted through investment funds that have been specifically authorized for that purpose. Because of the limited number of authorizations granted in such countries, however, units or shares in most of the investment funds authorized in those countries may at times trade at a substantial premium over the value of their underlying assets. There can be no certainty that these premiums will be maintained and if the restrictions on direct foreign investment in the relevant country were significantly liberalized, premiums might be reduced, eliminated altogether or turned into a discount. In addition, certain foreign countries impose restrictions and controls on repatriation of investment income and capital.

*Political and Economic Instability.* Many foreign economies are less stable than the U.S. economy, due to, among other things, volatile internal political environments, less stable monetary systems and/or external political risks. Some foreign governments participate in their economies through ownership or regulation in ways that can have a significant effect on securities prices. The economies of certain countries depend heavily on international trade and can be adversely affected by the enactment of trade barriers or changes in the economic conditions of their trading partners. In some countries, especially developing or emerging countries, political or diplomatic developments could lead to programs that would adversely affect investments by persons foreign to that country, such as confiscatory taxation or expropriation.

**Small Capitalization Stocks.** A Fund may invest a significant portion of its assets in stocks of companies with relatively small market capitalizations. These stocks can involve higher risks than investments in stocks of larger companies. Their prices are often more volatile than prices of large-capitalization stocks and the risk of bankruptcy or insolvency of many smaller companies is higher than for larger companies. Due to thin trading in some small-capitalization stocks, an investment in those stocks may be considered illiquid.

**Risk of Derivatives, Generally.** A Fund may trade and invest in a variety of derivative instruments. Derivatives can provide a form of “leverage” in that they permit a Fund to speculate



on fluctuations in the prices of securities indices or other assets while investing only a small percentage of the value of the underlying securities, or other assets. Trading and investing in derivatives can be highly speculative and may entail greater risks than those of investing in other securities. The derivatives markets are frequently characterized by limited liquidity, which can make it difficult as well as costly to close out open positions in order either to realize gains or to limit losses. The pricing relationships between derivatives and the instruments underlying such derivatives may not correlate with historical patterns, resulting in unexpected losses. Prices of equity derivatives are generally more volatile than prices of the securities on which they are based. A change in the market price of the underlying securities, indices or other assets or rates will cause a much greater change in the price of the derivative.

A Fund may enter into “over-the-counter” derivatives transactions—derivatives contracts, such as “swaps” and specially-tailored options that are not traded on any exchange and are not issued by clearinghouses such as the Options Clearing Corporation. The instruments or interests underlying these derivatives may include individual securities, securities indices, interest rates, commodities or commodities indices. The risk of nonperformance by the counterparty in over-the-counter transactions is greater than with standardized contracts issued by, for example, the Options Clearing Corporation.

**Options.** A Fund may invest or trade in options on specific securities and options on securities indices. A Fund may buy or sell (write) both call options and put options, and when it writes options it may do so on a “covered” or an “uncovered” basis. The Fund’s options transactions could be a form of leverage, in which a Fund has the right to benefit from price movements in a large number of securities with a small commitment of capital or an attempt to obtain profits through premiums received on options a Fund writes. These activities involve risks that can be large.

**Currency Hedging.** Because a core component of the Funds’ investment strategies is investing in non-U.S. securities or securities traded in currencies other than U.S. dollars, a Fund may seek to hedge its exposure to currency fluctuations. Hedging activities involve transaction costs that can reduce a Fund’s returns. Moreover, hedging may not always be effective. In addition to trading in futures contracts on currencies, a Fund may enter into foreign currency forward contracts (agreements to exchange one currency for another at a future date). These contracts involve a risk of loss if a Fund fails to predict accurately the direction of currency exchange rates. For example, a Fund may experience a loss if it increases its exposure to a foreign currency and that currency’s value in relation to the U.S. dollar subsequently falls. Forward contracts are not guaranteed by an exchange or clearinghouse. Therefore, a default by the forward contract counterparty may result in a loss to a Fund for the value of unrealized profits on the contract or for the difference between the value of its commitments, if any, for purchase or sale at the current currency exchange rate and the value of those commitments at the forward contract exchange rate.

**Risks of Futures Activities.** We may cause a Fund to engage in trades involving futures, commodities and/or commodity interests (*e.g.*, futures contracts on commodities, securities indices or currencies). Futures trading can provide a form of leverage, allowing a Fund to participate in market price fluctuations of securities indices or commodity interests underlying futures (or options on futures), while only investing a small percentage of the value of those underlying securities indices or commodity interests. Trading in futures is highly speculative and may entail risks that are greater than investing in securities.

**Debt Securities.** A Fund may invest in debt or other fixed income securities, including non-investment grade securities, and similar obligations and instruments. Particularly with non-

investment grade securities, there is a risk that the issuer will default on its payments obligations. The market values of debt instruments, particularly non-investment grade debt, may be more volatile than the values of other investments and, during periods of economic uncertainty and change, the market price of these investments may decrease significantly. Debt instruments, particularly non-investment grade instruments, may be less liquid than equities.

**Portfolio Turnover.** A Fund may at times have relatively high portfolio turnover. If that occurs, the brokerage commissions incurred by a Fund may be higher than those incurred by a fund with a lower portfolio turnover rate.

#### **ITEM 9: DISCIPLINARY INFORMATION**

We have not been involved in any material legal or disciplinary events since our inception that would be material to a client's evaluation of our company or our personnel.

#### **ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

Robert Rosner, our Managing Member, has a minority ownership interest in CF Global Trading, a broker-dealer registered with the SEC. When we use CF Global Trading to execute transactions, we do not receive any portion of the transaction processing fees paid to CF Global Trading. However, because of Mr. Rosner's ownership interest in CF Global Trading, Mr. Rosner could be considered to indirectly benefit from the Funds' payment of those fees.

Buena Vista HK, Ltd., a Hong Kong company wholly owned by Eric WF Chan, provides us with investment advice. Buena Vista HK, Ltd. is registered with the Hong Kong Securities and Futures Commission. We are the only entity that receives investment advice from Buena Vista HK, Ltd. This relationship creates no material conflicts of interest.

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

##### ***Code of Ethics***

We have adopted a Code of Ethics that describes the standards of business conduct that we require of employees and establishes procedures intended to prevent Buena Vista, and our personnel and certain of their relatives, from inappropriately benefiting from our relationships with the Funds. The Code of Ethics provides that (i) the Funds' interests come before employees' interests and, except to the extent otherwise provided in client agreements, before Buena Vista's interests; (ii) employees must use appropriate efforts to avoid any actual or potential conflicts between their or Buena Vista's interests and the interests of the Funds; (iii) employees must avoid any abuse of their positions of trust with and responsibility to Buena Vista and the Funds; and (iv) the Buena Vista and its employees must comply with all applicable securities laws. The Code of Ethics requires employees to report personal securities holdings and transactions. It sets forth procedures for and restrictions on trading intended to prevent employees from benefiting from, or appearing to benefit from, any price movement that may be caused by Fund transactions. These include: requiring that all employees' personal transactions be pre-cleared by our Chief Investment Officer or, in his absence, Chief Compliance Officer; generally requiring employees to hold personal positions for at least 6 months before closing them (subject to exceptions); and imposing certain "blackout" periods on personal trading in securities in which a Fund is buying or selling or we have decided the Fund should buy or sell. Any exceptions to the restrictions must be reviewed and approved by the Chief

Compliance Officer. We will provide a copy of our Code of Ethics to the Funds and to prospective Fund investors upon request.

## **ITEM 12: BROKERAGE PRACTICES**

Each Fund will spend substantial amounts on brokerage commissions and other expenses for transactions in its portfolio. We have complete discretion to decide who will execute transactions and how much each Fund will pay them. Some brokers (and others involved in portfolio transactions) will provide us with information, services and other products beyond pure transaction execution. As a result, we will face conflicts of interest in exercising our discretion.

### ***Types of Transactions and Transacting Parties***

A Fund may hire brokers to execute transactions as the Fund's agent. When it does so, it will pay a commission at a rate that is fully disclosed. Electronic crossing networks ("ECNs") are generally brokers who charge commissions for trades a Fund effects through them. Their commission rates are generally lower than other brokers.

A Fund may also trade directly with a dealer who buys or sells a security for its own account — as a principal. Historically market makers in over-the-counter stocks have traded this way, as have bond dealers. When a Fund trades in this manner, the dealer generally does not charge a commission, but instead receives its compensation as part of the transaction price — as a markup or markdown. The amount of profit a dealer receives on a principal transaction is less apparent than a commission. Brokers, dealers, ECNs and other transacting parties are referred to as "Transacting Parties."

### ***Selection Criteria, Generally***

In choosing Transacting Parties, we seek "best execution" of the Fund's securities transactions. However, what constitutes "best execution" and determining how to achieve it are inherently uncertain. In evaluating whether a Transacting Party will provide best execution, we consider a range of factors. These include, among others, historical net prices (after markups, markdowns or other transaction-related compensation) on other transactions; the execution, clearance and settlement and error correction capabilities of the Transacting Party generally and in connection with securities of the type and in the amounts to be bought or sold; the Transacting Party's willingness to commit capital; the Transacting Party's reliability and financial stability; the size of the transaction; the availability of securities to borrow for short sales; the market for the security; and as discussed more fully below, the nature, quantity and quality of research and other services and products provided by the Transacting Party. We are not required to select the Transacting Party that charges the lowest transaction cost, even if that Transacting Party can provide execution quality comparable to other Transacting Parties. A Fund may at times pay more than the lowest transaction cost available in order to obtain for itself and/or us services and products other than the execution of securities transactions.

### ***"Soft Dollars"***

We may select Transacting Parties in recognition of the value of various services or products, beyond transaction execution, that they provide to a Fund or to us. Selecting a Transacting Party in

recognition of the provision of services or products other than transaction execution is known as paying for those services or products with “soft dollars.”

A federal statute, Section 28(e) of the Securities Exchange Act of 1934, as amended, recognizes the potential conflict of interest involved in the use by an investment manager of soft dollars generated by securities transactions to pay for various expenses but provides a safe harbor from breach of fiduciary duty claims if certain conditions and requirements are met. Under the safe harbor, soft dollars may be used to acquire “research” and “brokerage” services and products for which a Fund would not otherwise be required to pay. Services or products generally constitute “research” under Section 28(e) if they constitute advice, analyses or reports any of which express reasoning or knowledge as to the value of or investing in or trading securities, or as to issuers, industries, economic factors and trends, portfolio strategy or performance, but only to the extent we use them for lawful and appropriate assistance in making investment decisions for a Fund and our other clients. “Brokerage” services and products are those used to effect portfolio transactions or for functions that are incidental to effecting those transactions (such as clearance, settlement or short-term custody related to effecting clearing or settling transactions) or regulatorily required in connection with transactions. Section 28(e) only protects commissions or commission equivalents on transactions in securities; markups and markdowns on many principal transactions, commissions paid to futures commission merchants on transactions in futures contracts, and compensation from transactions in swaps or other derivative instruments are not protected.

Using soft dollars to pay for services and products other than research and brokerage is not protected by the safe harbor, but does not necessarily constitute a violation of any law or fiduciary duty. Similarly, use of non-commission soft dollars or otherwise failing to satisfy procedural elements of the Section 28(e) safe harbor are not protected but are not necessarily prohibited.

*Conflict of Interest.* Because many services and products we may receive from Transacting Parties may benefit us, our interests in allocating a Fund’s securities transactional business may conflict with a Fund’s. For example, we may have an incentive, in order to induce brokers and dealers to provide us with services or benefits to, among other things, cause a Fund to: (i) pay higher commissions and other compensation than it would otherwise pay broker-dealers that do not provide soft dollar services or products; (ii) place more trades than would be optimal for a Fund’s investment strategy; (iii) use broker-dealers that do not obtain for a Fund the best possible price on portfolio transactions; and (iv) use (and pay) broker-dealers in effect to act as intermediaries with other broker-dealers who actually execute transactions. The extent of the conflicts of interest arising out of the use of soft dollars depends in large part on the nature and uses of the services and products acquired with soft dollars. We may or may not use other clients’ soft dollars to pay for services and products a Fund pays for and, if we do, that use may not be in proportion to account size, transaction volume, or uses of those services and products. We generally intend to use a Fund’s soft dollars (including markups and markdowns on principal transactions where protected) for purposes, and in ways, that satisfy the requirements of the Section 28(e) “safe harbor.”

*“Research and Brokerage.”* The types of “research” we may receive from Transacting Parties include (but are not limited to): reports on or other information about particular companies or industries; economic surveys and analyses; recommendations as to specific securities; financial and industry publications; portfolio evaluation services; financial database software and services; computerized news, pricing and statistical services; analytical software; proxy analysis services and systems (to the extent used to assist in making investment decisions), quotation services; and other products or services that may enhance our investment decision-making. “Brokerage” services and products (beyond typical execution services) include (but are not limited to): computer systems

and facilities (including hardware) used for such things as communicating orders and settlement related information electronically to executing Transacting Parties and the Fund's prime broker, post-trade matching of trade information, communicating allocation instructions, and other clearance and settlement functions. We may use Fund soft dollars for "mixed use" products and services—products and services that are used in part for research or brokerage purposes and in part for other purposes. Even where our use of soft dollars to acquire research and brokerage services and products is protected by Section 28(e), we will have a conflict of interest in connection with that use because we might otherwise have to pay cash for those services and products and we may have an incentive to use Transacting Parties who provide those services and products more than we otherwise would.

*Fund Expenses.* A Fund may use brokerage commissions, markups and markdowns, and other transaction-related compensation (as well as interest the Fund's prime broker receives on the Fund's cash balances, margin borrowings and borrowings of securities to maintain short positions) to pay the Fund's prime broker for recordkeeping, custodial and related services provided to the Fund. Generally, the Fund, and not we, would otherwise be obligated to bear all of these expenses. We therefore do not believe we would have a significant conflict of interest in selecting a Transacting Party in recognition of that party's payment of them.

*Procedures.* Transacting Parties from which we obtain soft dollar services or products generally establish "credits" based on past transactional business, which may be used to pay or reimburse us for specified expenses. In some cases the process is less formal; a Transacting Party simply may suggest a level of future business that would fully compensate the broker or dealer for services or products it provides. The Funds' actual transactional business with a Transacting Party may be less than the suggested level but may exceed that level, and credits established may exceed the amounts used to acquire services and products. This may be in part because a Fund's investment activities generate aggregate commissions in excess of the levels of future business suggested by all Transacting Parties who provide services and products. And it may be in part because those Transacting Parties may also provide superior execution and may therefore be most appropriate for particular transactions.

The above procedures are generally consistent with the requirements of Section 28(e) when the products or services acquired constitute research and/or brokerage. However, Section 28(e)'s safe harbor is not available where transactions are effected on a principal basis, as most transactions with market-makers in over-the-counter securities are, with a markup or markdown paid to the Transacting Party.

#### ***Referrals of Investors and Advisory Clients.***

In selecting a Transacting Party, we may consider the Transacting Party's referrals of investors to a Fund or other investment funds we manage, referrals of advisory clients to us, the potential for future referrals, and/or the Transacting Party's willingness to pay third-party finders' fees for such referrals. We have a conflict of interest in considering those services when selecting a Transacting Party, in part because we benefit from increases in the size of a Fund.

#### ***Cross Transactions***

We may (but are not obligated to) cause two or more Funds to effect "cross" transactions (*i.e.*, buy and sell securities from and to each other), subject to applicable law or regulation. We may do so, if we believe that the cross transaction will be beneficial to both parties.

### ***Aggregation of Orders***

We often combine two or more Funds' orders and may combine Fund orders with orders for other accounts for which we or our principals have trading authority, or in which we or our principals have an economic interest. When we do, we will generally allocate the purchase or proceeds from those transactions (and the related transaction expenses) on an average price basis among the various participants. We believe combining orders in this way is, over time, advantageous to all participants. However, the average price could be less advantageous to a Fund than if the Fund had been the only account effecting the transaction or had completed its transaction before the other participants.

We may place orders for the same security for different clients at different times and in different relative amounts due to, among other things, differences in investment objectives, cash availability, size of order and practicability of participating in "block" transactions. The level of participation by different clients in the same security may also be dependent upon other factors relating to the suitability of the security for the particular client.

We and/or our related persons or funds may buy or sell specific securities for our or their own account that are not deemed appropriate for a Fund at the time, based on personal investment considerations that differ from the considerations on which decisions as to investments for the Fund are made. Where execution opportunities for a particular security are limited, we attempt in good faith to allocate such opportunities among clients in a manner that, over time, is equitable to all its clients.

### ***Directed Brokerage; Prime Brokerage***

We do not have any "directed brokerage" arrangements with the Funds. While not "directed brokerage," Funds may pay a portion of their own costs using soft dollars. In particular, each Fund obtains custodial, clearing and related services through what is known as a "prime brokerage" arrangement. By using brokerage firms for these functions the Fund avoids paying custodial fees that banks charge other institutional investors. Prime Brokers are compensated through brokerage commissions, interest on credit balances, margin borrowings, and stock loans. A Fund might be thought of as seeking to have us direct transactions to a Prime Broker in order to pay for the custodial, clearing and related services it obtains from the Prime Broker.

A Prime Broker may provide services to us and/or our affiliates, distinct from the custodial, lending and related services the Prime Broker provides a Fund and other clients. These services may include, among other things, information technology, website hosting, portfolio management software license and support service, consulting services with respect to various aspects of our business and introducing us to prospective advisory clients and prospective investors in the Fund and other investment funds we manage. They may be provided at lower than the market price for similar services or for no charge. A Prime Broker may also enter into financial transactions with us or our affiliates, and these transactions may be on terms more favorable than the terms available with other counterparties. These transactions might include lending money to us or our affiliates or investing in funds managed by us. To the extent we or our affiliates receive services from the Prime Broker at lower than market prices, or enter into transactions on terms better than terms available in the market, or collect fees from investments by a Prime Broker into funds managed by us, because we are responsible for selecting the Prime Broker or negotiating the rates of compensation paid to the Prime Broker by the Fund, conflicts may exist between our interests and

the Fund's. We may have an incentive to cause a Fund to accept less favorable pricing for prime brokerage services (including interest and similar charges on margin borrowings and short positions) than might be available otherwise or to continue to use a Prime Broker when a Fund would not otherwise do so. We believe the compensation a Fund pays the Prime Brokers is reasonable and competitive with rates charged by other prime brokers for services of comparable quality.

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

Robert M. Rosner, our Managing Member and Chief Investment Officer, reviews the Funds' portfolios daily, considering such factors as industry concentrations, future prospects of each issue held, percentage invested in each issue and cash management. Particular attention is given to changes in industry outlook, earnings, and stock price.

We do not provide formal reports to the Funds, as we are their sole general partner or investment manager and each Fund has an administrator that reviews financial information for the purpose of determining Fund net asset value (among other things). Each Fund provides its investors with annual audited financial statements and monthly summaries of the respective fund's performance for their investment. Annual tax information necessary for each investor to complete his or her income tax returns is also provided. A quarterly letter is provided to the investors which discusses pertinent aspects of the Funds' investments.

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

Other than the previously described products and services that we receive from broker-dealers, we do not receive any other economic benefits from non-clients in connection with the provision of investment advice to clients.

We do not directly or indirectly compensate any person for client referrals.

#### **ITEM 15: CUSTODY**

Pursuant to a rule under the Investment Advisers Act, as general partner of the partnership Funds we are considered to have "custody" of those Funds' assets, even though an independent custodian (a Prime Broker) actually holds those assets. That rule generally requires investment advisers that have custody of their clients' assets to cause certain account statements detailing holdings and transactions to be sent to clients and impose certain other obligations. However, advisers to investment funds like the Funds need not comply with those requirements if, among other things, the Funds provide investors with audited financial statements by a specified time each year and those financial statements meet certain requirements. We satisfy those conditions and therefore are not subject to reporting and other obligations.

#### **ITEM 16: INVESTMENT DISCRETION**

The partnership Funds' Agreements of Limited Partnership and our investment management agreements with the non-U.S. Funds each grant us complete discretion to manage the Funds' investment portfolios, without any specific limitations. See the description above in "Advisory Business" and "Methods of Analysis, Investment Strategies and Risk of Loss."

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

The partnership Funds' Agreements of Limited Partnership and our investment management agreements with the non-U.S. Funds each grant us the authority to vote the securities held by the Funds. None of the Funds or any investor in the Funds may direct us to vote in any particular way on any particular matter.

We have adopted policies and procedures that address generally the guidelines we expect to follow in the exercise of our voting authority over the client proxies we receive from time to time.

Under these policies, the portfolio manager of each Fund determines whether exercising voting rights is in the Funds' relevant clients' best interests. If so, typically an analyst is assigned to analyze and recommend the appropriate vote(s). The portfolio manager then decides how the proxy should be voted. Clients do not direct proxy voting. Any conflicts of interest are referred to the Chief Compliance Officer, who will either 1) disclose the conflict to the client and obtain such client's consent before voting, 2) engage a third party to recommend a vote with respect to the proxy, or 3) use such other methods as is deemed appropriate under the circumstances.

A copy of our proxy policy and procedures will be provided to investors upon request. In addition, information concerning our voting record on client proxy matters will be provided upon request, by calling the Proxy Officer at 415.433.1020, or by submitting a written request.

#### **ITEM 18: FINANCIAL INFORMATION**

We have never filed for bankruptcy and are not aware of any financial condition that could be expected to affect our ability to manage client accounts.