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# Cogent Asset Management, LLC

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**This Brochure provides information about the qualifications and business practices of Cogent Asset Management, LLC (“Cogent”). If you have any questions about the contents of this Brochure, please contact us at (516) 621-6105. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.**

**Cogent is an investment adviser registered with the SEC. Registration with the SEC does not imply any level of skill or training.**

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

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## **ITEM 2 – MATERIAL CHANGES**

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There are no material changes to report.

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#### **ITEM 4 – ADVISORY BUSINESS**

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Cogent was formed on October 28, 2003 and has been registered as an investment adviser with the SEC since March 7, 2005. Cogent is majority owned by Glen A. Beigel. Cogent provides discretionary investment advisory services primarily to U.S. and non-U.S. institutional clients (collectively, “Clients”) consisting of private investment funds (collectively, “Funds”) for which Cogent may act as the investment manager.

The specific strategies that Cogent employs for each Fund, as well as fees, risks and other material information, are contained in such Fund’s offering documents (each, a “Memorandum”). Based on the investment objectives and strategies of each Fund, Cogent may allocate assets to unaffiliated advisers, trading managers or unaffiliated or affiliated private investment pools or entities that will have discretion to trade such assets.

In limited circumstances, Cogent also may provide advice on a non-discretionary basis, the terms of which will be agreed to between Cogent and such Client on a case-by-case basis.

Cogent provides advisory services to its Clients based on their respective investment objectives and guidelines. The investment objectives and guidelines for each Fund are set forth in its Memorandum.

As of December 31, 2011, Cogent managed \$154 million of assets on a discretionary basis.

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#### **ITEM 5 – FEES AND COMPENSATION**

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Cogent does not have a standardized fee schedule for discretionary or non-discretionary investment advisory or management services. Cogent generally receives a management fee of 1.5% per annum of assets under management, generally charged monthly in arrears, and performance-based compensation, generally charged or credited at the end of each calendar month or quarter, equal to 20% of net profit, which may be subject to a “high water mark.” For purposes of calculating the performance-based compensation, net profit includes both realized and unrealized gains. The fees that Cogent receives with respect to managing a Fund are disclosed in such Fund’s Memorandum. When allocating assets to unaffiliated advisers, traders or private investment pools/entities, Cogent may share in the fees charged by such persons, which is disclosed to Clients. Performance-based compensation is charged by Cogent in conformity with Rule 205-3 under the Investment Advisers Act of 1940.

Fees may be negotiable depending upon a variety of factors, including, among other things, type of advisory service offered, amount of assets under management and the overall relationship with the Client. Clients may terminate advisory services at any time without penalty upon prior written notice (generally sixty or ninety days’ prior written notice). Fees charged in arrears will be prorated for any partial period. Upon termination of any Client account, any prepaid, unearned fees will be promptly refunded and any earned, unpaid fees will be due and payable. Withdrawals or redemptions by investors in a Fund are governed by the Fund’s Memorandum and may vary.

Cogent's fees do not include brokerage and transaction fees, costs and charges, and other related costs and expenses that will be incurred by Clients regarding the trading and maintenance of Client accounts. Clients may incur certain charges imposed by custodians, brokers and other third parties such as commissions, custodial fees, and other fees and taxes on brokerage accounts and securities transactions. Such charges, fees and commissions are exclusive of and in addition to Cogent's fee, and Cogent does not receive any portion of these commissions, fees, and costs.

Certain "supervised persons" of Cogent are also registered with, and may receive compensation from, an affiliate of Cogent, Cogent Alternative Strategies, Inc. ("CASI"), a broker-dealer registered with the SEC and FINRA with respect to investments made by investors in Funds. See also Items 10 and Item 14. This practice may present a conflict of interest as it gives such supervised persons an incentive to recommend the investment advisory services of Cogent based on the compensation received. We do not believe this conflict to be material because such supervised persons are not incentivized to sell one investment product over another and thus will generally consult with each prospective investor to select the investment product(s) most appropriate for their specific investment objectives and requirements. The relationship between Cogent and CASI is disclosed to investors. Investors have the option to make an investment in a Fund managed by an affiliate of, or not affiliated, with Cogent through other non-affiliated broker-dealers or otherwise.

Item 12 further describes the factors that Cogent considers in selecting or recommending broker-dealers for Client transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

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#### **ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

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As set forth in Item 5 above, Cogent may receive performance-based compensation, generally charged or credited at the end of each calendar month or quarter, equal to 20% of net profit, which may be subject to a "high water mark." Performance-based compensation is charged by Cogent in conformity with Rule 205-3 under the Investment Advisers Act of 1940.

Performance-based fee arrangements may create an incentive for Cogent to recommend investments that may be riskier or more speculative than those which would be recommended under a different fee arrangement. Such fee arrangements also create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities. Cogent has procedures designed and implemented so that all clients are treated fairly and equally, and to prevent this potential conflict from influencing the allocation of investment opportunities among Clients.

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#### **ITEM 7 – TYPES OF CLIENTS**

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Cogent provides discretionary investment advisory services to U.S. and non-U.S. institutional clients, primarily private investment funds, for which Cogent may act as the investment manager. Cogent does not have a standard minimum account size.

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

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Cogent utilizes a multi-disciplined investment approach that relies on fundamental security analysis (*i.e.*, rigorous company-specific analysis). Cogent's main sources of information include financial newspapers and magazines and research materials prepared by others.

Cogent serves as investment manager to Funds that employ disciplined long/short portfolio strategy that attempts to uncover mispriced securities primarily within, but not limited to, the small and mid-capitalization segments of the equity market.

A bottom-up investment strategy is utilized pursuant to which investments are based upon extensive analysis of both the fundamental and technical data surrounding a particular stock. Under normal market conditions, generally a Fund invests in 30-70 "core" positions selected for the prospect of significant free cash flow and earnings growth going forward. In addition, there may be a number of short-term trading positions. These may include, but are not limited to, catalyst-driven opportunities such as companies with deteriorating business fundamentals, companies announcing spin-offs or other restructuring and companies experiencing perceived temporary price discrepancies due to unexpected news or events. A Fund may invest in options and on margin.

There can be no assurances that a Client will achieve its investment objective or that the strategies pursued and methods utilized will be successful under all or any market conditions.

### **Certain Risk Factors**

Investing in securities involves risk of loss that Clients should be prepared to bear. A brief explanation of the material risks associated with a Fund's principal investment strategy and method of analysis follows. Additional risk factors are set forth in the respective Fund's Memorandum.

**Short Sales.** A Client may sell securities short. In a short sale, a Client would likely borrow securities to make delivery to the buyer. The Client would then be obligated to replace the security borrowed by purchasing it at the market price at the time of replacement. The market price at such time may be more or less than the price at which the security was sold by the Client. Until such securities are replaced, the Client would be required to pay to the lender amounts equal to any dividends or interest which accrue during the period of the loan.

A Client would incur a loss as a result of a short sale if the price of the security increases between the date of the short sale and the date on which the Client replaces the borrowed security. A Client would realize a gain if the security declines in price between those dates. The amount of any gain would be decreased, and loss increased, by the amount of the premium, dividends, interest or expenses a Client may be required to pay in connection with the short sale.

There can be no assurance that a Client will be able to close out a short position at any particular time or at an acceptable price. The amount to which a Client will be subject to short sales will depend upon market conditions.

Option Transactions. A Client may purchase or sell put and call equity and equity index options. The use of options involves a high degree of embedded leverage which can involve greater portfolio risk. Cogent plans to use options to hedge current portfolio positions, to purchase financial instruments below current market prices and to add premium income.

Put options give the buyer the right to sell the underlying security at a specified price at any time during the term of the option or on the option expiration date. A Client might purchase put options to protect an existing long stock position from downside risk. The purchase of put options may also be used as an alternative strategy to selling a stock short. Conversely, sellers of put options acquire the obligation to buy the underlying security at a specified price at any time during the term of the option or on the option expiration date. A Client may use sales of put options as a method to purchase attractive securities at below market prices.

Call options give the buyer the right to purchase the underlying security at a specified price during the term of the option or at expiration. A Client may buy call options as a hedge against existing short stock positions or as an alternative method to buying the underlying security itself. Sellers of call options have the obligation to sell the underlying security at a specified price during the term of the option or at expiration. A Client might sell call options as a way to reduce the effective cost of an existing long position.

Sales of both put and call options generate premium income. The Client only invests in exchange-traded options.

Non-U.S. Securities. A Client may invest both long and short in non-U.S. equity securities consistent with the above referenced investment strategy. These include both non-U.S. issues traded on U.S. exchanges in dollar-denominated American Depositary Receipts (ADRs) and issues traded overseas in foreign denominated currencies. By investing in non-U.S. issues, the Client seeks to take advantage of the differences in economic trends and market conditions of various countries.

Leverage. A Client may incur leverage (indebtedness) up to one-third of its net asset value. Cogent may employ leverage as an integral part of a Client's investment strategy. Leverage increases the potential risk of loss on any such leveraged financial instrument position. In addition, increases in interest rates adversely affect earnings. Furthermore, in the event of a decline in the value of the leveraged financial instruments or a change in the percentage of the value of financial instruments for which a margin loan may be made, a Client may be forced to sell financial instruments at a substantial loss in order to generate cash to reduce the Client's margin loan.

Other Opportunities. A Client may also take advantage of other investment opportunities without limitation, if in the opinion of Cogent, such investments would aid in the Client achieving its investment objectives. A Client reserves the right to employ new investment strategies and to exploit other investment opportunities. No more than 5% of a Client's investable capital would be allocated to such strategies.

The foregoing does not purport to be a complete explanation of the risks involved in trading securities or with respect to any investment strategy.

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## **ITEM 9 – DISCIPLINARY INFORMATION**

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Cogent does not have any disciplinary or legal events to report.

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

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CASI, a related person of Cogent, is a broker-dealer registered with the SEC and is a member of FINRA. CASI also is registered as a Commodity Pool Operator with the Commodity Futures Trading Commission and is a member of the National Futures Association. CASI may solicit potential investors for Funds managed by Cogent and receive compensation for such services. Cogent is generally responsible for the payment of any such referral fees, which generally are a percentage of the annual management fees and/or performance-based compensation earned by Cogent or such other amount as agreed to between Cogent and the referring third party. Referred clients and referred investors in a Fund do not pay any referral fees. Cogent's ability to provide investment advice to a referred client (or a fund in which investors were referred) is not effected by such referral arrangements. Because CASI is a related person of Cogent, Cogent may have a conflict of interest and may have an incentive to use CASI for such referral arrangements instead of other third parties. To the extent applicable, referral arrangements comply with Rule 206(4)-3 under the Investment Advisers Act of 1940.

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

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Cogent has adopted a Code of Ethics (the "Code") which sets forth the ethical and fiduciary principles and related compliance requirements under which Cogent operates and the procedures for implementing those principles. The Code includes provisions that govern fiduciary duty, client opportunities, insider trading, personal trading, gifts and entertainment, political contributions, outside business activities and confidentiality.

The principals and employees of Cogent and their related accounts (collectively, "Employees") are permitted to maintain personal securities accounts provided that such accounts are disclosed to Cogent and that any personal trading is consistent with applicable law and with the Code. Subject to compliance with the Code, Employees may buy, sell or hold, for their own personal accounts, securities that Cogent also may buy, sell or hold for Clients, although it is not expected that Employees will generally do so to any great extent, which will help to mitigate any potential conflict of interest.

The Code contains policies and procedures that, among other things:

- prohibit Employees from taking personal advantage of opportunities belonging to Clients;
- prohibit trading on the basis of material nonpublic information;
- place limitations on personal trading by Employees and impose preclearance (in certain cases) and reporting obligations with respect to trading; and



- require initial and annual reports of securities holdings and quarterly transaction reports by Employees.

Cogent's Code is available upon request to any Client or prospective client by contacting Glen Beigel, Cogent's principal, at (516) 621-6105.

Cogent, consistent with Clients' investment objectives and in accordance with applicable law, may cause accounts it manages to effect, and will recommend to Clients or prospective clients, the purchase or sale of securities in which Cogent, directly or indirectly, has a position or interest. Cogent may recommend to Clients an investment in a Fund that it advises or for which a related person serves as the general partner or investment adviser.

From time to time, it may be appropriate for more than one of the accounts managed by Cogent to trade in the same securities at the same time. As a general rule, such orders are combined (or bunched) and allocations among Cogent's Clients acquiring the same securities on the same day are effected on a pro rata basis, based on the relative value of the accounts, or otherwise on a allocation amount determined at the time of the order. If the orders are combined (or bunched), each of the accounts will have its same day orders filled on an average price basis (such that each receives the same price). While Cogent's goal is to be fundamentally fair on an overall basis with respect to all Clients, there can be no assurance that on an overall or trade-by-trade basis that any particular Client will not be treated more favorably than another.

Cogent does not engage in principal transactions with Client accounts and before it could do so it would have to secure applicable Client consent. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated private investment fund and another client account.

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## **ITEM 12 – BROKERAGE PRACTICES**

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In applicable cases, and when it is granted discretion, Cogent has the authority, without obtaining specific Client consent, to determine the broker-dealers to be used, and commissions to be paid. Managers or advisers selected by Cogent and to whom Cogent allocates Clients' assets have the authority to determine the securities to be bought or sold and the amount of securities to be bought or sold.

Generally, Cogent delegates investment discretion to a selected investment adviser ("Selected Adviser") and such Selected Adviser will execute, clear and settle transactions with brokerage firms that are registered with the SEC as broker-dealers and that the Selected Adviser believes are reputable, reliable, financially responsible and well-established. Transactions involving privately-placed securities may be consummated without a broker.

In selecting brokers to execute transactions, a Selected Adviser need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. In making its selection of brokers, a Selected Adviser takes into account the broker's reliability, accuracy of recommendations on particular securities, reputation, financial responsibility, stability, ability to execute trades, nature and frequency of sales coverage, commission rate and responsiveness to

the Selected Adviser. Client accounts do not have fixed internal brokerage allocation procedures designating specific percentages of brokerage commissions to particular firms.

In selecting brokers, primary consideration will be given to obtaining favorable prices and efficient executions. Consistent with this policy, when a transaction is effected on an exchange, the Selected Adviser seeks to use brokers whose commission rates it considers to be fair and reasonable without necessarily determining that the lowest possible commissions are paid in all circumstances. In such transactions, consideration may also be given to placing orders with brokers who also furnish research or other services to Selected Adviser. Research services may include, but are not limited to: written information and analyses concerning specific securities, issuers or sectors; market, financial or economic studies or forecasts; financial publications; statistical or pricing services as well as discussions with research personnel; or hardware, software, database or other technical or telecommunication services or equipment utilized in the investment management process. Research services obtained by the use of brokerage commissions or other transaction fees arising from investment transactions may be used by Cogent and the Selected Adviser in their other investment activities, and may not in all cases benefit a specific Fund. The Selected Adviser believes that such research services will provide a Fund with benefits by supplementing the research and services otherwise available to the Selected Adviser. Services, other than research, obtained by the use of brokerage commissions or other transaction fees arising from investment transactions will only be used for the benefit of a specific Fund, and such services will be limited to services which would otherwise constitute an expense borne by such Fund. The Selected Adviser will not use such research or services other than research unless such use meets the “safe harbor” of Section 28(e) of the Exchange Act.

Accordingly, the Selected Adviser may cause a Fund to pay higher brokerage commissions than might be obtainable if transactions were effected through brokers that do not provide research or other services. For example, the Selected Adviser may cause a Fund to pay higher brokerage commissions or other transaction fees than are otherwise obtainable if the brokers effecting transactions for the Fund provide trading, investment or hedging strategies that can be utilized by the Fund. The Selected Adviser will seek best execution in transactions for a Fund.

Cogent’s or a Selected Adviser’s selection of brokers is guided and/or limited by (i) its responsibility to act as a fiduciary when handling Clients’ accounts, and (ii) its obligation, to the extent applicable and subject to the conditions hereinabove specified, to select brokers who offer overall best execution on Clients’ trades.

From time to time, it may be appropriate for more than one of the accounts managed by Cogent to trade in the same securities at the same time. As a general rule, such orders are combined (or bunched) and allocations among Cogent’s Clients acquiring the same securities on the same day are effected on a pro rata basis, based on the relative value of the accounts, or otherwise in an allocation amount determined at the time of the order. If the orders are combined (or bunched), each of the accounts will have their same day orders filled on an average price basis (such that each receives the same price). While Cogent’s goal is to be fundamentally fair on an overall basis with respect to all Clients, there can be no assurance that on an overall or trade-by-trade basis that any particular Client will not be treated more favorably than another.

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### **ITEM 13 – REVIEW OF ACCOUNTS**

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The principal of Cogent, Glen Beigel, oversees each Client's account on an at least weekly basis. The review includes a review of all trades, cash movement and profits and losses. Monthly written performance reports of each Fund are provided to such Fund's investors. See Item 15 for information about custodial statements provided to Fund investors.

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

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Cogent may compensate third parties for referring advisory clients (or investors in a Fund) to it, which includes CASI, a related person of Cogent that is a broker-dealer registered with the SEC and is a member of FINRA. Cogent is generally responsible for the payment of any such referral fees, which generally are a percentage of the annual management fees and/or performance-based compensation earned by Cogent or such other amount as agreed to between Cogent and the referring third party. Referred clients and referred investors in a Fund do not pay any referral fees. Cogent's ability to provide investment advice to a referred client (or a fund in which investors were referred) is not effected by such referral arrangements. Because CASI is a related person of Cogent, Cogent may have a conflict of interest and may have an incentive to use CASI for such referral arrangements instead of other third parties. To the extent applicable, referral arrangements comply with Rule 206(4)-3 under the Investment Advisers Act of 1940. See Item 10.

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### **ITEM 15 – CUSTODY**

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Cogent does not have actual custody of any Client assets. Cogent is deemed to have custody of the assets of its Fund Clients. In accordance with Rule 206(4)-2, audited financial statements are furnished annually to all investors in the Funds.

Clients are urged to carefully review all statements and contact Cogent if they have any questions.

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### **ITEM 16 – INVESTMENT DISCRETION**

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When it is granted discretion, Cogent has the authority pursuant to an investment management agreement, without obtaining specific Client consent, to determine the types and amounts of securities to be bought or sold, pursuant to discretion granted to it by its Clients, which includes investments in private investment pools/entities. Managers or advisers selected by Cogent and to whom Cogent allocates Clients' assets have the authority to determine the securities to be bought or sold and the amount of securities to be bought or sold.

Although Cogent may be deemed to retain the discretion (under its general discretionary powers) to determine the broker to be used and negotiate the amount of such broker's commission, when Cogent selects managers or advisers as adviser to a Client, the manager or adviser has the

authority to determine and does determine the broker to be used and the commission paid, including negotiating the amount of such broker's commission.

Limitations on Cogent's authority are guided and/or limited by, among other things, (i) its responsibility to act as a fiduciary when handling Clients' accounts; (ii) the investment objectives applicable to each Client's account; and (iii) with respect to a Fund, the Fund's Memorandum.

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### **ITEM 17 – VOTING CLIENT SECURITIES**

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Because of the nature of its investment management services, Cogent generally does not exercise discretion to vote proxies for Clients' securities and would exercise such discretion only in limited circumstances involving non-routine events, if any. When assets are allocated to (or discretion otherwise given to) another adviser or trading manager, such adviser or manager will exercise discretion to vote Client securities.

In the limited circumstances when it does vote proxies, Cogent's proxy voting policy is to vote all Client proxies in the Client's best interest on a case-by-case basis, considering such facts as it deems material. Cogent's objective is to vote proxies, in its judgment, in a manner that is most likely to maximize the value of its Clients' investments. Glen Beigel, Cogent's principal, oversees and manages the process by which it votes proxies. Cogent's proxy voting policy and procedures are available upon request. A Client may obtain Cogent's proxy voting policy and procedures or a record of Cogent's proxy voting for such Client by contacting Glen Beigel at (516) 621-6105.

Where Cogent identifies a potential conflict of interest (such as if Cogent or an Employee is affiliated or associated with an issuer or Cogent holds the issuer's securities on a proprietary basis), Cogent will initially determine whether such potential conflict is material. Where Cogent determines there is a potential for a material conflict of interest regarding a proxy, Cogent will take one or some of the following steps: (i) inform the Client of the material conflict and Cogent's voting decision; (ii) discuss the proxy vote with the Client; (iii) fully disclose the material facts regarding the conflict and seek the Client's consent to vote the proxy as intended; and/or (iv) seek the recommendations of an independent third party. Any Employee who has a direct or indirect pecuniary interest in any issue presented for voting, or any relationship with the issuer, must so inform Cogent's Chief Compliance Officer and recuse himself or herself from decisions on how proxies with respect to that issuer are voted.

If a Client requests that its proxies be voted in a specific way on a specific issue, a portfolio manager or the Chief Compliance Officer will advise the Client that Cogent cannot accommodate the request.

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### **ITEM 18 – FINANCIAL INFORMATION**

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Cogent has no financial condition that impairs its ability to meet contractual commitments to Clients, and has not been the subject of a bankruptcy proceeding.