



PHALANX
CAPITAL MANAGEMENT, LLC

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This Brochure provides information about the qualifications and business practices of Phalanx Capital Management, LLC. If you have any questions about the contents of this Brochure, please contact us at 312-930-2280 or at info@phalanxcm.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority. Additional information about Phalanx Capital Management, LLC also is available on the SEC’s website at www.adviserinfo.sec.gov.

Registration with the SEC or with any state securities authority does not imply a certain level of skill or training

Item 2. Material Changes

We have no material changes to report since our last filing on March 31, 2011.

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Item 4. Advisory Business

Phalanx Capital Management, LLC (“Phalanx Capital”, the “Adviser” or “we”) is an investment adviser with its principal place of business in Chicago, IL. The Adviser commenced operations as an investment adviser in April, 2005, and has been registered with the SEC since April 4, 2005. Christopher M. McGuire is the principal owner. Phalanx Capital Management Hong Kong Ltd. is a wholly owned subsidiary of Phalanx Capital Management, LLC that provides local analysis and research and has been registered with the Hong Kong Securities and Futures Commission since February 6, 2009.

Phalanx Capital provides advisory services on a discretionary basis to its clients that are private investment funds (the “Funds”) organized as Delaware limited partnerships (for investments by U.S. persons), Cayman Islands exempted companies (for investments by non-U.S. persons and tax-exempt U.S. persons) and separately managed accounts (the “Managed Accounts”). The Funds’ general partner is an affiliate of Phalanx Capital.

Currently Phalanx Capital serves as the investment manager to the Phalanx Japan AustralAsia Multi-Strategy Fund, Ltd. (the “Master Fund”). The Phalanx Japan AustralAsia Multi-Strategy (Cayman) Fund, Ltd. (the “Offshore Feeder”), and the Phalanx Japan AustralAsia Multi-Strategy (U.S.) Fund, L.P. (the “U.S. Feeder”) invest their assets in the Master Fund. The Adviser employs an absolute return, multi-strategy approach to invest in the Japanese, Australian and Asian markets. Please see **Item 8. Methods of Analysis, Investment Strategies and Risk of Loss** for more detail of the investment strategy. The Adviser provides the same investment strategy and approach to the Managed Accounts.

The Adviser may tailor its investment services to the individual needs of certain investors. As of March 1, 2012, the Adviser had approximately \$108,500,000 in client assets under management on a discretionary basis and none on a non-discretionary basis.

Item 5. Fees and Compensation

As the investment manager to the Funds and the Managed Accounts, Phalanx Capital receives a quarterly management fee (the “Management Fee”) in advance based on the net asset value of an investor’s capital account calculated at the rate of approximately 2.0% per annum. The Management Fee is prorated for any period that is less than a full quarter and adjusted for contributions made during the quarter. Management Fees are deducted by the custodian at our instruction as described in the offering documents and Managed Account agreements. The general partner of the Funds is also allocated a performance-based fee (the “Incentive Allocation”). Please see **Item 6. Performance-Based Fees and Side-by-Side Management** for further details.

Phalanx Capital may waive or modify the Management Fee and/or the Incentive Allocation for members, employees or affiliates, relatives of such persons, and for certain large or strategic investors.

See **Item 15. Custody** for additional information regarding the deduction of fees from investor accounts.

The U.S. Feeder and Offshore Feeder funds will bear a pro rata share of the expenses such as operating and other expenses including sales expenses, legal expenses, internal and external accounting, audit and tax preparation expenses, and organizational expenses. In addition, investors will incur brokerage and other transaction costs. Please refer to **Item 12. Brokerage Practices** of this Brochure for a discussion of the Adviser's brokerage practices.

Item 6. Performance-Based Fees and Side-by-Side Management

In addition to the management fee discussed in **Item 5. Fees and Compensation**, the general partner is also paid a quarterly Incentive Allocation calculated at 20% per year, that is compensation based on a share of capital gains on or capital appreciation of the assets of an investor subject to a loss-carry forward provision. This means that no performance-based fee will be made from the capital account of an investor until any net loss previously allocated to the capital account of the investor has been offset by subsequent net profits. Any such loss-carry forward will be subject to reduction for withdrawals on a pro rata basis.

The performance-based fee for the Managed Accounts is calculated on an annual basis at year-end or upon redemption.

Item 7. Types of Clients

The Funds and the Managed Accounts are the Adviser's clients. Investors in the Funds and Managed Accounts consist of sophisticated individual investors, funds of funds, family offices, pension and profit sharing plans, corporations and other business entities. Access to the Funds is limited to investors who meet specified minimum investment criteria relating to their financial holdings, investment experience, and the like.

Additional details regarding initial and additional subscription minimums are disclosed in the offering memorandum for the Funds.

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

The Adviser employs an absolute-return, multi-strategy approach primarily within the Japanese, and to a lesser extent, within the Australian and Asian markets through the use of convertible bonds¹, options², and arbitrage strategies³. This investment approach is focused on exploiting inefficiencies in the Japan and Asian markets where there is greater volatility and less crowded trades. We believe some of the largest structural inefficiencies are the ability to acquire information and flow and the lack of participants dedicated to our marketplace. Given the long history the Chief Investment Officer and portfolio manager, Christopher McGuire has working in both buy side and sell side roles in these markets while living in the region, we believe we are privy to a great deal of information which produces a significant edge in trading results.

The investment objective is to find strategies that produce returns regardless of the market climate. Using a multi-strategy approach, we believe we have greater ability to move into those areas which provide the best expected returns and allocate and reallocate assets very quickly. We hedge by shorting equities, futures, options, convertibles and hedge credit risk by using asset swaps and credit default swaps. We hedge interest rate exposure by using government bond futures and options and interest rate swaps and use spot and foreign exchange forwards to hedge our currency exposure. The strategy will from time to time lean long or short as the portfolio manager finds opportunities within the marketplace. In a short sale transaction, the Adviser sells a security it does not own in anticipation that the market price of that security will decline. The Adviser makes short sales (i) as a form of hedging to offset potential declines in long positions in similar securities, (ii) in order to maintain flexibility and, (iii) for profit.

Risk management is shared across the portfolio management team instead of a silo approach where individual traders operate independently. We actively use information generated from various trading disciplines to provide valuable information. Similarly, we use our expertise from different trading areas to help offset and hedge risks in other trading disciplines. We have implemented Imagine's portfolio and risk management software.

These strategies and investments involve risk of loss to investors and investors must be prepared to bear the loss of their entire investment. Please see the Funds' offering documents for a more detailed description of risks.

¹ A bond that can be converted into a predetermined amount of the company's equity at certain times during its life, usually at the discretion of the bondholder

² An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an underlying asset at a specific price on or before a certain date. An option, just like a stock or bond, is a security.

³ Arbitrage strategies attempt to take advantage of perceived price discrepancies of identical or similar financial instruments, on different markets or in other forms.

Arbitrage Transaction Risks. If the requisite elements of an arbitrage strategy are not properly analyzed, or unexpected events or price movements intervene, losses can occur which can be magnified to the extent the Adviser is employing leverage.

Convertible Securities Risks. As with all debt securities, the market value of convertible securities tends to decline as interest rates increase and conversely, increase as interest rates decline. The value of convertible securities are also affected by credit spreads in which the value of a bond declines when credit spreads widen and appreciates when credit spreads tighten. Convertible securities, however, also appreciate when the underlying common stock appreciates, and conversely, depreciate when the underlying common stock depreciates.

Hedging Risks. There can be no assurances that a particular hedge is appropriate, or that certain risk is measured properly.

Leverage Risk. Performance may be more volatile if an investor's account employs leverage.

Short Selling Risk. The Adviser's investment program includes short selling which carries the risk that the Funds will incur a theoretically unlimited loss if the price of a security sold short increases between the time of the short sale and the time the Funds replace the borrowed security.

Emerging Markets Risks. The risks of foreign investments typically are greater in less developed countries, sometimes referred to as emerging markets. For example, political and economic structures in these countries may be less established and may change rapidly. These countries also are more likely to experience high levels of inflation, deflation, or currency devaluation, which can harm their economies and securities markets and increase volatility.

Non-U.S. Securities Risks. Foreign securities, foreign currencies, and securities issued by U.S. entities with substantial foreign operations can involve additional risks relating to political, economic, or regulatory conditions in foreign countries. In addition, foreign markets can perform differently from the U.S. market.

Derivatives Risk. The greater complexity involved with the use of derivatives may expose the client to greater risks and result in poorer overall performance. Derivative securities can also be highly volatile.

Option Trading Risks. The Adviser intends to purchase put and call options on global equity, commodity and fixed income indices and securities to hedge against risks of market-wide price movements affecting its assets. Successful use by the Adviser of options on indices will be subject to the ability to predict correctly changes in the relationship of the underlying index to

the Partnership's portfolio holdings. No assurance can be given that the Adviser's judgment in this respect will be correct.

Counterparty Risks. The risk that the other party to an agreement will default.

Item 9. Disciplinary Information

This item is inapplicable.

Item 10. Other Financial Industry Activities and Affiliations

Christopher McGuire is the Managing Member of Phalanx Capital Management, LLC and is also the Managing Member of Phalanx Capital GP, LLC, the general partner of Phalanx Japan AustralAsia Multi-Strategy (U.S.) Fund, L.P. He is also a director of the Phalanx Japan AustralAsia Multi-Strategy (Cayman) Fund, Ltd.

Phalanx Capital has an informal arrangement with Yoichi Ichisubo, an independent adviser based in Tokyo, to provide him with a Bloomberg subscription in exchange for fundamental and market research on the Japanese market.

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

Phalanx Capital has adopted a Code of Ethics (the "Code") in accordance with rule 204A-1 of the Investment Advisers Act of 1940 (the "Adviser's Act"). The Adviser has developed this Code to promote the highest levels of ethical conduct among our partners and employees. Certain consultants may be subject to the Code at the discretion of the Chief Compliance Officer (the "CCO"). Among the purposes of the Code are to: (1) educate employees regarding our expectations and the laws governing their conduct; (2) remind employees that they are in a position of trust and must act with complete propriety at all times; (3) protect the reputation of Phalanx Capital; (4) guard against violation of the securities laws; (5) protect our clients by deterring misconduct; and (6) establish procedures for employees to follow so that the Adviser can assess whether our employees are complying with the firm's ethical principles. The Code's policies and procedures include personal trading, non-public information, gifts and business entertainment, confidentiality and certain affirmations and certifications.

Clients or prospective clients may obtain a copy of the Code by contacting D. Brooke Gottshall, CCO, by email at brookeg@phalanxcm.com or by telephone at 312-930-2286.

Phalanx Capital and its related persons may invest their personal money in the Funds and therefore such persons may indirectly hold the same securities as other investors in the Funds.

The Adviser's Code contains a policy that prohibits investments in personal accounts by the principal and employees of the Adviser in securities that are recommended by the Adviser to the Funds and the Managed Accounts.

The Code requires pre-approval for participation in private placements and initial public offerings. Employees and their family members are required to report all personal securities holdings quarterly.

Employees are required to report gifts and business entertainment over an established amount to ensure there is no real or appearance of impropriety in their business relationships.

Phalanx Capital maintains written policies and procedures that prohibit the communication of confidential or material non-public information to persons who do not have a legitimate need to know such information and to assure that the Adviser is meeting its obligations to clients and remains in compliance with applicable law.

Conflicts of Interest

The Adviser and the general partner use their best efforts in connection with the purposes and objectives of their clients to devote as much time and effort as may, in their judgment, be necessary to accomplish their purposes. The general partner, the Adviser and any affiliates may conduct any other business, including any business within the securities industry. The general partner and the Adviser may act as general partner, investment adviser or investment manager for others, may manage funds, separate accounts or capital for others, may have, make and maintain investments in their own name or through other entities and may serve as an officer, director, consultant, partner or stockholder of one or more investment funds, partnerships, securities firms or advisory firms.

To the extent a particular investment is suitable for both the Funds and other clients of the Adviser, such investments are allocated between the Funds and the other clients pro rata based on assets under management or in some other manner that the Adviser determines is fair and equitable under the circumstances to all clients, including the Funds. As a result of the foregoing, the Adviser may have conflicts of interest in allocating its time and activity between the Funds and other entities, in allocating investments among the Funds and other entities and in effecting transactions for the Funds and other entities, including ones in which the Adviser may have a greater financial interest.

Simultaneous identical portfolio transactions for the Funds and the other clients may tend to decrease the prices received, and increase the prices required to be paid, by the Funds for their portfolio sales and purchases. Where less than the maximum desired number of shares of a

particular security to be purchased is available at a favorable price, the shares purchased are allocated among the Funds and other clients in an equitable manner as determined by the Adviser. Further, it may not always be possible or consistent with the investment objectives of the various persons or entities described above and of the Funds for the same investment positions to be taken or liquidated at the same time or at the same price; however, all transactions will be made on a “best execution” basis.

Item 12. Brokerage Practices

Phalanx Capital has established general criteria to determine whether a broker is qualified to provide brokerage services on behalf of its clients, and considers, among others, the following relevant factors:

- Quality of execution – accurate and timely execution, clearance and error/dispute resolution;
- Reputation, financial strength and stability of the broker;
- The difficulty of execution and the broker’s ability to handle difficult trades;
- Confidentiality of trading activity;
- The broker’s willingness and ability to commit capital;
- Overall costs of trades (i.e., net price paid or received) including commissions, mark-ups, mark-downs or spreads in the context of Phalanx Capital’s knowledge of negotiated commission rates currently available and other current transaction costs;
- Value of research and custodial services provided by the broker that are expected to enhance the Adviser’s general portfolio management capabilities;
- Nature of the security and the available market makers;
- Desired timing of the transaction and size of trade;
- Counterparty risk;
- The operational facilities of the broker, including back office efficiency;
- Block trading and block positioning capabilities; and
- Market intelligence regarding trading activity.

Phalanx Capital receives research or other products or services other than execution from broker-dealers and/or third parties in connection with client securities transactions known as “soft dollars” that are covered by the safe harbor provided under Section 28(e) of the Securities

Exchange Act of 1934 and are in accordance with the SEC's 2006 interpretive guidance regarding client commission practices. Research services within Section 28(e) may include, but are not limited to, research reports (including market research); certain financial newsletters and trade journals; software providing analysis of securities portfolios; corporate governance research and rating services; attendance at certain seminars and conferences; discussions with research analysts; meetings with corporate executives; consultants' advice on portfolio strategy; data services (including services providing market data, company financial data and economic data); and advice from broker-dealers on order execution. Brokerage services within Section 28(e) may include, but are not limited to, services related to the execution, clearing and settlement of securities transactions and functions incidental thereto (i.e., connectivity services between an adviser and a broker-dealer and other relevant parties such as custodians); trading software operated by a broker-dealer to route orders; software that provides trade analytics and trading strategies; software used to transmit orders; clearance and settlement in connection with a trade; electronic communication of allocation instructions; routing settlement instructions; post trade matching of trade information; and services required by the SEC or a self regulatory organization such as comparison services, electronic confirms or trade affirmations.

Research and brokerage services obtained by the use of commissions arising from a client's portfolio transactions are used by the Adviser solely for the benefit of that client.

During the Adviser's last fiscal year, as a result of client brokerage commissions (or markups or markdowns), the Adviser acquired software for security analysis, risk management analysis services, various market and economic data and proprietary research.

When the Adviser causes clients to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for soft dollar benefits (known as paying-up), it may result in higher transaction costs for clients. The use of client commissions (or markups or markdowns) to obtain research and brokerage products and services raises conflicts of interest. For example, the Adviser will not have to pay for the products and services itself. This creates an incentive for the Adviser to select or recommend a broker-dealer based on its interest in receiving those products and services. Our traders and portfolio manager periodically review and evaluate our soft dollar practices to determine in good faith whether, with respect to any research or other products or services received from a broker-dealer, the commissions used to obtain those products and services were reasonable in relation to the value of the brokerage, research or other products or services provided by the broker-dealer.

Item 13. Review of Accounts

The portfolio manager and risk manager review client accounts continuously to determine whether the account is appropriately positioned and whether investment objectives and policies

are being followed. Reviews also occur prior to the assessment of any performance fee or incentive allocation.

Each investor receives unaudited reports of the performance of their accounts monthly and receives audited financial statements annually. Additionally, investors receive monthly portfolio statistics, performance summaries and commentaries from the portfolio manager, Christopher McGuire.

Item 14. Client Referrals and Other Compensation

Phalanx Capital receives certain research or other products or services from broker-dealers through “soft-dollar” arrangements. These “soft-dollar” arrangements create an incentive for us to select or recommend broker-dealers based on our interest in receiving the research or other products or services and may result in the selection of a broker-dealer on the basis of considerations that are not limited to the lowest commission rates and may result in higher transaction costs than would otherwise be obtainable for our investors. Please see **Item 12** for further information on our “soft-dollar” practices, including our procedures for addressing conflicts of interest that arise from such practices.

Phalanx Capital has agreements with several third-party solicitors for investor referrals, provided that, to the extent required, each solicitor has entered into a written agreement with us that requires the solicitor to provide each prospective investor with a copy of our Form ADV Part 2, and a disclosure document setting forth the terms of the solicitation arrangement, including the nature of the relationship between the solicitor and Phalanx Capital and any fees to be paid to the solicitor. Where applicable, cash payments for investor solicitations will be structured to comply fully with the requirements of Rule 206(4)-3 under the Advisers Act and related SEC staff interpretations.

Item 15. Custody

Client assets are held with banks or registered broker-dealers that are “qualified custodians.” Ernst & Young serves as the Funds’ auditor and issues audited financial statements annually within 120 days of the fiscal year end.

Phalanx Capital is deemed to have custody because it can directly access client assets.

Item 16. Investment Discretion

The Adviser provides investment advisory services on a discretionary basis to its clients, the Phalanx Japan AustralAsia Multi-Strategy Funds and the Managed Accounts.

Allocations will be made among investor accounts eligible to participate in initial public offerings (IPOs) and secondary offerings on a pro rata basis, except when the Adviser determines in its discretion that a pro rata allocation is not appropriate, which may include an investor's status as a "restricted person" under applicable regulations.

Phalanx Capital has adopted a detailed set of *Trade Error Procedures*. All trade errors should be brought to the prompt attention of the portfolio manager and the Chief Compliance Officer to ensure that they are corrected and documented in accordance with the Adviser's policies and procedures.

Item 17. Voting Client Securities

Phalanx Capital invests primarily in long convertible bonds and short equity. As convertible bonds and short equities are non-voting, we vote proxies only in limited circumstances. When proxy votes are cast, they will be voted in accordance with our *Proxy Voting Policies and Procedures* with the aim of furthering the best economic interest of our clients.

Clients may obtain a copy of the Adviser's proxy voting policies and procedures and information about how the Adviser voted a client's proxies by contacting D. Brooke Gottshall, CCO, by email at brookeg@phalanxcm.com or by telephone at 312-930-2286.

Item 18. Financial Information

This Item is not applicable.