



**FH International Asset Management, LLC**

**550 Mamaroneck Avenue, Harrison, NY 10528-1614**

**CRD Number 137755**

**March 2011**

This Brochure provides information about the qualifications and business practices of FH International Asset Management, LLC (“**FH**”). If you have any questions about the contents of this Brochure, please contact us at +1 914 698 7300 or by email at [contact@fhinternational.com](mailto:contact@fhinternational.com). You may also visit our website at [www.fhinternational.com](http://www.fhinternational.com).

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.

FH is a registered investment adviser. Registration of an Investment Adviser does not imply that FH or any of its principals or employees possess a particular level of skill or training in the investment advisory business or any other business. The oral and written communications of an Investment Adviser provide you with information to use in determining whether to hire or retain an Investment Adviser.

Additional information about FH International Asset Management, LLC is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Item 2 - Material changes**

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On July 28, 2010, the SEC published “**Amendments to Form ADV**” which amends the disclosure document (the “**Brochure**”) that we are required to provide to our clients. As a result, FH has prepared this Brochure according to the SEC's new requirements. It is materially different in structure and contains certain new information that our previous Brochure did not.

In the future, this “Material changes” section of our Brochure will discuss only *specific material changes* that are made to the Brochure and will provide clients with a summary of such changes. We will also reference the date of our last annual update of our Brochure.

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC Rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days our fiscal year-end. We may provide other ongoing disclosure information about material changes as necessary and will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting at +1 914 698 7300 or by email at [contact@fhinternational.com](mailto:contact@fhinternational.com).

Additional information about FH is also available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about any persons affiliated with FH who are registered, or are required to be registered, as investment adviser representatives of FH.

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## Item 4 - Advisory Business

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FH International Asset Management, LLC (“**FH**”), is a limited liability company formed under the laws of the State of Delaware in 2005. FH provides investment advisory services on a discretionary basis to clients, through commingled investment vehicles intended for institutional and other sophisticated investors. Compensation for investment advisory services is based on a percentage of assets under management and on a percentage of annual profits, as described in more detail below.

Currently, FH provides discretionary investment advisory services to the following 8 clients:

1. FH Emerging Markets Debt Fund LP,
2. FH Emerging Markets Debt Fund Onshore, L.P.,
3. FH Emerging Markets Debt Fund Offshore, Ltd.,
4. FH Emerging Markets Short Term Debt Master Fund, LP,
5. FH Emerging Markets Short Term Debt Fund, LP and
6. FH Emerging Markets Short Term Debt Fund, Ltd.
7. Nordic Fund for Emerging Market Debt, which is a sub-fund of Nordic Focus Funds II, an umbrella unit trust domiciled in Dublin, Ireland (the “Nordic Fund”), and
8. Nordic Emerging Markets Debt Ltd., a special purpose vehicle that holds certain assets, including loans of the Nordic Fund (the “Nordic EM Fund” and, collectively with the Nordic Fund, the “Nordic Funds”).

Each of the above funds is herein referred to as “**FH Fund**” and, collectively, the “**FH Funds**”). The FH Funds are private investment funds that are offered to high net-worth, financially sophisticated individuals and institutional investors;

As of 12/31/2010 FH manages client assets, on a discretionary basis, of approximately \$70.7 million.

FH is 100% owned by FH International Financial Services, Inc. FH International Financial Services, Inc. is 100% owned by Eric R. Hermann.

## Item 5 - Fees and Compensation

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FH offers services on a fee-only basis. The typical management fee is as follows:

**FH Emerging Markets Debt Fund, LP**  
**FH Emerging Markets Debt Fund Onshore, L.P.**  
**FH Emerging Markets Debt Fund Offshore, Ltd.:**

- 1.5% management fee per annum
- payable quarterly in arrears
- based on the end of quarter value of each investor's capital account, before reflecting any redemptions or repurchases made as of such date.

FH, in its sole discretion, may waive or reduce the management fee for investors that are employees or affiliates of FH and for certain large or strategic investors.

**FH Emerging Markets Short Term Debt Master Fund, L.P.**  
**FH Emerging Markets Short Term Debt Fund, L.P.**  
**FH Emerging Markets Short Term Debt Fund, Ltd.:**

- 1.0% management fee per annum
- payable monthly in advance
- based on the end of month value of each investor's capital account, before reflecting any redemptions or repurchases made as of such date.

FH, in its sole discretion, may waive or reduce the management fee for investors that are employees or affiliates of FH and for certain large or strategic investors.

**The Nordic Funds**

- 1.75% management fee per annum
- payable monthly in arrears
- based on the net asset value of each of the Nordic Funds

Fees are deducted from the clients' accounts. Expenses of the FH Fund are paid directly by the FH Fund, including brokerage fees, custody fees and other fund expenses. FH and its employees do not accept compensation, including sales charges or service fees, from any person for the sale of securities or other investment products.

**Item 6 - Performance Fees**

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FH offers services on a fee-only basis. The typical performance allocation (with respect to onshore funds) or performance fee (with respect to offshore funds) structure is as follows:

**FH Emerging Markets Debt Fund, LP**  
**FH Emerging Markets Debt Fund Onshore, L.P.**  
**FH Emerging Markets Debt Fund Offshore, Ltd.:**

- 15% of the net profits for each fiscal year (including unrealized net gains).
- performance compensation is subject to a **"loss carry-forward"** provision, which means that FH receives performance compensation only on increases in the net asset value (NAV) of the fund in excess of the highest net asset value it has previously achieved.
- Investments also are subject to a **"hurdle"** rate; FH will not receive performance compensation until the fund's annualized performance exceeds a benchmark rate.

FH, in its sole discretion, may waive or reduce the performance compensation for investors that are employees or affiliates of FH and for certain large or strategic investors.

**FH Emerging Markets Short Term Debt Master Fund, L.P.**  
**FH Emerging Markets Short Term Debt Fund, L.P.**  
**FH Emerging Markets Short Term Debt Fund, Ltd.:**

- 10% of the net profits for each fiscal year (including unrealized net gains).
- performance compensation is subject to a **"loss carry-forward"**.

FH, in its sole discretion, may waive or reduce the performance compensation for investors that are employees or affiliates of FH and for certain large or strategic investors.

### **The Nordic Funds**

- 20% annual performance compensation (including unrealized net gains).
- performance compensation is subject to a “loss carry-forward” provision.
- performance compensation is subject to a “hurdle rate”.

In measuring investor or client account assets for the calculation of performance-based fees, FH shall include realized and unrealized capital gains and losses.

### Minimum investment amounts

#### **FH Emerging Markets Debt Fund, LP**

- \$500,000 (U.S.)
- subject to change or waiver at the discretion of the Directors or the General Partner
- provided however, that in no circumstances will the minimum investment fall below \$100,000 (U.S.)

#### **FH Emerging Markets Short Term Debt Master Fund, LP**

- \$250,000 (U.S.)
- subject to change or waiver at the discretion of the Directors or the General Partner
- provided however, that in no circumstances will the minimum investment fall below \$100,000 (for the off-shore fund).

### **The Nordic Funds**

- €250,000
- minimum subsequent investment is €10,000

***NOTE: Investors should refer to each FH Fund’s Offering Memorandum, Subscription Agreements and other offering documents for addition/supplementary information regarding the FH Funds as well as the fees and expenses paid by the FH Funds. FH reserves the right to negotiate fees and investment minimums.***

### **Item 7 - Types of Clients**

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FH generally provides investment advice to private investment funds.

The FH Funds, as listed below, are private investment funds that are offered to high net-worth, financially sophisticated individual and institutional investors:

- FH Emerging Markets Debt Fund, LP,
- FH Emerging Markets Debt Fund Onshore, LP,
- FH Emerging Markets Debt Fund Offshore, Ltd.,

- FH Emerging Markets Short Term Debt Master Fund, LP,
- FH Emerging Markets Short Term Debt Fund, LP and
- FH Emerging Markets Short Term Debt Fund, Ltd.
- Nordic Fund for Emerging Market Debt
- Nordic Emerging Markets Debt Limited

Investors in the FH Funds generally include:

- Qualified Individuals
- Fund of funds
- Pension and profit-sharing plans
- Trusts, estates, foundations/endowments and other charitable organizations
- Corporations and business entities other than those listed

### **Types of Investments**

FH offers advice on sovereign and corporate loans, bonds, bilateral debt between governments, Paris Club debt, convertible bonds, global depository receipts, promissory notes, bills of exchange, overdrafts, drafts drawn under letters of credit, etc., which may be syndicated, direct, restructured, current, or in default regarding principal or interest (or both) due to lenders. FH also may offer advice on a variety of derivatives, including, but not limited to, credit linked notes, credit default swaps, options and indices to establish positions. FH also may offer advice on investing in other partnerships.

### **Item 8 - Methods of Analysis, Sources of Information, Investment Strategies, Risk of Loss**

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FH's methods of analysis include:

- Fundamental analysis
- Technical analysis

The main sources of information FH uses include:

- Financial newspapers and magazines
- Inspections of corporate activities
- Research materials prepared by others
- Corporate rating services
- Annual reports, prospectuses, filings with the SEC
- Company press releases

Investment strategies used to implement investment advice include:

- Long-term purchases (securities held at least a year)
- Short-term purchases (securities sold within a year)
- Trading (securities sold within 30 days)
- Short sales
- Margin transactions

Investment Strategies (continued):

**For the FH Emerging Markets Debt Fund, LP, the FH Emerging Markets Debt Fund Onshore, L.P. and the FH Emerging Markets Debt Fund Offshore, Ltd.:**

The fund primarily seeks capital appreciation, with current income as the secondary objective, by investing in a variety of debt instruments issued by borrowers in emerging markets, including performing and distressed debt, primarily denominated in OECD currency but also in emerging market currencies. The fund may use leverage, invest in derivatives and take short positions.

**For the FH Emerging Markets Short Term Debt Master Fund, L.P., the FH Emerging Markets Short Term Debt Fund, L.P. and the FH Emerging Markets Short Term Debt Fund, Ltd.:**

The fund primarily seeks current income, with capital appreciation as a secondary investment objective, by investing in a wide variety of performing interest bearing debt instruments issued by borrowers in emerging markets, denominated primarily in OECD currencies but also in emerging markets currencies, primarily bonds, but also including, but not limited to other debt instruments. The fund may utilize leverage and a variety of derivatives, including, but not limited to, credit linked notes, credit default swaps, futures, options, and indices to establish positions.

**For the Nordic Funds**

The fund primarily seeks capital appreciation through its investments in a wide variety of emerging market debt obligations primarily denominated in OECD currency but also in emerging market currencies, including sovereign and corporate loans, bonds, notes, convertible bonds, global depository receipts, promissory notes, bills of exchange, which may be direct, syndicated, restructured, current, or in default. The fund may use leverage, invest in derivatives and take short positions.

**Risk Factors**

**An investment in the FH Funds involves significant risks and is suitable only for those investors who can bear the economic risk of the loss of their entire investment and who have limited need for liquidity in their investment.**

*Note: All investments involve the risk of loss, including (among other things) loss of principal, a reduction in earnings (including interest, dividends and other distributions), and the loss of future earnings. These risks include market risk, interest rate risk, issuer risk, and general economic risk. Although we manage the assets in a manner consistent with risk tolerances, there can be no guarantee that our efforts will be successful. The investor should be prepared to bear the risk of loss. Some risks may also include:*

**Investment Risks**

The FH Funds invest their capital principally in emerging market debt securities. The FH Funds may use leverage and may invest in derivatives, and take short positions. Markets for such instruments fluctuate and the market value of any particular investment may vary substantially. In addition, such securities may be issued by unseasoned companies or



sovereigns rated below investment grade and may be highly speculative. The FH Funds' portfolios may not generate any income or appreciate in value.

#### Valuation

The FH Funds' investments may include thinly traded and relatively illiquid securities. As a result, the FH Funds' investments may be difficult to accurately value. If the value of certain investments is higher than the value designated by the FH Funds, an investor who redeems all or part of his investment may be paid an amount less than he would otherwise be paid. Similarly, there is a risk to the other investors in the FH Funds that such investor might, in effect, be overpaid if the value of investments is lower than the value designated by the FH Funds. In addition, there is a risk that an investment in the FH Funds by a new investor (or an additional investment by an existing investor) could dilute the value of existing investors if the overall portfolio(s) value designated by the FH Funds is below the true value of such portfolio(s).

#### Counterparty and Settlement Risk

The FH Funds may take a credit risk with regard to parties with whom it trades and may also bear the risk of settlement default. These risks may differ materially from those entailed in exchange-traded transactions which generally are backed by clearing organization guarantees, daily marking-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered into directly between two counterparties generally do not benefit from such protections and expose the parties to the risk of counterparty default. It is expected that all securities and other assets deposited with custodians or brokers will be clearly identified as being assets of the FH Funds and hence the FH Funds should not be exposed to a credit risk with regard to such parties. However, it may not always be possible to achieve this and there may be practical or time problems associated with enforcing the FH Funds' rights to its assets in the case of an insolvency of any such party.

Many emerging market countries have different clearance and settlement procedures than developed countries. For many emerging markets' instruments, there is no central clearing mechanism for settling trades and no central depository or custodian for the safe keeping of securities. The registration, record-keeping and transfer of instruments may be carried out manually, which may cause delays in the recording of ownership. Increased settlement risk may increase counter-party and other risk. Certain markets have experienced periods when settlement dates are extended, and during the interim, the market value of an instrument may change. Moreover, certain markets have experienced periods when settlements did not keep pace with the volume of transactions resulting in settlement difficulties. Because of the lack of standardized settlement procedures, settlement risk is more prominent in emerging markets than in more mature markets.

#### Emerging Market Debt Securities and Other Financial Instruments

The FH Funds' assets will be primarily invested in emerging market debt securities and other financial instruments, including short-term and long-term financial instruments denominated in various currencies. These securities and other financial instruments may be unrated or rated in the lower rating categories by the various credit rating agencies. These securities and other financial instruments are subject to greater risk of loss of principal and interest than higher-rated securities and are generally considered to be predominantly speculative with respect to the issuer's capacity to pay interest and repay principal. They are also generally subject to greater risk than securities and other financial instruments with higher

credit ratings in the case of deterioration of general economic conditions. Additionally, evaluating credit risk for non-U.S. debt securities and other financial instruments involves greater uncertainty because credit rating agencies throughout the world have different standards, making comparisons across countries difficult. Because investors generally perceive that there are greater risks associated with lower-rated securities, the yields or prices of such securities and other financial instruments may tend to fluctuate more than those for higher-rated securities and other financial instruments. The markets for emerging market debt securities and other financial instruments is thinner and less active than that for higher-rated securities or other financial instruments, which can adversely affect the prices at which investments are sold. In addition, adverse publicity and investor perceptions about emerging market debt securities, whether or not based on fundamental analysis, may be a contributing factor in a decrease in the value and liquidity of such investments.

#### Custody Risk

The FH Funds and/or the custodians may appoint sub-custodians in certain non-U.S. jurisdictions to hold the assets of the FH Funds. Custody services in certain non-U.S. jurisdictions remain undeveloped and accordingly there is a transaction and custody risk of dealing in certain non-U.S. jurisdictions. The FH Funds' custodians may not be responsible for cash or assets which are held by sub-custodians in certain non-U.S. jurisdictions, nor for any losses suffered by the FH Funds as a result of the bankruptcy or insolvency of any such sub-custodian. The FH Funds may therefore have a potential exposure on the default of any sub-custodian and, as a result, many of the protections which would normally be provided to a fund by a custodian will not be available to the FH Fund. Given the undeveloped state of regulations on custodial activities and bankruptcy in certain non-U.S. jurisdictions, the ability of the FH Funds to recover assets held by a sub-custodian in the event of the sub-custodian's bankruptcy would be in doubt.

#### Lack of Diversification

The FH Funds' portfolios may not be widely diversified among sectors, industries, geographic areas or types of securities. Further, the FH Funds' portfolios may not necessarily be diversified among a wide range of issuers. Accordingly, the portfolios may be subject to more rapid change in value than would be the case if the FH Funds were required to maintain a wide diversification among companies or industry groups.

#### Lack of Liquidity

The FH Funds may invest in thinly traded and relatively illiquid securities. The FH Funds also may acquire significant positions in some securities. In such cases and in the event of extreme market activity, the FH Funds may not be able to liquidate investments promptly if necessary. In addition, the FH Funds' sales of thinly traded securities could depress the market value of those securities and thereby reduce the FH Funds' profitability or increase its losses. Such circumstances or events could affect the FH Funds' gain or loss materially and adversely. Additionally, because of limitations on investor ability to withdraw capital from the FH Funds and the fact that investments in the FH Funds are not tradable, an investment in the FH Funds is illiquid and involves a high degree of risk.

#### Reliance on Management and Key Personnel

Investors have no right or power to take part in the management of FH. Accordingly, no investor should invest in the FH Funds unless such investor is willing to entrust all aspects of

management to FH. The investment performance of the FH Funds depends largely on the skill of key personnel of FH. If key personnel were to leave FH, it might not be able to find equally desirable replacements and the performance of the FH Funds could, as a result, be adversely affected.

#### Performance Fees

Performance Fees may create an incentive for FH to make investments that are riskier than they otherwise would in the absence of the Performance Fees. Moreover, since the Performance Fee is based on realized and unrealized appreciation of assets, the Performance Fee may be greater than if it were based solely on realized appreciation. FH may, in its sole discretion, and without the consent or knowledge of any other investors, waive or reduce its Performance Fee as to any investor, and may otherwise vary the terms of the Performance Fee as to an investor by agreement. Any variation in the terms of the Performance Fee as to one investor may adversely affect the return on their investment to the other investors.

### **Item 9 - Disciplinary Information**

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We are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of our business or the integrity of our management. FH has not been subject to any disciplinary action, whether criminal, civil or administrative (including regulatory) in any jurisdiction. Likewise, no persons involved in the management of the Firm have been subject to such action.

### **Item 10 - Other Financial Industry Activities and Affiliations**

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FH is not registered and does not have an application pending as a securities broker-dealer, futures commission merchant, commodity pool operator or commodity trading advisor.

FH does not have arrangements that are material to its advisory business and its Clients and investors with a related person who is a broker-dealer, investment company, other investment adviser, financial planning firm, commodity pool operator, commodity trading adviser, futures commission merchant, bank or thrift institution, accounting firm, law firm, insurance company or agency, pension consultant, real estate broker or dealer, or an entity that creates or packages limited liability companies.

FH provides discretionary investment advice to the various FH Funds, which are structured as LLCs and offshore investment companies in which clients or investors may be solicited to invest.

In addition to the FH Funds, Eric R. Hermann and Steven Landis have a relationship with two other investment advisors – Montreux Advisors, LLC and Montreux Investments, LLC. Montreux Advisors, LLC is the investment adviser of Montreux Partners, L.P., a closed-end limited partnership that invests in deeply distressed sovereign emerging market debt. Mr. Eric R. Hermann is a principal of Montreux Capital Management, LLC, the Managing Member of Montreux Advisors, LLC and the general partner of Montreux Partners, L.P. Mr. Landis is a director of Montreux Capital Management.

Montreux Investments, LLC is the investment adviser of Montreux Partners II, L.P., a closed-end limited partnership that invests in deeply distressed sovereign emerging market debt.

Mr. Eric R. Hermann is a principal of Montreux Partners II (GP), LLC, the Managing Member of Montreux Investments, LLC and the general partner of Montreux Partners II, L.P. FH recognizes that conflicts may arise as a result of these relationships and has established policies to ensure that its clients are treated fairly and equitably, the most important of which is its commitment to place the client's interest first in every situation where a conflict of interest exists.

Mr. Hermann is principal of FH international GP, LLC which is the General Partner of the FH Emerging Markets Debt Fund, L.P. and the General Partner of the FH Emerging Markets Short Term Debt Master Fund, L.P. (for a discussion of what these FH Funds invest in please see above.) Mr. Hermann is a principal of Montreux Capital Management, LLC which is the General Partner of Montreux Partners, LP and a principal of Montreux Partners II (GP), LLC which is the General Partner of Montreux Partners II, LP.

Mr. Hermann is a director of Luxonen SA, an investment company registered in Luxembourg and listed on the Stockholm Stock Exchange; Luxonen SA has a relationship with the Nordic Funds. In addition, Mr. Hermann is a director of two biotechnology companies: Curemark, LLC, based in Rye, NY and Calregen, LLC, based in Harrison, NY.

## **Item 11 - Code of Ethics, Participation/Interest in Client Transactions/Personal Trading**

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### **Code of Ethics Pursuant to Rule 204A-1**

FH recognizes and believes that (i) high ethical standards are essential for its success and to maintain the confidence of its clients; (ii) its long-term business interests are best served by adherence to the principle that the interests of clients come first; and (iii) it has a fiduciary duty to its clients to act solely for their benefit. All FH employees must put the clients' interests before their own personal interests and must act honestly and fairly in all respects in dealings with clients. All FH employees must also comply with all federal securities laws. FH's Code of Ethics is designed to provide a statement of general standards of conduct for an employee that embodies these principals.

FH has adopted a Code of Ethics governing personal trading by its employees. Among other requirements, the Code of Ethics requires employees who have access to client portfolio information or FH's non-public securities recommendations to report their personal securities transactions and holdings to FH, and FH is required to review such reports. All FH employees are required to pre-clear (receive authorization before trading) certain personal trades and the CCO shall conduct a quarterly review of such trades.

Additionally, all FH employees must complete an Initial Holdings Report and Annual Holdings Report confirming the existence and location of any personal trading account.

### **Participation or Interest in Client Transactions**

FH and its related persons may invest their personal funds in the FH Funds, and, therefore, such persons may hold the same securities as other investors in the FH Funds. In addition, certain employees of FH may own securities in their personal accounts that are also recommended by FH to the FH Funds. FH has established procedures intended to limit

conflicts of interest in cases where FH, a related person or any of their employees, buys or sells securities recommended by FH to its clients.

As stated above and outlined in the Personal Trading section below, FH has a Code of Ethics designed to prevent violations of securities rules and will provide a copy upon their request.

### **Personal Trading**

FH has adopted Code of Ethics governing personal trading by its employees. Among other requirements, the Code of Ethics requires employees to report their personal securities transactions and holdings to FH and FH is required to review such reports. All FH employees are required to pre-clear (receive authorization before trading) certain personal trades, in accordance with the Employee Investment Policy and the CCO shall conduct a quarterly review of such trades.

Additionally, all FH employees must complete an Initial Holdings Report and Annual Holdings Report confirming the existence and location of any personal trading accounts, as defined by the Code of Ethics.

*Clients or prospective clients may obtain a copy of the Code of Ethics by contacting FH by email at [contact@fhinternational.com](mailto:contact@fhinternational.com), or by telephone at +1 914 698 7300.*

## **Item 12 - Brokerage Practices**

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### **Brokerage Discretion**

FH may suggest that the FH Funds use a particular custodian and/or broker-dealer. FH has complete discretion over the selection of the broker to be used and the commission rates to be paid. In selecting brokers and negotiating commission rates, FH will take into account the financial stability and reputation of brokerage firms, referrals of investors (consistent with best execution), and the brokerage and research and related services provided by such brokers.

### **Best Execution**

FH as a fiduciary has an obligation to seek best execution of “clients” transactions under the circumstances of the particular transaction. To fulfil this duty, FH must execute securities transactions for the FH Funds in such a manner that the FH Funds’ total costs or proceeds in each transaction are the most favorable under the circumstances.

Best execution is determined on a trade-by-trade basis, and should result in the best qualitative execution, not necessarily the best possible commission cost. A key element of the duty of best execution is obtaining the best price at which securities transactions are executed. Best price is considered to be the highest price that a client can sell a security and the lowest price that a client can purchase a security. Other components of best execution are timeliness of having a transaction executed by a broker, the value of research provided, the responsiveness of the broker to FH, and the financial responsibility of the broker.

Typically, to achieve best execution, an adviser may aggregate or batch client orders when a transaction is done that is to be allocated amongst various accounts. If aggregation of trading is not utilized or available in such situations, FH is required to disclose to clients that

it will not aggregate transactions and the fact that clients may pay higher commissions as a result of trades not being aggregated.

### Soft Dollars

Although FH does not currently utilize soft dollars, the term “soft dollars” is generally used to describe an arrangement or agreement that involves a transaction between an investment adviser with discretion over clients’ accounts and a broker-dealer, whereby, a broker-dealer provides the discretionary investment adviser with research or other services or products in return for commission dollars paid for executing transactions for discretionary client accounts. In providing research services, the broker-dealer may produce these “in-house” or obtain them externally from third parties.

Whatever the nature of the specific arrangement, the broker-dealer usually provides the investment adviser with research or brokerage services with an expectation, but not necessarily an explicit agreement or contract, that the investment adviser will use the broker-dealer to execute client transactions in the future. In these situations, the investment adviser may cause its client account to pay the broker-dealer a commission that is higher than the lowest commission rate available from other broker-dealers for providing only basic execution services.

Typical Soft Dollar Transaction is usually structured as follows:

- An investment adviser directs a broker-dealer to execute trades on behalf of the investment adviser’s fund or separately managed account client;
- The broker-dealer may charge a higher commission or, in some cases, the investment adviser may agree to direct a higher volume of transactions to the broker-dealer at a normal commission rate; and
- The broker-dealer, in addition to executing the transaction, provides the investment adviser with goods and services to be utilized by the investment adviser.

Section 28(e) of the Exchange Act provides a safe harbor for persons who exercise investment discretion over accounts to pay for research and brokerage services with commission dollars generated by account transactions. The controlling principle to be used to determine whether something is “**research**” is *whether it provides lawful and appropriate assistance to the money manager in the performance of his or her investment decision making responsibilities*. Therefore, Section 28(e) prevents such person from being deemed to have acted unlawfully or to have breached a fiduciary duty as long as such person has determined in good faith that the amount of the commission was reasonable in relation to the value of the brokerage and research services provided.

It is FH’s policy to stay within the safe harbor provisions of 28(e).

### Item 13 - Review of Accounts

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Mr. Eric Hermann, President of FH, is generally aware of the holdings in each Client’s account on a continuous basis. These holdings are monitored by Mr. Steven Landis, Managing Director of FH, in light of trading activity, significant corporate developments and other activities which may dictate a change in portfolio positions. In addition, Mr. Andy

Wong, Chief Financial Officer of FH, monitors each Client's account continuously with regard to trading and settlement activity.

Before deciding whether to purchase or sell a particular security on behalf of a client account, each client account holding such security will be reviewed in full by Mr. Landis. In addition, client accounts are reviewed periodically by Mr. Landis and Mr. Hermann from the standpoint of the specific investment objectives of the client and as particular situations may dictate.

Each investor of FH Emerging Markets Debt Fund L.P. will receive monthly unaudited performance reports and audited annual financial statements.

Each investor of FH Emerging Markets Short Term Debt Master Fund, LP will receive monthly unaudited performance reports and audited annual financial statements

Semi-annual unaudited and annual audited financial statements will be sent to investors of Nordic Fund for Emerging Market Debt.

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

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FH has entered into Solicitation Agreements with third party marketers under which these marketers are compensated for soliciting and obtaining investors. These agreements compensate marketers based upon a percentage of the fees earned by FH on the new investments. Prospective investors receive disclosure that a fee will be paid to the Solicitor as a result of the investor making an investment in an FH Fund.

#### **Item 15 - Custody**

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The amended and revised Rule 206(4)-2 of the Advisers Act sets forth extensive requirements regarding possession or custody of client funds or securities. The Rule requires advisers that have custody of client securities or funds to implement a set of controls designed to protect those client assets from being lost, misused, misappropriated or subject to FHs' financial reverses.

Advisers with custody of client funds and securities must maintain them with "Qualified Custodians." "Qualified Custodians" under the amended rule include banks and savings associations and registered broker-dealers.

FH does not maintain direct custody or possession of any of its client's funds or securities. FH currently uses two U.S. custodians for the FH Funds: Deutsche Bank Trust Company Americas and CACEIS Investor Services and one U.K. custodian – Standard Bank Plc. Through this arrangement these custodians will provide among other things, clearing, custodial and record keeping services.

The rule requires that advisers with custody of clients' funds or securities have a reasonable belief that a Qualified Custodian holding the assets provides periodic account statements to those clients. These account statements should be provided on a quarterly basis and delivered directly from the Qualified Custodian to the advisory client

However, advisers need not comply with these quarterly reporting requirements of the rule for pooled investment vehicles, such as limited partnerships or limited liability companies, if the pooled investment vehicle (i) is audited at least annually, and (ii) distributes its audited



financial statements prepared in accordance with generally accepted accounting principles to all limited partners (or members or other beneficial owners) within 120 days of the end of the fiscal year of the pooled investment vehicle.

To that end, annually, upon completion of the FH Funds' annual audit, FH will distribute the audited financials along with copies of its Privacy Notice and ADV Part 2. In addition, if FH manages any separately managed accounts in the future, the qualified custodian will at least quarterly send a client statement directly to the client.

FH shall use its best efforts to ensure that the audited financials are delivered to all limited partners (or members or other beneficial owners) within 120 days of the fiscal year end.

### **Item 16 - Investment Discretion**

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FH has exclusive and absolute discretion and authority in managing and controlling the investments and affairs of the FH Funds, subject only to specific and express limitations in any Investment Management Agreement or provided by the law notwithstanding the Agreement.

FH has authority to determine the following without obtaining specific Client consent:

- Securities to be bought or sold
- Amount of the securities to be bought or sold
- Broker or dealer to be used
- Commission rates paid

FH is authorized to determine the broker or dealer to be used for each securities transaction. Portfolio transactions will be allocated to brokers on the basis of best execution. In selecting brokers or dealers to execute transactions, FH need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. It is not FH's practice to negotiate "execution only" commission rates; thus, an FH Fund may be deemed to be paying for research services provided by the broker which are included in the commission rate. Research and related services furnished by brokers will be limited to services that constitute research within the meaning of Section 28(e) of the Securities Exchange Act of 1934, as amended. Accordingly, research and related services may include, but are not limited to, written information and analyses concerning specific securities, companies or sectors; market, financial and economic studies and forecasts, as well as discussions with research personnel; financial and industry publications; statistical and pricing services, along with hardware, software, data bases and other technical and telecommunication services, lines, and equipment (including updates, replacement parts, repairs and service thereon) utilized in the investment management process. Research services obtained by the use of commissions arising from an FH Fund's portfolio transactions may be used by FH in its other investment activities.

From time to time FH may recommend that one FH Fund or account buy a security from, or sell a security to, another FH Fund or account, when such a trade is consistent with the investment objectives and strategies of both FH Funds and accounts. When FH acts as adviser for both FH Funds and accounts in a cross trade, FH will not receive any compensation from the transaction. FH will attempt to locate an independent broker-dealer to execute cross trades.



**Item 17 - Voting Client Securities**

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In managing the FH Funds, FH generally invests in debt instruments issued by borrowers in emerging markets (including performing and distressed debt, primarily denominated in OECD currency but also in emerging markets currencies and may use leverage, invest in derivatives, and take short positions) and does not own an equity position and therefore would be unlikely to be in a position to vote a proxy.

FH has, however, adopted a Corporate Action & Proxy Voting Policy and has outlined Procedures that are designed to ensure that in cases where FH votes corporate actions or proxies with respect to client securities, such corporate actions or proxies are voted in the best interests of its clients.

The Procedures also require that FH identify and address conflicts of interest between FH and its clients. If a material conflict of interest exists, FH will determine whether voting in accordance with the guidelines set forth in the Procedures is in the best interests of the client or take some other appropriate action.

It is FH's general policy not to vote corporate actions or proxies for securities which are not held in a client's account at the time such corporate action or proxy is received by FH. FH will determine whether a proposal is in the best interests of its clients and may take into account the following factors, among others: (i) whether the proposal was recommended by management and Adviser's opinion of management; (ii) whether the proposal acts to entrench existing management; and (iii) whether the proposal fairly compensates management for past and future performance.

Clients may obtain a copy of FH's Procedures and information about how Adviser voted a client's proxies by contacting us by email at [contact@fhinternational.com](mailto:contact@fhinternational.com) or by telephone at +1 914 698 7300.

**Item 18 - Financial Information**

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FH is required in this Item to provide you with certain financial information or disclosures about FH's financial condition. FH has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding. We do not require or solicit pre-payment of any type of client fees in advance.