



INTERLACHEN CAPITAL GROUP LP

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FORM ADV, PART 2A BROCHURE

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This brochure provides information about the qualifications and business practices of Interlachen Capital Group LP. If you have any questions about the contents of this brochure, please contact David Woodis, our chief compliance officer, at (612) 659-4450 or dwoodis@interlachencapital.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.

We are a registered investment adviser. Any reference to or use of the terms "registered investment adviser" or "registered" does not imply that we or any person associated with us has achieved a certain level of skill or training.

Additional information about us is also available on the SEC's website at www.adviserinfo.sec.gov.

ITEM 2. MATERIAL CHANGES

This section contains a summary discussion of the material changes that have been made to this brochure since its last annual update, which we filed with the SEC on March 31, 2011.

We have recently narrowed the strategies in which we invest, and our current investment strategies include just two primary strategies: fundamental value and Asia volatility. Strategy concentration may subject an investor in our funds to significant risk. This risk may be heightened in light of our focus on just two primary investment strategies. You should refer to our response to Item 8 – *Methods of Analysis, Investment Strategies and Risk of Loss*, which describes in greater detail our investment strategies and the material risks involved with each.

Our assets under management have declined significantly since March 1, 2011, when we managed \$341.0 million of net assets in our funds. As of March 1, 2012, we managed \$149.4 million of net assets in our funds, which constitutes all of our assets under management. You should refer to our response to Item 4 – *Advisory Business*, which describes in greater detail our assets under management.

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ITEM 4. ADVISORY BUSINESS

Firm Overview

We are Interlachen Capital Group LP, a privately owned Delaware limited partnership located in Minneapolis, Minnesota, USA. We were founded in 2005 and registered as an investment adviser with the SEC as of May 2006. Our principal owners and managing partners are Andrew E. Fraley and Jonathan D. Havice.

We are a hedge fund manager that provides discretionary management services to private investment funds, or funds that are not registered and whose securities are sold to investors under exemptions from applicable securities laws. We may also provide investment advisory or portfolio management services to other types of pooled investment vehicles or to separately managed accounts.

Our clients are the small number of hedge funds that we manage. These hedge funds are created by us, and their investment objective and strategy are defined by us. We sell equity interests in these funds to investors. The proceeds of these investments serve as the pool of capital that we manage for the hedge fund according to the investment objective and strategies that we have defined for that hedge fund. We may adopt restrictions on the type of investments and exposures that we will make in a particular fund. However, in the absence of express restrictions contained in the offering documents for a fund, we are free to invest the funds' assets in any types of securities, instruments or other assets. Our current funds generally impose no restrictions on the investments that we may make.

Our Funds

The hedge funds that we currently manage are a multi-strategy group of three funds. These funds work together as a group under a "master-feeder" structure. This means that two of these funds, or the feeder funds, are the vehicles that receive subscriptions from investors. These feeder funds then generally invest all their assets into the third fund, or the master fund (although the feeder funds do engage in some direct trading activity apart from the master fund). The master fund, in turn, functions as the trading vehicle that makes direct investments according to the funds' investment objective and strategies. The master fund is Investcorp Interlachen Multi-Strategy Master Fund Limited. The feeder funds are Investcorp Interlachen Multi-Strategy Fund Limited (or our Cayman feeder fund) and Investcorp Interlachen Multi-Strategy Fund LLC (or our U.S. feeder fund).

We manage our multi-strategy funds under an arrangement with Investcorp Investment Advisers Limited, or Investcorp Advisers. You should refer to our response to Item 10 – *Other Financial Industry Activities and Affiliations*, which describes our arrangement with Investcorp Advisers in greater detail. We and Investcorp Advisers receive fees for providing services to the multi-strategy funds as described below under Item 5 – *Fees and Compensation*. These fees are shared pursuant to a separate agreement between the firms.

Assets Under Management

As of March 1, 2012, we managed \$149.4 million of net assets in our funds. This amount constitutes all of our assets under management. We manage all of these assets on a discretionary basis.

ITEM 5. FEES AND COMPENSATION

Our Fees and Compensation

Our multi-strategy funds' basic fee schedule is a management fee of 2% annually of assets under management and performance-based compensation, or an incentive fee, of 20% of net profits. These fees are assessed at the feeder fund level and are shared by us and Investcorp Advisers as co-managers of the multi-strategy funds. We may assess a higher, lower or no management or incentive fee with respect to some investors in our funds. No fees are assessed on investments in our multi-strategy funds by us or any of the partners, officers or employees of us or Investcorp Advisers. Our fees are more fully described below and in the Confidential Information Memoranda applicable to our multi-strategy funds. These fees are in addition to the other costs and expenses incurred by the funds as described below.

Management Fee

The management fee is paid monthly in advance, based on the relevant fund's net assets at the beginning of each month. For purposes of calculating this management fee, the assets of the multi-strategy feeder funds: (i) are not reduced by the amount of any incentive fees not yet payable, (ii) include any subscriptions funded during the month, and (iii) do not include any amounts attributable to the accounts owned by us or any of the partners, officers or employees of us or Investcorp Advisers.

Incentive Fee

The incentive fee is assessed with respect to each investment in the multi-strategy feeder funds and is subject to the offset of previous losses associated with the investment. The incentive fee is calculated monthly and is payable: (x) at the end of each fiscal year, and (y) upon the redemption, withdrawal or transfer of an investor's investment (with respect to the redeemed, withdrawn or transferred portion only).

This incentive fee may give us an incentive to make riskier investments on behalf of our multi-strategy funds than otherwise would be the case absent an incentive fee. Incentive fee calculations include both realized and unrealized appreciation and depreciation of investments, the full value of which might not be realized upon disposition of the investment. The valuation of our funds' investments is a critical component in determining the amount of our incentive fee. As described below, we have an active and significant role in valuing our funds' investments. Finally, depending upon a fund's total return, the amount of incentive fee may be considered high when compared to fees paid to other investment managers for managing a comparable amount of money.

Calculation of Our Fees

The net asset value of a fund is important for many reasons, including because it indirectly determines the amount of management and incentive fees to which we are entitled. The calculation of a fund's net asset value depends significantly on the valuation of the fund's securities and other investments. Independent pricing information may not be available or may be difficult to obtain with respect to some or many of our fund's securities and other investments. Valuation may therefore involve uncertainties and judgments and may be subject to varying interpretations of value. We have an active and significant role in making these judgments and in the valuation process generally. You should therefore understand that there are conflicts inherent to our role in the valuation process and in the fee arrangement we have with our funds, and these conflicts present risk to an investment in our funds.

The multi-strategy funds have retained a third-party administrator, Citco Fund Services (Cayman Islands) Limited, to perform accounting and other services for these funds. The funds' administrator calculates the management and incentive fees and provides us with a written statement showing the amount of fees payable and the calculation of those fees. We then initiate payment of these fees by the multi-strategy funds to us and Investcorp Advisers. These fees are generally paid by the multi-strategy master fund and then allocated to the multi-strategy feeder funds accordingly. Although there are no refunds given, a feeder fund may dispute the calculation of our fees. In that case, the fund would notify us and Investcorp Advisers no later than five business days after receiving the administrator's fee statement. We would initiate payment of any amount not in dispute, and attempt to resolve the dispute. If any fee dispute remains unresolved after 30 calendar days, we, Investcorp Advisers and the applicable funds would seek an independent party's opinion to resolve the dispute, the result of which will be final and binding.

Other Costs and Expenses

In addition to the management and incentive fees paid to us and Investcorp Advisers, our funds generally bear all of their own operating and other expenses. These expenses include, without limitation:

- expenses incurred in order to purchase, hold, protect, value, sell and deliver a fund's assets or liabilities and expenses otherwise related to or arising in connection with a fund's assets or liabilities;
- brokerage commissions, borrowing charges, other indebtedness and bank and service fees;
- fees of the fund's administrator, prime brokers, trading counterparties, custodian and any valuation agent or other service provider retained on behalf of the fund;
- all external legal fees and expenses relating to the fund;
- fees and expenses for accounting services required by the fund (including fees for an annual or more frequent audit) and for tax preparation and consulting services required by the fund (including preparation of annual K-1s, if applicable);
- research costs (including the costs of Bloomberg, live market feeds, line charges, data storage and backup, pricing and valuation data and services, on-line research and research-related travel related to the fund);
- stamp duty and all other costs and expenses incurred for the actual or proposed acquisition or disposition of investments;
- expenses involved in inspecting, evaluating and monitoring the fund's investments;
- expenses incurred in connection with the organization, administration and maintenance of, and legal compliance by, the fund;
- expenses incurred in connection with the offering of equity or other interests in the fund; and
- other professional fees incurred on behalf of the fund.

In addition, to the extent we invest the assets of any fund into other pooled investment funds that are not affiliated with us, such as mutual funds, exchange-traded funds or other private investment funds, our funds will pay the fees charged by these underlying funds. These fees may include advisory fees,

administrative fees and distribution fees. These fees would be in addition to the management and incentive fees payable to us and Investcorp Advisers.

You should read our response to Item 12 – *Brokerage Practices*, which discusses our brokerage practices and the commissions that we obligate our funds to pay for brokerage services.

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

As described in our response to Item 5 – *Fees and Compensation*, our multi-strategy funds’ basic fee schedule includes performance-based fees. These performance-based fees are more fully described in our response to Item 5 – *Fees and Compensation* and in the Confidential Information Memoranda applicable to our multi-strategy funds. Performance-based fee arrangements may create an incentive for us to make more speculative investments for our funds than we might otherwise make in order to increase the likelihood that we would be paid incentive fees.

We currently have no clients other than the multi-strategy funds. We therefore have no clients that are not charged a performance-based fee. However, we may in the future have other funds, managed accounts or other clients that are not charged a performance-based fee. We would face conflicts of interests in managing any such funds, accounts or other clients while, at the same time, managing funds that are charged a performance-based fee. We would address these conflicts of interests in connection with the commencement of our provision of services to any client not charged a performance-based fee, and we would make appropriate disclosure regarding how we address those conflicts of interest.

ITEM 7. TYPES OF CLIENTS

Our current clients are hedge funds. Hedge funds are private investment funds, or funds that are not registered under the Investment Company Act and whose securities are sold to investors under an exemption from registration under the Securities Act of 1933. In the future, we may have other types of pooled investment vehicles or other persons or entities as clients.

The investors in our hedge funds, although not directly our clients, include funds of hedge funds, pension plans, university endowments, sovereign funds, other U.S. and international institutional investors, family offices and high net worth individuals. We generally require that an investor's initial investment in our multi-strategy funds be at least \$2 million. However, we may waive this requirement and accept smaller investments into our multi-strategy funds.

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

In managing our multi-strategy funds, we allocate capital opportunistically across and execute several investment strategies. Historically these strategies have included fundamental value, Asia volatility, fixed income, special investments and other opportunities. These investment strategies currently include just two primary strategies: fundamental value and Asia volatility. We also currently maintain a small portfolio of legacy investments that were previously part of our special investments strategy. In addition, we seek to opportunistically invest the assets of our multi-strategy funds in a broad range of trades and strategies not falling within any of our current primary strategies. These other trades and strategies may include convertible bond and options trading outside of Asia, fixed income trading, event driven trading and new strategies and asset classes. Because our multi-strategy funds are currently our only clients, these strategies are the investment strategies that we use in managing all of our assets under management.

We describe below our two primary strategies and our small portfolio of legacy special investments, together with what we believe to be the material risks involved with each. We also describe below some general risks that we believe are material risks involved with all of our strategies and with investing in our multi-strategy funds generally. In addition, before investing in any fund that we manage, you must consider all risks associated with investing in that particular fund. You should therefore read completely and ensure that you understand the applicable Confidential Information Memorandum or other offering document related to that particular fund. That document will describe in greater detail the risks set forth below and will identify some additional risks particular to the fund in which you invest. You should also ensure that you have sufficient background and experience in hedge fund investing to understand thoroughly the strategies employed and risks involved in any investment you make in our funds. If you have any questions regarding any fund that we manage, you should ask us those questions and ensure that you receive answers with which you are fully satisfied. The risks described below or others could result in significant losses or even a complete loss of your investment in any fund we manage. You should be prepared to bear all of the risks described below and others if you invest in any of our funds.

The descriptions of our strategies and the material risks related to each should not be understood to limit in any way the potential scope of our funds' investment activities or the securities, instruments or other assets in which we may invest on behalf of our funds. In addition, our funds may not engage in all of the strategies and activities described in this brochure.

General Material Risks

Operational and Human Error. The success of our strategies depends in large part upon our sound judgment in evaluating and monitoring investments. This success also requires the use of accurate information, calculations and price relationships in our analysis and the communication of precise trading instructions in our trade execution. Our strategies require active, ongoing management and dynamic adjustments to positions. Through human error, oversight or operational weaknesses, we can make mistakes or exercise bad judgment in this process, which could lead to significant trading losses. Our trade error policy generally provides that the applicable fund will benefit from any gain or bear any loss, as applicable, resulting from a trade error. The only exception is where, in the case of a loss, the error is the result of our gross negligence or willful misconduct. Therefore, our funds could bear substantial losses as the result of one or more errors on our part.

No Diversification Requirement; Issuer, Industry, Investment Strategy, Geographical and Asset Class Concentration. Generally, the funds that we manage are not subject to any diversification requirement whatsoever. Therefore, we may invest a significant amount of assets in a single or concentrated number

of issuers, industries, investment strategies, geographical regions or asset classes. This concentrated investing may subject an investor in our funds to significant additional risk with respect to their investment. In addition, this concentration risk may be heightened in light of our focus on just two primary investment strategies. You should therefore invest in our funds only as part of a diversified portfolio.

Borrowing and Leverage. Our funds may borrow money for any purpose, including to make investments. The amount of these borrowings may be substantial in relation to the net asset value of the borrowing fund. Our funds also purchase securities “on margin.” These practices may significantly increase our funds’ market exposure and risk. When our funds have borrowed money for leverage and the fund’s investments increase or decrease in value, the fund’s net asset value will increase or decrease more (possibly by multiples, depending upon the degree of leverage employed) than if the fund had not borrowed money. In addition, the interest expense and other costs incurred in connection with this borrowing may not be recovered by appreciation in the investments purchased. Our funds’ borrowings are often “on demand,” meaning that the borrowing fund is obligated to repay the loan immediately upon the demand of the lender. These demand loans are frequently used in the context of prime brokerage arrangements. These demand loans create a significant risk that the lender will demand repayment at a time when our fund does not have sufficient cash to repay the loan.

Investments with Limited Liquidity. No active market exists for some of the securities and other assets in which our funds invest. These securities include our investments in private companies or in restricted or unregistered securities of public companies. In addition, the markets for some or all of our funds’ securities and other assets could become significantly less active as a result of economic, regulatory or other factors. This was the case in the fall of 2008, when many of the markets in which we transact, including many historically liquid markets, offered limited or no liquidity. These illiquidity factors may affect our ability to divest fund assets and could affect the value that the fund receives upon the sale of its investments.

Securities of Smaller Companies. We may invest in securities issued by smaller companies. Investment in smaller companies may offer greater opportunities for capital appreciation than investment in larger companies, but may involve additional risks. Smaller companies may have limited product lines, markets or financial resources and may be dependent on a limited management group. Securities of smaller companies may trade less frequently and in smaller volume than more widely held securities. The values of these securities may fluctuate more sharply than those of other securities, and we may experience difficulty in establishing or closing out positions in these securities at prevailing market prices. There may be less publicly available information about the issuers of these securities or less market interest in these securities than in the case of larger companies, and the prices of such securities may take longer to reflect the full value of their issuers’ underlying earnings potential or assets.

Counterparty Risk. Many of the markets in which we trade are “over-the-counter” markets. The participants in these markets, unlike participants in “exchange-based” markets, may not be subject to credit evaluation and regulatory oversight. This exposes our funds to the risk that a counterparty will not settle a transaction as anticipated, including because of a dispute over the terms or because of a credit or liquidity problem. An economic downturn or financial crisis can significantly increase the risk of counterparty default or insolvency. In addition, the contracts governing our over-the-counter trading may include rights of the counterparty to refuse to perform or to terminate the contract upon specified events, including both events related to our fund, such as a net asset value decline, and economic, regulatory and other events independent of that fund. This could result in our fund losing an expected right or benefit, or incurring an unexpected loss or expense, associated with some or all of the fund’s over-the-counter trades. This counterparty risk is accentuated for contracts with longer maturities where events may intervene to prevent settlement or where our fund has concentrated transactions with a single or small group of

counterparties. Moreover, we have only limited resources to evaluate the creditworthiness of our funds' counterparties.

Custody Risk. The prime brokers, trading counterparties and other custodians that we engage for our funds serve as custodians of our funds' assets, and there are significant risks related to these custodial arrangements. For example, our funds' prime brokerage agreements generally grant to the prime brokers the right to re-hypothecate our funds' assets, which means that the prime brokers may pledge, sell, lend or otherwise transfer our funds' assets, with a corresponding obligation only to deliver equivalent assets back to the fund. Although there are general legal limitations on the prime brokers' rights of re-hypothecation, these limitations may not apply to the funds' financing arrangements, particularly with respect to financing provided to the funds by the prime brokers' non-U.S. affiliates. In addition, the funds maintain significant assets with trading counterparties as collateral to secure the fund's obligations under derivative contracts and repurchase and reverse repurchase agreements. Generally, the trading counterparty is free to re-hypothecate all such collateral. Our funds' custodians may also hold our funds' assets in "street name," which means the assets are not held in a segregated account in the name of our funds. As a result of all of this, the funds' assets may be exposed to credit risk with respect to the prime brokers, trading counterparties and other custodians, and a fund may encounter practical or timing problems in enforcing its rights to its assets if the custodian becomes insolvent.

Short Sales. We may seek to realize gains or hedge investments through short sales. Short sales are transactions in which a fund sells a security it does not own in anticipation of a decline in the market value of that security. To complete such a transaction, our funds must borrow the security to make delivery to the buyer. Our fund then is obligated to replace the security borrowed by purchasing it at the market price at or before the time of replacement. The price at that time may be more or less than the price at which the security was sold by the fund. The net proceeds of the short sale are retained by the broker, to the extent necessary to meet margin requirements, until the short position is closed out. Our funds will 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 borrowed security is replaced. Except in the case of short sales "against the box" (as to which our fund would own or have a contractual right to acquire at a fixed price the securities sold short), market risk is unlimited in that the increase in the market price of the security sold short is unlimited.

Reliance on Key Personnel. We have sole responsibility for the day-to-day portfolio management of the assets of our funds. Our funds' future profitability will in large part depend upon the business and investment acumen of our key personnel. These key personnel include our managing partners, Andrew Fraley and Jonathan Havice, as well as the portfolio managers responsible for our investment strategies. If one or more of our key employees are no longer employed by us, the business and results of operations of our funds may be adversely affected.

Portfolio Turnover. In general, we trade our funds' assets without regard to their holding periods. This can result in higher portfolio turnover. Higher portfolio turnover involves additional expense to our funds, including brokerage commissions, dealer mark-ups and other transaction costs on the sale of securities and reinvestment in other securities. Higher portfolio turnover may also result in increased taxes for our funds or their investors than would be the case if our portfolio turnover were lower.

Risk Control Framework. One objective of our multi-strategy funds is to minimize unwanted exposure and risk by implementing various hedging techniques. No risk control system is fail-safe, and no assurance can be given that any risk control framework employed by us will achieve this objective. Target risk limits developed by us may be based upon historical trading patterns for the securities and financial instruments in which we invest. We cannot assure you that such historical trading patterns will allow us to predict accurately future trading patterns.

General Investment, Market and Economic Risks. Our success may be affected by the success or failure of the companies or other entities in which we invest and by general economic and market conditions, such as market and other trends, interest rates, availability of credit, volatility, inflation rates, economic uncertainty, changes in laws, national and international political circumstances and other factors.

Fundamental Value Strategy and Material Risks

Strategy Description. Our fundamental value trading employs a wide variety of trading strategies in an attempt to isolate and capitalize on differences between market prices of various securities and our beliefs, based on fundamental analysis, about the value of those securities. Our analysis includes an assessment of the rights associated with these securities and a fundamental analysis of the businesses of the issuers of those securities. Our fundamental value strategy invests primarily in securities of U.S. issuers, but may invest in foreign issuers. Trading strategies may include:

- Catalyst driven trading, where we seek to capitalize on a wide range of events, including bankruptcies, restructurings, liquidations, spin-offs or mergers;
- Directional long, which involves taking a long position in an asset without necessarily taking a position hedging the underlying credit exposure;
- Directional short, which involves taking a short position in an asset. Directional short trades may come in any form, but typically involve the short sale of a bond or stock or the purchase of a credit default swap or a put;
- Capital structure relative value, such as taking a position in an issuer's bonds while hedging that position with a position in a different part of the issuer's capital structure;
- Inter-company long-short (i.e., pairs), which involves buying securities of one company while short selling securities of another company in the same or a related industry;
- Other fundamental value opportunities, including credit curve trading (intra-company), which involves taking countervailing positions in bonds with varying maturities; basis trading, which involves taking a position in a derivative credit default swap and another position in the bond referenced in the credit default swap or another of the issuer's bonds; and private investments directly into public or private companies; and
- Hedging transactions, where we attempt to hedge risks to which our fundamental value strategy may be subject.

Our fundamental value strategy trades in a variety of instruments, including corporate bonds, credit default swaps, syndicated bank loans, convertible bonds, asset-backed securities, preferred stock, common stock, exchange-traded funds, equity options, equity swaps, other derivatives and hedging instruments.

Material Risks. In addition to the general risks described above, our fundamental value strategy is subject the following material risks:

Investments in Bankrupt, Reorganizing or Other Distressed Companies. Our fundamental value strategy invests in securities of issuers that are involved in bankruptcy or reorganization proceedings or that are in weak financial condition, experiencing poor operating results, have substantial capital needs or negative net worth or face special competitive problems. Investments

of this type may involve substantial financial and business risks that can result in substantial, or at times even total, losses. We may have difficulty obtaining information about the true condition of such issuers. These investments also may be adversely affected by laws relating to, among other things, fraudulent transfers and other voidable transfers or payments, lender liability and the bankruptcy court's power to disallow, reduce, subordinate or disenfranchise particular claims. The market prices of these securities are also subject to abrupt and erratic market movements and above-average price volatility, and the spread between the bid and asked prices of these securities may be greater than those prevailing in other securities markets. When we invest in issues undergoing liquidation (both in and out of bankruptcy) or other forms of corporate reorganization, our funds assume the risk that the reorganization either will be unsuccessful (due to, for example, failure to obtain required approvals), will be delayed (for example, until various liabilities, actual or contingent, have been satisfied) or will result in a distribution of cash or a new security the value of which will be less than the purchase price paid by the fund for the security with respect to which such distribution was made.

Investments in High-Yield Debt. Our fundamental value strategy invests in high-yield debt securities, which involve risks that are greater than the risks of investing in higher quality debt securities. The issuers of these securities may be in a weak credit condition and may have an enhanced risk of default. There are also additional risks of investing in zero coupon and payment-in-kind securities, as these securities provide little or no current income. Although these risks provide the opportunity for maximizing return over time, they may result in greater price volatility. Furthermore, the value of high-yield securities may be more susceptible to real or perceived adverse economic, company or industry conditions than is the case for higher quality securities. Adverse market, credit or economic conditions could also make it difficult at certain times to sell certain high yield securities held by our funds.

Smaller Issuer and Limited Liquidity Risks. Because our fundamental value strategy invests in many types of issuers at many stages of their corporate existence, our fundamental value strategy has investments in small and medium sized issuers and in securities that are not registered under the Securities Act of 1933. Many of these securities have, or could have under stressed conditions, limited liquidity. Therefore, the general risks related to investments in smaller companies and with limited liquidity, as described above, are particularly acute in our fundamental value strategy.

Asia Volatility Strategy and Material Risks

Strategy Description. Our Asia volatility trading strategy pursues market neutral and relative value opportunities in Asia. This strategy includes capitalizing on what we believe to be under-priced, single stock volatility by investing in convertible bonds, warrants, options and variance swaps and, to at least some degree, attempting to hedge the underlying credit risk. This strategy typically seeks to extract value from under-priced implied volatility in the price of an issuer's stock relative to our projection of the realized volatility of that stock. A typical trade in this strategy is structured by purchasing a convertible bond and selling short shares of the stock into which the bond is convertible or exchanging the bond for a callable asset swap. The resulting position mimics a hedged long call option on the underlying stock. We would typically dynamically rebalance the stock hedge to capture the realized volatility in the stock. In addition, this strategy pursues other, largely relative value opportunities in Asia, such as share class spread trades (e.g., ADRs vs. locally listed shares, foreign vs. local shares), event- or catalyst-driven opportunities and special situation opportunities, including secondary block trades and private convertible bond investments.

The jurisdictions in which our Asia volatility strategy currently trades include Australia, China, Hong Kong, India, Indonesia, Japan, Malaysia, New Zealand, the Philippines, Singapore, South Korea, Taiwan and Thailand.

Material Risks. In addition to the general risks described above, our Asia volatility strategy is subject the following material risks:

Investments in Non-U.S. Issuers. Investments in securities of non-U.S. issuers and securities denominated or quoted in non-U.S. currencies pose, to the extent not hedged, currency exchange risks (including blockage, devaluation and non-exchangeability) as well as a range of other potential risks. These risks could include imposition of withholding or other taxes on dividends, interest, capital gains or other income, limitations on the repatriation of funds, political or social instability, illiquidity, price volatility and market manipulation. In addition, less information may be available regarding securities of non-U.S. issuers, and non-U.S. issuers may not be subject to accounting, auditing and financial reporting standards and requirements comparable to or as uniform as those of U.S. issuers. Transaction costs of investing in non-U.S. securities markets are generally higher than those of investing in U.S. securities markets. Non-U.S. exchanges, brokers and issuers are generally subject to less government regulation and supervision than exchanges, brokers and issuers in the United States. In addition, our funds might have greater difficulty taking appropriate legal action in non-U.S. courts. Non-U.S. markets also have different clearance and settlement procedures, which in some markets have at times failed to keep pace with the volume of transactions, thereby creating substantial delays and settlement failures that could adversely affect our funds' performance. Moreover, an issuer may be domiciled in a country other than the country in whose currency the instrument is denominated. The values and relative yields of investments in the securities markets of different countries, and their associated risks, are expected to change independently of each other.

Smaller Issuer and Limited Liquidity Risks. Because our Asia volatility strategy invests in many types of issuers, our Asia volatility strategy has investments in small and medium sized issuers and in securities that are not registered under the Securities Act of 1933. Many of these securities have, or could have under stressed conditions, limited liquidity. Therefore, the general risks related to investments in smaller companies and with limited liquidity, as described above, are particularly acute in our Asia volatility strategy.

Legacy Special Investments Portfolio and Material Risks

Strategy Description. We currently maintain a small portfolio of legacy investments that were previously part of our special investments strategy. Although this special investments strategy is no longer a primary investment strategy of our multi-strategy funds, we have retained this small portfolio of legacy investments, which we continue to believe exhibit compelling value. This portfolio includes a variety of instruments, including corporate bonds, preferred stock and warrants on equities.

Material Risks. In addition to the general risks described above, our portfolio of legacy investments is subject the following material risks:

Smaller Issuer and Limited Liquidity Risks. Our portfolio of legacy special investments contains investments in small and medium sized issuers, including private companies, and in securities that are not readily marketable. Therefore, the general risks related to investments in smaller companies and with limited liquidity, as described above, are particularly acute in this portfolio.

ITEM 9. DISCIPLINARY INFORMATION

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of us or the integrity of our management. We have no such legal or disciplinary events to disclose.

ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Our funds are identified in Item 4 – *Advisory Business* above.

We manage our multi-strategy funds under an arrangement with Investcorp Advisers. Investcorp Advisers is also registered with the SEC as an investment adviser. Although Investcorp Advisers is not a “related person,” we describe here our arrangement with Investcorp Advisers because this arrangement is important in understanding the management and control of our multi-strategy funds.

Under this arrangement, we manage the multi-strategy funds’ assets on a day-to-day basis and provide discretionary investment advice to these funds. We also supervise the keeping of the books of account and other records with respect to these funds. Investcorp Advisers oversees the multi-strategy funds and consults with us with respect to corporate governance, administrative matters and operations of the funds. Both we and Investcorp Advisers have entered into a management agreement with the multi-strategy funds to reflect this responsibility and authority. The board of directors or other supervisory body of each of our multi-strategy funds consists exclusively of Investcorp Advisers nominees. However, our arrangement with Investcorp Advisers places significant limitations on the activities of the multi-strategy funds without the agreement of both us and Investcorp Advisers.

In providing investment advisory or portfolio management services to other funds or separately managed accounts in the future, we may partner with Investcorp Advisers or another third-party. Or we may provide these services on an exclusive basis without partnering with any other investment adviser. The offering document describing any such fund or managed account would describe in detail the parties involved in the management and control of that fund or account.

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

We maintain and enforce a code of ethics, which sets forth the standards of business conduct expected of each of our partners and employees, all of whom are deemed “access persons” under the code of ethics. The code of ethics includes provisions relating to:

- the receipt and provision of gifts and entertainment;
- business activities with public companies;
- personal securities trading activities;
- use of material non-public information; and
- safekeeping of client and investor information.

All access persons must acknowledge the terms of the code of ethics annually or as amended. A copy of our code of ethics is available to current and prospective clients upon written request.

Our partners and employees may transact on their own behalf in securities in which one or more of our funds have a position. Our personal transactions in these securities are not done at the same time as transactions done on behalf of our funds, but they may be completed in close proximity. This presents potential conflicts of interest and the risk that our personnel may put their personal interests ahead of our clients’ interests. We attempt to mitigate this risk and these conflicts through our personal trading policy, which is part of our code of ethics and generally described below.

The intent of our personal trading policy is to ensure that we place our clients’ interests ahead of our own. The hallmark of our personal trading policy is the requirement that all personal trades in securities be pre-approved by our pre-trading compliance system. Generally, no personal trade is approved when any of our funds are trading or considering a trade in the securities of the same issuer. Also, no personal trade is approved if the relevant issuer is on our restricted list, which is a list of companies about which we have received, or anticipate receiving, confidential or material, non-public information. In addition, our personnel are generally not allowed to profit from the purchase and sale, or the sale and purchase, of the same securities within 30 days, unless an exception has been granted. Finally, our personnel are required to report their personal security holdings on an annual basis and to submit quarterly transactions reports for all personal trades in securities. Our partners and employees’ personal trading is continually monitored by our compliance group.

ITEM 12. BROKERAGE PRACTICES

Our management authority over our multi-strategy funds includes the authority to select brokers, including prime brokers, executing brokers and other trading counterparties, and to determine the commissions and other fees that our funds will pay to these brokers. Neither we nor our funds have any obligation to deal with any particular broker on behalf of our funds. We select executing brokers based on a number of factors that we deem relevant in determining whether the broker can provide best execution. These factors may include, without limitation:

- the price at which the transaction can be effected;
- the commission or mark-up to be charged;
- level of trading expertise;
- ability to prospect for and find liquidity;
- willingness and ability to commit capital and financing;
- difficulty of trade and a security's trading characteristics;
- size of order;
- liquidity of market;
- block trading capabilities;
- ability to provide information or services;
- research capabilities and research products or services provided in the past or expected to be provided in the future;
- availability of stock loan or other securities inventory;
- financial condition and creditworthiness;
- confidentiality provided by broker;
- execution quality;
- promptness of execution;
- quality of settlements;
- specialized expertise; and
- overall responsiveness.

We consider these same factors in determining the reasonableness of a broker's compensation. Although we seek reasonably competitive commission rates, our funds may not necessarily pay the lowest available commission or mark-up.

In selecting brokers for our funds, we may also consider factors such as the capital introduction or other services provided to our funds and us by that broker. This creates an incentive for us to select brokers based on our interest in receiving those capital introduction or other services, rather than on our funds' interests in receiving most favorable execution. However, our use of capital introduction services has been limited, and we believe that the provision of these capital introduction and other services has been and will continue to be an immaterial factor in our selection of brokers for our funds' transactions.

Although we do not have any formal arrangements to use fund commissions to pay for research products or services, we do in fact request and receive proprietary research products and services generated by many of our funds' brokers. These products and services include research reports on particular industries and companies, economic surveys and analyses, recommendations as to specific securities, electronic trading platforms and other products and services that provide assistance to us in the performance of our investment decision making responsibilities. We received all of these types of products and services in our last fiscal year. These products and services are a factor in our selection of a particular broker to effect transactions on behalf of our funds.

When we use fund brokerage commissions (or markups or markdowns) to obtain research or other products or services, we receive a benefit because we do not have to produce or pay for the research, products or services. This creates an incentive for us to select brokers based on our interest in receiving their research products and services, rather than on our funds' interests in receiving most favorable execution. We believe that this risk is substantially mitigated by the fact that our funds are responsible for research costs and expenses and the fact that we use the research products and services that we receive from brokers for the direct benefit of our only clients, our multi-strategy funds. This risk would be enhanced if we received products or services unrelated to the management of our multi-strategy funds or if we used broker provided products and services in the management of other client accounts, particularly if we, and not the client, were responsible for paying for research products and services. However, because we currently use soft dollar benefits to service our one group of multi-strategy funds, we do not attempt to allocate soft dollar benefits to the specific fund that generated those benefits.

To the extent we use any fund commissions to pay for research products and services, such use will fall within the safe harbor of Section 28(e) of the U.S. Securities Exchange Act of 1934 and any related regulatory guidance. Under Section 28(e), research obtained with soft dollars generated by a fund may be used by us to service accounts other than that same fund.

Currently, our multi-strategy funds are our only clients. However, we may in the future have other clients with similar investment objectives and policies as those of our multi-strategy funds. For example, in 2010, we managed a dedicated fund that invested exclusively in aircraft asset-backed securities. These types of investments were consistent with the investment objective and strategies of our multi-strategy funds. Therefore, both our dedicated fund and our multi-strategy funds held many of the same investments. At the end of 2010, we terminated the operations of our dedicated fund. However, we may in the future create other funds, accounts or vehicles that invest in the same instruments that are held by our multi-strategy funds. This could result in the purchase or sale of a particular investment for multiple clients simultaneously. If transactions on behalf of more than one client increase the demand for the investment being purchased or the supply of investments being sold, there may be an adverse effect on the price or availability of such investments. Our policy is to allocate advisory recommendations and the placing of orders in a manner that over time is deemed fair, equitable and appropriate by us to the clients involved. Such allocation may take into account a number of factors, including the amount that we, in our sole discretion, determine that each client can appropriately commit to the related investment. Given the nature of our trading in derivative and fixed income instruments, there is an inherent difficulty in achieving equal allocation of investment opportunities among clients with respect to each particular

transaction. As stated above, however, our policy is to ensure that over time, all clients are treated fairly and equitably.

As a general matter, given the limited number of our clients and their coordinated activities, there is no need to and we do not aggregate trades.

ITEM 13. REVIEW OF ACCOUNTS

The objective and strategies of the multi-strategy funds are reviewed on no less than an annual basis by our managing partners. Our managing partners may review a particular strategy on a more frequent basis if they believe there has been a significant change in the markets in which that strategy invests or in the economic prospects for that strategy.

The trades and positions of the multi-strategy funds are reviewed daily by our internal operations staff and by our funds' administrator. In addition, the portfolio managers responsible for each of our investment strategies review daily the positions in their portfolios. Our managing partners regularly review the trading activity and positions of our multi-strategy funds. Finally, our compliance department reviews, on at least an annual basis, the process of trade and position review and reconciliation employed by our firm on behalf of each of our funds.

Investors in our multi-strategy funds receive monthly written account statements for their investments in our multi-strategy funds. In addition, investors receive monthly written updates of the activity in our multi-strategy funds and the relevant markets in which we trade. Investors in our multi-strategy funds also receive annual audited financial statements for the fund in which they invest.

ITEM 14. CLIENT REFERRALS AND OTHER COMPENSATION

We do not directly or indirectly compensate any third parties for client or investor referrals.

We receive certain soft dollar benefits in connection with our funds' payment of brokerage commissions. Please refer to Item 12 – *Brokerage Practices* above.

ITEM 15. CUSTODY

We do not serve as the qualified custodian of any of the assets owned by our funds and do not maintain physical custody of any securities or cash owned by the funds. However, we are deemed by the applicable regulatory rules to have constructive custody of the assets of each fund. We satisfy the applicable regulatory requirements related to custody by, among other things, ensuring that each fund is subject to an annual audit by an independent accounting firm that is registered with and examined by the Public Company Accounting Oversight Board, and that audited financial statements for each fund are provided to their respective investors within 120 days of the applicable fund's fiscal year-end.

ITEM 16. INVESTMENT DISCRETION

We have discretionary authority over all of the funds we manage. Our discretionary authority is established under the management agreement that we enter into with the funds we manage and, in the case of our U.S. feeder fund, the limited liability company agreement of that fund, which includes a power of attorney. Investors in our funds endorse our discretionary authority by executing the subscription documents related to their investment in the fund and accepting the terms outlined in the disclosure documents related to the fund.

ITEM 17. VOTING CLIENT SECURITIES

Our management authority over our multi-strategy funds includes authority to vote those funds' securities. We have adopted a proxy voting policy under which we have undertaken to vote any proxy or other voting right in a security in a prudent manner that we believe to be in the best economic interest of the fund or other client on whose behalf we are voting the security. In voting securities, we attempt to consider all factors relevant to the fund or other client on whose behalf we are voting. Our proxy voting policy and related voting records are available to clients upon written request.

All proxies and other beneficial interests that we receive are reviewed by our designated proxy officer. Our proxy officer consults with the appropriate portfolio managers in determining how to vote proxies in accordance with our proxy voting policy and carries out our voting activity accordingly.

We make our best efforts to avoid material conflicts of interest in the voting of proxies. However, where material conflicts of interest arise, we are committed to resolving the conflict in our clients' best interest. In situations where we perceive a material conflict of interest, we will record the actions or steps we take to resolve the conflict. We may disclose the conflict to the relevant client and obtain their consent before voting; defer to the voting recommendation of the relevant clients or an independent third party provider of proxy services; send the proxy directly to the relevant client for a voting decision; vote the proxy based on the voting guidelines set forth in our proxy voting policy; or take such other action in good faith that would protect the interest of our clients.

Under certain circumstances, we may not be able to vote proxies or may find that the expected economic costs from voting outweigh the benefits associated with voting. For example, we may not vote proxies on certain foreign securities due to local restrictions or customs or if the investment has been liquidated between the record date and voting date.

ITEM 18. FINANCIAL INFORMATION

Registered investment advisers are required to provide you with certain financial information or disclosures about the adviser's financial condition. We have no financial condition that impairs our ability to meet contractual and fiduciary commitments to clients and have never been the subject of a bankruptcy proceeding.