

**Part 2A of Form ADV: *Firm Brochure***

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**This brochure provides information about the qualifications and business practices of Morris Associates, LLC (hereinafter “Morris Associates”, “the firm” or “we”). If you have any questions about the contents of this brochure, please contact us at (212) 935-8075 or at [kmorris@morrisassociatesllc.com](mailto:kmorris@morrisassociatesllc.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Reference made to Morris Associates as being a registered investment adviser does not imply any particular level of skill or training by our firm or employees or that the SEC has endorsed our respective qualifications to provide investment advisory services.**

**Additional information about Morris Associates is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. The CRD number for Morris Associates is 138260.**

## **ITEM 2 MATERIAL CHANGES**

This Firm Brochure (our “Brochure”) is our most recent disclosure document prepared as an SEC-registered investment adviser in accordance with applicable SEC requirements. As you will see, this Brochure is a narrative providing detailed information regarding our firm, its practices, fees, actual and potential conflicts of interest and key mitigating circumstances, policies and controls.

After our initial filing of this Brochure, this Item 2 will be used to provide our clients and Fund investors with a summary of new and/or updated information. We will inform you of the revision(s) based on the nature of the updated information.

Consistent with SEC rules, we will ensure that our clients and Fund investors receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business fiscal year. Furthermore, we will provide interim disclosures about material changes as necessary.

We have the following material changes to report since our last annual updating amendment filing of Form ADV Part 2A:

- Our office address has changed to 825 Third Avenue, 31<sup>st</sup> Floor, New York, NY 10022
- We no longer manage Morris Global Strategies (Cayman), Ltd and are in the final stages or closing this private fund.

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#### ITEM 4. ADVISORY BUSINESS

Morris Associates is an SEC-registered investment adviser with its principal place of business in New York, NY. The firm has been in business since 2003. Karen Morris is the principal owner of the firm. (For purposes of this Brochure, principal owners include those with at least a 25% interest in the firm).

Morris Associates provides investment management services solely to the private funds set forth below:

- Morris Global Strategies, LP, a Delaware limited partnership (hereinafter, “*Fund I*”); and
- Morris Global Strategies (Cayman), Ltd., a Cayman Islands exempted company (hereinafter, “*Fund II*” and collectively with Fund I, the “*Funds*”). This fund is in the final states of being closed and is no longer being actively managed.

The Funds are not required to register under the Securities Act of 1933 or the Investment Company Act of 1940 in reliance upon certain exemptions available to issuers whose securities are not publicly offered. Interests in the Funds are limited to certain qualified investors as set forth in the applicable Fund’s offering documents. We manage the Funds on a discretionary basis in accordance with the terms and conditions of each Fund’s offering and organizational documents. As of December 31, 2016, the firm managed approximately \$70,092,348.

Each of the Funds is managed as a “fund of hedge funds” and, as a result of this investment approach, we primarily transact in the interests of the underlying hedge funds which in turn trade in various securities or other investments for the underlying fund. The investment objective of the Funds is to seek capital appreciation, preservation of capital and reduction of risk by allocating the Funds’ assets among a selected group of underlying funds and managers for the funds. The Funds seek to benefit from a diversity of strategies and risk characteristics among such funds and managers. We seek to achieve this objective by allocating each Fund’s assets among a group of underlying funds or portfolio managers that invest in specific strategies broadly categorized as equities, specialized credit, relative value and event driven. The Funds may also invest in other investment strategies that we believe will further the Funds’ investment objective.

For each of the Funds, Morris Associates evaluates, selects and monitors the underlying funds and managers through a robust due diligence process in which we seek to evaluate a prospective fund or separate account manager’s business operations, integrity, execution ability, portfolio risk management and the risks and opportunities inherent to its strategy. The allocation of the Funds’ assets to various funds, managers or other investments is intended to minimize overall risk while maximizing the ability to achieve each Fund’s objective.

**ADDITIONAL CONSIDERATIONS:** The information provided herein merely summarizes the detailed information provided in each Fund’s offering and organizational documents. Prospective investors in any one or more of the Funds should be aware of

additional risks and requirements associated with investment. Prospective investors should refer to the appropriate Fund offering and organizational documents for important additional information and considerations.

## **ITEM 5. FEES AND COMPENSATION**

For our services to the Funds, we charge a Management Fee as described below. In addition, Morris Associates, in its capacity as the General Partner of Fund I and as the Manager of Fund II, may receive an annual performance allocation or carried interest, a form of performance based compensation (hereinafter “Performance Fees”), as described below.

**MANAGEMENT FEES:** In general, Morris Associates receives a monthly management fee equal to 0.04165% to 0.0833% from each investor’s share of the Fund’s Net Asset Value (the “Management Fee”). The Management Fee will generally be calculated and payable to Morris Associates monthly, in arrears, as of the last day of each billing period.

**PERFORMANCE FEES:** Morris Associates, in its capacity as the General Partner of Fund I and as the Manager of Fund II, is entitled to a percentage of the applicable Fund’s distributions of net profits as performance compensation, generally 0% to 5%, only after the applicable Limited Partner or Shareholder has received a return of its entire capital contribution to the Fund and a preferred return as set forth in the applicable Fund offering documents. In addition, generally, the distribution of performance compensation to the General Partner or Manager is accelerated upon and with respect to any voluntary withdrawal of profits by a Limited Partner or Shareholder, respectively.

### **GENERAL INFORMATION:**

***Personal Investments in Funds:*** Certain executive officers and/or other employees of Morris Associates and/or their family members have invested or may invest a portion of their personal net worth in one or more of the Funds. In addition, certain trusts and other entities formed for the benefit of certain of the firm’s family members may invest in one or more of the Funds.

***Different Fee Schedules:*** The Management Fee and the Performance Fee may be discounted or waived with respect to any investor for any particular period of time at the sole discretion of Morris Associates. Such discounted rate or waiver is not available to all or even most investors in the Funds.

***Termination:*** In general, an investor in any of the Funds may withdraw all or any part of its investment from any of the Funds as set forth in the applicable Fund’s offering documents.

Investors in each Fund should refer to the appropriate Fund's private placement memorandum and offering documents for complete information regarding withdrawals of investments.

***Other Fees and Expenses:*** Prospective investors in any one of the Funds, each a fund of funds, should note that he/she will incur at least two layers of fees: Our management fee and performance based compensation, as set forth above, as well as the management fee and/or a performance-based compensation charged by the underlying hedge funds in which the Funds invest. This layering of fees is incorporated in the net income or loss of the Funds, is not readily apparent to investors and will lower the investor's overall return.

While it is not anticipated that mutual funds will be included in the clients' portfolios, money market mutual funds may be used to "sweep" unused cash balances until they can be appropriately invested. Investors should recognize that all fees paid to Morris Associates for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and other funds to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee.

The Funds will also generally be responsible for certain Fund expenses, including, but not necessarily limited to, legal expenses, professional fees (including, without limitation, expenses of consultants and experts) relating to investments, accounting expenses, auditing and tax preparation expenses, organizational expenses, government fees and taxes, expenses incurred in connection with the offering and sale of the Fund's interests and other similar expenses related to the Fund. No Fund will be responsible for or otherwise incur the expenses attributable to any other of the Funds.

In addition to fees paid to our firm, and to each of the underlying fund managers, investors will also be responsible for the fees and expenses charged by custodians and imposed by any broker dealer with which Morris Associates or an underlying fund manager effects transactions for the Funds. Please refer to Item 12 of this brochure for additional information regarding brokerage.

***Side Letters:*** Morris Associates may in the future, waive or modify the terms of investment for certain large or strategic investors, in side letters or otherwise, in its sole discretion, including but not necessarily limited to, a waiver or lowering of the Management or Performance Fees or fee structure. We may also agree to increased transparency or reporting though we would typically provide similar increased transparency and/or reporting to other investors upon their request.

***"Side Pockets":*** A portion of any of the Funds' capital may, from time to time, be invested in illiquid securities and instruments or which become illiquid after an investment is made. Under these circumstances, Morris Associates has the authority to hold such investments in separate, special situation sub-accounts (each a "Side Pocket"). Side Pockets will generally carry significant or complete restrictions on transfer or liquidation prior to the occurrence of events, which will typically be outside of our

control. A Fund investor may be required to hold Side Pocket assets for several years before any disposition can be effected.

**Direct Debiting:** All fees are directly debited from each investor's capital account as appropriate.

**General:** The information provided above is merely a summary of some of the salient terms and conditions of investing in the Funds. Investors and prospective investors should refer to the appropriate offering and organizational documents for additional detailed information, terms, conditions and risks involved with investing in the Fund(s).

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

As we disclosed at Item 5 of this Brochure, Morris Associates, in its capacity as the General Partner of Funds I and as the Manager of Funds II, will receive performance-based compensation from the Funds, as appropriate. Such performance-based compensation is generally calculated based on a share of all net realized income and gains and losses of the Fund.

Investors and prospective investors in any of the Funds should note that performance-based compensation, in some contexts, can create an incentive for an adviser such as Morris Associates to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement.

Side-by-side management refers to multiple client relationships where an adviser manages more than one advisory client relationship or portfolio on a simultaneous basis. At the moment, Morris Associates does not engage in any side-by-side management. However, since we endeavor at all times to put the interest of the Funds (and any new Fund launched by Morris Associates in the future) first as part of our fiduciary duty as a registered investment adviser, we will take the following steps to address any such conflicts, as applicable:

1. We will disclose to investors and prospective investors the existence of material conflicts of interest, including the potential for our firm and its employees to earn more compensation from some Funds than others, if applicable;
2. With respect to Funds managed in parallel and other limited situations where an investment may be appropriate for more than one of the Funds, we have implemented written policies and procedures for fair and consistent allocation of investment opportunities among the Funds, subject to the cash, availability of interests in the underlying portfolio companies and other appropriate considerations;
3. We educate our employees regarding the responsibilities of a fiduciary, including the equitable treatment of all clients, regardless of the fee arrangement.

PERFORMANCE-BASED COMPENSATION WILL ONLY BE CHARGED IN ACCORDANCE WITH THE PROVISIONS OF RULE 205-3 OF THE INVESTMENT ADVISERS ACT OF 1940 AND/OR APPLICABLE STATE REGULATIONS.

## **ITEM 7. TYPES OF CLIENTS**

Our firm provides investment management services to the private investment funds disclosed in Item 4 of this Brochure.

Except as permitted by us, in accordance with the appropriate Fund's subscription documentation, the minimum required initial investment for the Funds is \$500,000.

Because interests in the Funds and any new Fund launched by Morris Associates or an affiliates were and will be offered pursuant to certain exemptions from registration under the Securities Act of 1934 and the Investment Company Act of 1940, any investor or prospective investor in a Fund managed by Morris Associates must meet certain minimum qualifications requirements as set forth in the applicable Fund's subscription documents.

Investors and prospective investors should refer to the appropriate Fund's offering documents for information regarding that Fund's minimum required capital investment as well as any additional qualifications required for investment.

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

As adviser to the Funds, each a fund of hedge funds, our firm primarily invests in the interests of other hedge funds. As such, traditional fundamental, technical or other securities analysis is not possible when formulating recommendations. Instead, we rely on a robust due diligence process of the hedge funds and their investment managers in determining which funds to invest in on behalf of our clients.

It is our policy and practice to conduct initial due diligence with respect to the investment manager of any prospective hedge fund investment and to monitor any selected investment manager on an on-going basis to determine and evaluate the portfolio management team's background, experience and philosophy; the process by which the manager makes investment decisions; how those decisions are implemented; the manager's investment track record in both up and down markets; the manager's risk management controls, parameters and evaluation process, and the adequacy and effectiveness of the manager's operational and compliance controls and infrastructure. It is our policy and practice to seek to avoid investment in any hedge fund where we determine that the manager of such fund has failed to adopt certain minimal operational and compliance controls and safeguards.



The principal driver of portfolio selection is the relative skill set of the underlying fund managers in research, trading, risk management and organization building, with integrity of the individual(s) managing the hedge funds the paramount consideration.

The identity of underlying fund managers is likely to change over time; they may be removed by us or a new manager may be appointed without prior notice or consent of investors.

A primary source of information used to identify potential hedge funds for investment include personal references, qualitative reviews of fund's portfolio managers as described above, and review of the Fund Offering Memorandum, Limited Partnership Agreement, Subscription Agreement, performance records and other documents.

One of the primary risks of investing with a third-party fund manager based, in part, on successful past performance is that he/she may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a third-party manager's portfolio, there is also a risk that a manager may deviate from the stated investment mandate or strategy of the portfolio, making it a less suitable investment for the Funds. Moreover, as we do not control the manager's daily business and compliance operations, it is possible for us to miss the absence of internal controls necessary to prevent fraud or other business, regulatory or reputational deficiencies.

We generally purchase interests in underlying hedge funds with the idea of holding them in the Funds for a year or longer. This investment strategy is typically referred to as "long-term purchases." A risk in a long-term purchase strategy is that, if our projected analysis of the underlying fund's performance is incorrect or if the of the underlying fund's manager deviates from the stated investment mandate or strategy of the portfolio, it will usually take 90 days or longer before we can liquidate the position.

Risks in General: Securities investments are not guaranteed and you may lose money on your investments. Investors or prospective investors should carefully review the Private Placement Memorandum for the applicable Fund under consideration for a detailed explanation of many of the risks associated with the particular fund based on its objective and investment strategy as well as the underlying investments and other specific risks.

## **ITEM 9. DISCIPLINARY INFORMATION**

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management. Neither our firm nor our management personnel have reportable disciplinary events to disclose.

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

Our firm and our related persons are not registered as a broker-dealer, futures commission merchant or a commodity trading advisor. However, Morris Associates is registered as a commodity pool operator with the National Futures Association.

## **ITEM 11. CODE OF ETHICS, PARTICIPATION IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

Our firm has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws. Our Code of Ethics includes policies and procedures for the review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the firm's access persons. Among other things, our Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering and provides for oversight, enforcement and recordkeeping. A copy of our Code of Ethics is available to our advisory clients and prospective clients, including investors and prospective investors in one or more of the Funds, upon request to the Chief Compliance Officer, at the firm's principal office address.

As disclosed at Item 5 of this Brochure, certain executive officers and/or other employees of Morris Associates and/or their family members have invested or may invest a portion of their personal net worth in one or more of the Funds. In addition, certain trusts and other entities formed for the benefit of certain of the firm's family members may invest in one or more of the Funds, and, in some cases, in some of the underlying funds in which the Funds have invested.

It is the expressed policy of our firm that no person employed by us may usurp an investment opportunity for a personal account, family member's account, or any other account over which the officer or employee may have investment authority, when the opportunity may be appropriate for one or more of the Funds, without first presenting the opportunity to our Chief Compliance Officer, particularly when there is limited availability for participation in the opportunity.

As these situations present conflicts or potential conflicts of interest, we have established the following restrictions in order to ensure our fiduciary responsibilities:

1. No officer or employee of our firm may prefer his or her own interest, or the interests of immediate family members or other beneficial owners of accounts in which the officer or employee may have investment authority, to that of an advisory client.
2. We maintain a list of all securities holdings for our firm and anyone associated with this advisory practice with access to advisory recommendations. These

holdings are reviewed on a regular basis by the Chief Compliance Officer.

3. All of our officers and employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
4. Any individual not in observance of the above may be subject to disciplinary action up to and including termination.

The Investment Advisers Act of 1940 makes it unlawful for any investment adviser, directly or indirectly, acting as principal for its own account, to knowingly sell any security to, or purchase any security from, a client without disclosing to the client in writing the capacity in which the adviser is acting and obtaining the client's consent to the transaction. This rule may apply to certain transactions involving accounts in which investment advisers have interests, such as private fund investments by the firm's owners, principals, or employees. The SEC has indicated that when an investment adviser and/or its controlling persons own more than 25% of a fund's outstanding securities, it would be effectively treated as a principal transaction if such an account were to engage in a trade with another client account or fund.

Morris Associates has adopted specific policies and procedures for monitoring the level of proprietary ownership in each Fund it manages. As a general matter, neither the Firm nor our related persons are permitted to engage in principal transactions with the Funds. In the event of a change to this policy, Morris Associates will obtain the requisite consent before engaging in such a transaction as required and will amend these disclosures accordingly.

## **ITEM 12. BROKERAGE PRACTICES**

Because each of the Funds is structured as a fund of hedge funds, we do not directly manage client portfolios in the traditional sense, but rather, we invest in the interests of other hedge funds that are directly managed by unrelated third-party investment managers. The manager of any fund considered for investment will generally have their own policies, practices and procedures with respect to brokerage. These underlying fund managers will generally have been granted the discretionary authority to select the broker dealer through which to execute trades on behalf of the underlying fund through the fund's organizational documents, offering documents or investment management agreement.

As part of its due diligence, Morris Associates will seek to ensure that any manager of a hedge fund recommended for the Funds has adopted written policies and procedures reasonably designed to ensure that the manager will obtain best execution for trades placed in the underlying fund and that the manager endeavors to select brokers, dealers or other counterparties that will provide the best services at the lowest commission rates possible under the circumstances. It should be noted, however, that we do not have any direct influence or control over the underlying managers' selection of brokers or counterparties when executing transactions.

Due to the nature of our advisory services and investment model, we will directly execute a transaction for a Fund primarily when implementing a recommendation that the Fund invest in a hedge fund or other private fund. Depending on the specific circumstances, we will typically subscribe to the interests of a fund on behalf of one or more of the Funds through direct contact with the private fund's general partner or manager or by responding to a solicitation of a finder or the fund's placement agent or prime broker. Typically, due to the limited nature and regulatory structure of the private funds, multiple subscription sources, finders or prime brokers will not be available and we may not be able to seek to execute the transaction through any other source or to negotiate finder fees, if any.

We do not have any formal or informal soft-dollar arrangements and do not receive any soft-dollar benefits from any broker, dealer or other counterparty.

### **ITEM 13. REVIEW OF ACCOUNTS**

Morris Associates monitors the portfolio managers of each underlying fund on an ongoing basis and investment policies and philosophies are discussed with each manager regularly.

On at least a monthly basis, Karen Morris, Managing Member, reviews funds and fund managers.

The Funds are audited annually by an independent certified public accountant that is both registered with and subject to regular inspection by the Public Companies Accounting Oversight Board and a copy of the audited financials are sent to each investor on a timely basis.

In addition to annual audited financials, investors will receive at least monthly reports of the performance of the applicable Fund as compared to an applicable benchmark.

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

Other than as already disclosed at Item 10 of this Brochure, neither Morris Associates, nor any officer, director or employee of the firm, receives compensation from third parties in connection with providing investment advice to its clients.

Currently, the Funds are the firm's only clients. As part of our marketing efforts, we may enter into arrangements to compensate certain persons, including third party placement agents and/or others, for referring investors to the Funds. If an investor is referred to one of the Funds through one of these arrangements, we will pay the referring party a fee calculated as an agreed percentage of the investor's initial investment in the Fund and/or

an on-going fee based on a percentage of the Management Fee and/or Performance Fee charged to the investor's capital account by Morris Associates.

We reserve the right to enter into such arrangements in the future. Although common, such referral arrangements do create a potential conflict of interest because, in theory, the referrer may be motivated, at least partially, by financial gain and not because the Funds are the most suitable to the prospective investor's needs. To address this potential conflict of interest, all referred investors are carefully screened to ensure that the particular Fund is suitable to the prospective investor's investment needs, objectives and risk tolerance before any subscription is accepted.

#### **ITEM 15. CUSTODY**

Because we act as investment adviser, general partner and as manager to some of the Funds, we are deemed to have custody of client assets under current applicable regulatory interpretations. As an adviser with custody, we seek to have each of the Funds audited on an annual basis by an independent public accountant that is both registered with and subject to regular inspection by the Public Company Accounting Oversight Board (PCAOB). Because each of the Funds is a fund of funds, we seek to send the audited financials to each investor within 180 days of the applicable Fund's fiscal year end.

#### **ITEM 16. INVESTMENT DISCRETION**

As investment adviser to the Funds, Morris Associates is granted the discretionary authority in the relevant organizational documents and/or advisory agreements to determine which securities and the amounts of securities that are bought or sold for the Funds.

#### **ITEM 17. VOTING CLIENT SECURITIES**

Typically, the underlying fund managers will vote proxies with respect to the holdings in their respective funds. However, in certain circumstances Morris Associates may be required to vote proxies solicited by the underlying funds whose interests are held directly by the Funds or with respect of direct securities investments made by the Funds. Under these circumstances, Morris Associates will vote proxies in the best interest of the Funds, typically with the goal of maximizing value for the Funds and the investors in the Funds. To that end, Morris Associates endeavors to vote proxies in the manner that it determines in good faith will be the most likely to cause the Funds' investments to increase the most or decline the least in value. Consideration is given to both the short and long-term implications of the proposal to be voted on when considering the optimal vote. Morris Associate's complete proxy voting policy and procedures has been memorialized and is available for investors to review.

**ITEM 18. FINANCIAL INFORMATION**

Under no circumstances will we earn fees in excess of \$1,200 more than six months in advance of services rendered, therefore, we are not required to include a financial statement with this brochure.

Morris Associates has not been the subject of a bankruptcy petition at any time during the past ten years.