

**Item 1. Cover Page**

**HARVEST VOLATILITY MANAGEMENT, LLC**  
(together with its relying adviser affiliates, the “Adviser”)

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**Part 2A of Form ADV**  
**(The “Brochure”)**

March 30, 2016

This Brochure provides information about the qualifications and business practices of the Adviser. If you have any questions about the contents of this Brochure, or to request a current copy of it free of charge, please contact Curtis F. Brockelman, Jr. at (646) 843-4802 or [Curt.Brockelman@harvestvolmgt.com](mailto:Curt.Brockelman@harvestvolmgt.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

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

**Item 2. Material Changes**

The Adviser does not consider any of the information contained in this version of the Brochure to represent a material change from the information contained in its most recent previous version dated March 31, 2015. The Adviser's current and future investors are encouraged to read this Brochure and all of the governing documents applicable to their current or prospective investment, in their entirety.

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#### **Item 4. Advisory Business**

The Adviser is an investment adviser with its principal place of business in New York, New York. The Adviser commenced operations as an investment adviser on March 12, 2008. Curtis F. Brockelman, Jr. and Richard L. Selvala, Jr. are the principal owners of the Adviser (collectively, the “Principals”).

The Adviser provides investment advisory services on a discretionary basis to its clients, which include separately managed accounts (the “Accounts”) and a pooled investment vehicle (the “Fund”). The Accounts and Fund are intended for high net worth individuals, family offices, foundations, endowments and other sophisticated or institutional investors. The Accounts and Fund are collectively referred to herein as “Clients.”

The Adviser provides advice to Clients based on the specific investment objectives and strategies that are set forth in the investment management agreement, offering document or other governing documents applicable to the Client (collectively “Governing Documents”). The Adviser generally does not provide investment advice, nor accept investment restrictions, based on the individual objectives of investors in the Fund (“Investors”).

The Adviser has built a team of veteran investment professionals with decades of experience in advising, structuring and managing equity option strategies and solutions. The Adviser maintains broad investment discretion as set forth in the Governing Documents. Its core strategy, the Collateral Yield Enhancement Strategy (CYES), is an index option based overlay strategy seeking to generate incremental cash flow and improve risk-adjusted returns on existing portfolio holdings. CYES seeks to generate returns by “harvesting” the time decay of option premium by actively managing a portfolio of short-dated index option spreads on the S&P500 index (SPX). CYES sells options to generate premium/income while simultaneously purchasing further out-of-the-money strikes to contain and quantify risk.

The Adviser has a disciplined investment process combined with active management that seeks to defensively adjust positions at specific risk thresholds to mitigate market directional risk. Additionally, the Adviser proactively adjusts positions seeking to reduce exposure to event risk ahead of large potential market-moving events and seeks to opportunistically close out positions ahead of option expiration (assuming return objectives have been achieved or risk management benefits have been depleted).

In addition to its broad investment discretion and primary strategy as discussed above, the Adviser utilizes five other distinct investment strategies: Purchase Power Protection (“PPP”), Long Short Replication strategy (“LSR”), Harvest Put Writing (“HPW”) Strategy, Harvest Call Writing (“HCW”) Strategy and Harvest Dynamic Option Synthetic Equity (“HDOSE”).

The PPP strategy is a quantitative, rules based, tactical investment strategy. PPP is a multi-asset real return strategy designed to gain exposure to real assets quickly and efficiently. Pursuant to this strategy, the Adviser uses a proprietary model to determine what assets are being supported by the current macro-environment with low portfolio volatility and low market correlations. PPP is a liquid, long only strategy that has global macro and commodity trading adviser characteristics.

The LSR strategy utilizes a combination of equity beta and equity optionality to provide daily liquidity and daily transparency, in a low cost solution to lower a Client’s equity portfolio volatility. LSR is a quantitative, rules based, tactical investment strategy. LSR is designed to use equity beta and overlay it with the most optimal equity put purchasing strategy. Using the Adviser’s proprietary model, LSR will add

equity exposure in low volatility environments, and reduce equity exposure in high volatility environments.

The HPW Strategy is a put option overlay strategy seeking to provide investors with equity-like exposure, struck at below-market levels (based on time-of-trade,) while seeking to generate incremental cash flow. Similar to other HVM short-volatility strategies (e.g. CYES,) HPW seeks to generate returns via “harvesting” the time decay of option premium – by actively managing a portfolio of short-dated put options on liquid equity instruments, typically in the form of major-market indices (e.g. SPX.) HPW sells put options to generate premium/income. The Adviser proactively closes/adds positions in accordance with a balanced portfolio and mandate objectives.

The HCW Strategy is a call option overlay strategy seeking to provide investors a hedge to equity exposure, struck at above-market levels (based on time-of-trade,) while seeking to generate incremental cash flow. Similar to other HVM short-volatility strategies (e.g. CYES,) HCW seeks to generate returns via “harvesting” the time decay of option premium – by actively managing a portfolio of short-dated put options on liquid equity instruments (e.g. liquid single-stock holdings, major-market indices, and equity holdings which correlate to a major market index) HPW sells put options to generate premium/income. The Adviser proactively closes/adds positions in accordance with a balanced portfolio and mandate objectives.

The HDOSE is a liquid, actively managed, “synthetic equity” strategy seeking to outperform the S&P 500 by exploiting the benefits of option Skew, Gamma, Vega and Theta. The portfolio seeks to calibrate/optimize its synthetic equity exposure (Delta) based on the corresponding volatility levels (the portfolio is adjusted based on the corresponding volatility {VIX} regime). The HDOSE is meant to be an attractive alternative to (or diversification of) passive large cap U.S. equity exposure (i.e., it’s not an overlay and requires a capital commitment/allocation).

As of December 31, 2015, the Adviser had approximately \$6,237,276,425 of regulatory assets under management, all of which it managed on a discretionary basis.

## **Item 5. Fees and Compensation**

### **Asset-Based Compensation**

The Adviser charges the Clients investment management fees based on either the daily notional account value or daily fair market value of the assets in the Client account (including margin release, net unrealized appreciation or depreciation of investments and cash, cash equivalents and accrued interest) depending on the relevant strategy and investment management agreement (“IMA”) in place. Investment management fees are charged either monthly or quarterly in advance or in arrears depending on the particular strategy and the arrangement between the Adviser and the individual Client as set forth in the Governing Documents. When management fees are charged in advance, Client will receive a refund of the unused portion of any pre-paid management fees. If a new Account is established during a quarter or month, or a Client or Investor makes an addition to its account during a quarter or month, the management fee will be charged as of the effective date of the IMA or the date of the additional contribution based on the value of the assets as of the applicable date and will be prorated for the number of days remaining in the quarter or month. The Adviser may waive or reduce the fees applicable to certain Clients. Fees applicable to the account are negotiated on a case-by-case basis. Generally, the Adviser charges the Fund a management fee ranging from 0.25% to 1.5%. For separately managed accounts, the management fee is individually negotiated by product and set forth in the applicable Governing Documents, which all investors and potential investors should review carefully before making or maintaining an investment.

Clients are responsible for the payment of all third party fees (i.e. custodian fees, brokerage fees, mutual fund fees, transaction fees, etc.). Those fees are separate and distinct from the fees and expenses charged by the Adviser. Please see Item 12 of this brochure regarding broker/custodian arrangements.

Please refer to the offering documents of the Fund and the IMAs of the Accounts for more specific information on fees and expenses applicable to Clients.

#### Performance-Based Compensation

The Adviser may also be paid a performance-based fee or allocation, which is compensation that is based on a share of capital gains on or capital appreciation of the assets of a Client. This compensation may be paid to the Adviser or to a related person of the Adviser at a rate typically ranging from 10% to 15% per annum. The performance fee is subject to a loss carryforward (sometimes referred to as a "high-water mark").

Generally, the performance-based fee or allocation for Clients and Investors are not negotiable. However, The Adviser reserves the right to waive, reduce or require different fees from Clients and Investors that are members, employees or affiliates of the Adviser or its affiliates, relatives of such persons, and for certain other investors.

While the Adviser does not directly deduct the investment management fee from the Accounts in most cases, the Accounts have granted authority to the Adviser to instruct the Account's custodian to deduct the investment management fee from the Client's account. Still other Accounts require pre-approval prior to the custodian deducting applicable investment management fees. In any case, the Adviser prepares bills and makes them available to all Clients.

#### Other Expenses

With respect to the Accounts in addition to paying investment management fees and, if applicable, performance-based fees or other compensation, Client accounts will also be subject to other investment expenses such as custodial charges, brokerage fees, commissions and related costs; interest expenses; taxes, duties and other governmental charges; transfer and registration fees or similar expenses; costs associated with foreign exchange transactions; other portfolio expenses; and costs, expenses and fees (including, investment advisory and other fees charged by investment advisers with, or funds in, which the Client's account invests) associated with products or services that may be necessary or incidental to such investments or accounts.

With respect to the Fund, in addition to paying investment management fees and, if applicable, performance-based fees or other compensation, a pooled investment vehicle Client will also be subject to other investment expenses such as legal, compliance, audit, accounting and third party administrator fees and expenses; organizational expenses; investment expenses such as brokerage commissions, research fees and expenses; interest on margin accounts and other indebtedness; borrowing charges on securities sold short; custodial fees; insurance costs related to the pooled investment vehicle; and any other expenses related to the purchase, sale or transmittal of Client assets.

Please refer to Item 12 of this Firm Brochure for a discussion of the Adviser's brokerage practices.

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

The Adviser and its investment personnel provide investment management services to multiple portfolios for multiple Clients. The Adviser is entitled to be paid performance-based compensation from its Clients. Certain Client or Investors may have different investment management fees or performance-based compensation arrangements than other Clients or Investors. When the Adviser and its investment personnel manage more than one Client account a potential exists for one Client account to be favored over another Client account. The Adviser and its investment personnel have a greater incentive to favor Client accounts that pay the Adviser (and indirectly the portfolio manager) performance-based compensation or higher fees.

The Adviser has adopted and implemented policies and procedures intended to address conflicts of interest relating to the management of multiple accounts, including accounts with multiple fee arrangements, and the allocation of investment opportunities. The Adviser reviews investment decisions for the purpose of ensuring that all accounts with substantially similar investment objectives are treated equitably. The performance of similarly managed accounts is also regularly compared to determine whether there are any unexplained significant discrepancies. In addition, the Adviser's procedures relating to the allocation of investment opportunities require that similarly managed accounts participate in investment opportunities pro rata based on asset size. The Adviser may also take into account the Client's investment objectives, strategies and risk profile; any restrictions placed on a Client's portfolio by the Client or by federal or state law; the size of the account; the total portfolio invested position; the nature of the security to be allocated; the size of the available position; the supply or demand for a security at a given price level; the current market conditions; the timing of cash flows and account liquidity; and any other information determined to be relevant to the fair allocation of securities. The Adviser's procedures also require that, to the extent orders are aggregated, the Client orders are price-averaged. Finally, the Adviser's procedures also require that limited opportunities (such as initial public offerings and private placements) be allocated in any manner deemed appropriate by the Adviser under the circumstances. These areas are monitored by the Adviser's Chief Compliance Officer.

## **Item 7. Types of Client**

As noted above in Item 4, the Adviser's Clients consist of the Fund and Accounts, which are intended for high net worth individuals, family offices, foundations, endowments and other sophisticated or institutional investors.

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

The Adviser utilizes a variety of methods and strategies to make investment decisions and recommendations. The methods of analysis include use of technical analytical tools and approaches as well as fundamental research.

For information regarding the Adviser's investment strategies, please refer to Item 4 above and the applicable Governing Documents, which must be reviewed carefully in connection herewith.

The Adviser employs the following investment methods and techniques:

*Leverage.* The Adviser's investment program utilizes a significant amount of leverage on a Client's underlying collateral positions which involves the borrowing of funds from brokerage firms, banks and other institutions in order to be able to increase the amount of capital available for marketable securities investments.

*Option Trading.* The Adviser engages in various option trading investment strategies. Options are investments whose ultimate value is determined from the value of the underlying investment. The Adviser engages in the following types of option trading strategies: global equity, commodity and fixed income indices.

*Short Selling.* The Adviser engages in short selling strategies. In a short sale transaction, the Adviser sells a security it does not own in anticipation that the market price of that security will decline. The Adviser makes short sales in order to maintain flexibility and for profit.

*Short-Term Market Timing.* The Adviser engages in a short-term market timing investment strategy wherein the Adviser attempts to anticipate the market price of an index option before the index option's price reacts to market forces by analyzing macroeconomic and market trends, and then sells the index option shortly after the stock's price is influenced by market movements.

These methods, strategies and investments involve risk of loss to Clients and Clients must be prepared to bear the loss of their entire investment.

The following risks do not purport to be a complete explanation of all the risks applicable to investing in Clients. Investors should review the terms of the applicable Governing Documents for additional information which may be unique to an individual Client before investing in a Fund or engaging the Adviser. Certain, but not all, of the material risks relating to the Adviser's investment strategies are set forth below.

*Interest Rate Risks.* Generally, the value of fixed-income securities changes inversely with changes in interest rates. As interest rates rise, the market value of fixed-income securities tends to decrease. Conversely, as interest rates fall, the market value of fixed-income securities tends to increase. This risk is greater for long-term securities than for short-term securities.

*Issuer-Specific Changes.* Changes in the financial condition of an issuer or counterparty, changes in specific economic or political conditions that affect a particular type of security or issuer, and changes in general economic or political conditions can increase the risk of default by an issuer or counterparty, which can affect a security's or instrument's value. The value of securities of smaller, less well-known issuers can be more volatile than that of larger issuers. Smaller issuers can have more limited product lines, markets, or financial resources.

*Lack of Diversification.* Client accounts will not be diversified among a wide range of types of securities, countries or industry sectors. Accordingly, Client portfolios are subject to more rapid change in value than would be the case if the Adviser were required to maintain a wider diversification among types of securities and other instruments.

*Leverage.* Performance may be more volatile if a Client's account employs leverage.

*Relative Value Risk.* In the event that the perceived mispricings underlying the Adviser's relative value trading positions were to fail to converge toward, or were to diverge further from, relationships expected by the Adviser, Client accounts may incur a loss.

*Short Selling Risk.* The Adviser's investment program includes a significant amount of short selling. Short selling transactions expose the Adviser to the risk of loss in an amount greater than the initial investment,



and such losses can increase rapidly and up to the entire amount of the applicable spread. There is the risk that the securities borrowed by the Adviser in connection with a short sale would need to be returned to the securities lender on short notice. If such request for return of securities occurs at a time when other short sellers of the subject security are receiving similar requests, a “short squeeze” can occur, wherein the Adviser might be compelled, at the most disadvantageous time, to replace the borrowed securities previously sold short with purchases on the open market, possibly at prices significantly in excess of the proceeds received earlier.

The Adviser’s primary strategy uses frequent trading which results in significantly higher commissions and charges to Client accounts due to increased brokerage, which will offset Client profits.

The risks associated with types of securities that are primarily recommended by the Adviser are set forth below.

*Derivatives.* Swaps, and certain options and other custom derivative or synthetic instruments are subject to the risk of nonperformance by the counterparty to such instrument, including risks relating to the financial soundness and creditworthiness of the counterparty. In addition, investments in derivative instruments may require a high degree of leverage, meaning the overall contract value (and, accordingly, the potential for profits or losses in that value) is much greater than the modest deposit used to buy the position in the derivative contract. Derivative securities can also be highly volatile. The prices of derivative instruments and the investments underlying the derivative instruments may fluctuate rapidly and over wide ranges and may reflect unforeseeable events or changes in conditions, none of which can be controlled by the Client or the Adviser. Further, transactions in derivative instruments are not undertaken on recognized exchanges, and will expose the Client’s account to greater risks than regulated exchange transactions that provide greater liquidity and more accurate valuation of securities.

*Fixed-Income and Debt-Related Securities.* Investment in fixed-income and debt-related securities, such as options on fixed-income indices, subject a Client’s portfolio to the risk that the value of these securities overall will decline because of rising interest rates. Similarly, portfolios that hold such securities are subject to the risk that the portfolio’s income will decline because of falling interest rates. Investments in these types of securities will also be subject to the credit risk created when a debt issuer fails to pay interest and principal in a timely manner, or that negative perceptions of the issuer’s ability to make such payments will cause the price of that debt to decline. Lastly, investments in debt-related securities will also subject the investments to the risk that the securities may fluctuate more in price, and are less liquid than higher-rated securities because issuers of such lower-rated debt securities are not as strong financially, and are more likely to encounter financial difficulties and be more vulnerable to adverse changes in the economy.

*Illiquid Instruments.* Certain instruments may have no readily available market or third-party pricing. Reduced liquidity may have an adverse impact on market price and the Adviser’s ability to sell particular securities when necessary to meet liquidity needs or in response to a specific economic event, such as the deterioration of creditworthiness of an issuer. Reduced liquidity in the secondary market for certain securities may also make it more difficult for the Adviser to obtain market quotations based on actual trades for the purpose of valuing a fund’s portfolio.

*Security Futures and Options.* In connection with the use of futures contracts and options, there may be an imperfect correlation between the change in market value of a security and the prices of the futures contracts and options in the Client’s account. In addition, the Adviser’s investments in security futures and options may encounter a lack of a liquid secondary market for a futures contract and the resulting inability to close

a futures position prior to its maturity date.

#### **Item 9. Disciplinary Information**

This Item is inapplicable.

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

An affiliate of the Adviser serves as general partner to the Fund. With respect to the Fund, the Adviser (or its affiliate, in its capacity as general partner) has entered into or may in the future enter into agreements, or “side letters,” with certain prospective or existing Investors whereby such limited partners or shareholders may be subject to terms and conditions that are more advantageous than those set forth in the Governing Documents for the Fund. For example, such terms and conditions may provide for discounted fees; special rights to make future investments in the Fund, other investment vehicles or managed accounts; special redemption rights, relating to frequency or notice; a waiver or rebate in fees or redemption penalties to be paid by the Investor and/or other terms; rights to receive reports from the Fund on a more frequent basis or that include information not provided to other investors (including, without limitation, more detailed information regarding portfolio positions) and such other rights as may be negotiated by the Fund and such Investor. The modifications are solely at the discretion of the Fund and may, among other things, be based on the size of the Investor’s investment in the Fund or affiliated investment entity, an agreement by an Investor to maintain such investment in the Fund for a significant period of time, or other similar commitment by an Investor to the Fund.

Harvest Volatility Advisors, LLC (“HVA”) is a wholly owned subsidiary of the Adviser, which has been formed to provide investment advisory services to certain principals and Clients of the Adviser. HVA and Harvest Volatility Partners LLC, the general partner of the Fund, are Relying Advisers which are together filing a single Form ADV with the Adviser in reliance on the position expressed in the SEC No-Action letter to the American Bar Association Business Law Section, dated January 18, 2012. HVA is registered as a Commodity Trading Advisor with the Commodity Futures Trading Commission.

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

The Adviser has adopted a Code of Ethics (the “Code”) that obligates the Adviser and its personnel to put the interests of the Adviser’s Clients before their own interests and to act honestly and fairly in all respects in their dealings with Clients. All of the Adviser’s personnel are also required to comply with applicable federal securities laws. Clients or prospective Clients may obtain a copy of the Code by contacting Curtis F. Brockelman, Jr., Chief Compliance Officer by telephone at (646) 843-4802. See below for further provisions of the Code as they relate to the pre-clearing and reporting of securities transactions by related persons.

The Adviser, in the course of its investment management and other activities (e.g., board or creditor committee service), may come into possession of confidential or material nonpublic information about issuers, including issuers in which the Adviser or its related persons have invested or seek to invest on behalf of Clients. The Adviser is prohibited from improperly disclosing or using such information for its own benefit or for the benefit of any other person, regardless of whether such other person is a Client. The Adviser maintains and enforces written policies and procedures that prohibit the communication of such information to persons who do not have a legitimate need to know such information and to assure that the Adviser is meeting its obligations to Clients and remains in compliance with applicable law. In certain circumstances, the Adviser may possess certain confidential or material, nonpublic information that, if disclosed, might be material to a decision to buy, sell or hold a security, but the Adviser will be prohibited

from communicating such information to the Client or using such information for the Client's benefit. In such circumstances, the Adviser will have no responsibility or liability to the Client for not disclosing such information to the Client (or the fact that the Adviser possesses such information), or not using such information for the Client's benefit, as a result of following the Adviser's policies and procedures designed to provide reasonable assurances that it is complying with applicable law.

In addition, the Adviser or its related persons invests in the same securities (or related securities, e.g., warrants, options or futures) that the Adviser or a related person recommends to Clients. Such practices present a conflict where, because of the information an Adviser has, the Adviser or its related person are in a position to trade in a manner that could adversely affect Clients (e.g., place their own trades before or after Client trades are executed in order to benefit from any price movements due to the clients' trades). In addition to affecting the Adviser's or its related person's objectivity, these practices by the Adviser or its related persons may also harm clients by adversely affecting the price at which the clients' trades are executed. The Adviser has adopted the following procedures in an effort to minimize such conflicts: The Adviser requires its covered persons to pre-clear all transactions in their personal accounts with the Chief Compliance Officer, who may deny permission to execute the transaction if such transaction will have any adverse economic impact on one of its clients. In addition, the Adviser's Code prohibits the Adviser or its covered persons from executing personal securities transactions of any kind in any securities on a restricted securities list maintained by the Chief Compliance Officer. All of the Adviser's related persons are required to disclose their securities transactions on a quarterly basis and holdings on an annual basis. All of the Adviser's covered persons are also required to provide broker confirmations of each transaction in which they engage and a monthly certification of such transactions. Trading in employee accounts will be reviewed by the Chief Compliance Officer and compared with transactions for the Client accounts and reviewed against the restricted securities list.

Although the Adviser does not generally anticipate that the securities purchased pursuant to its investment strategy will have voting rights, to the extent that the Adviser or a related person or any of their employees own securities with voting rights that the Adviser or its related person also recommends to Clients, such Clients' proxies will be voted according to predetermined guidelines rather than subject to the Adviser's (or its related person's) discretion. Please refer to Item 17 for further information regarding the Adviser's proxy voting policy and procedures.

## **Item 12. Brokerage Practices**

The Adviser considers a number of factors in selecting a broker-dealer to execute transactions (or series of transactions) and determining the reasonableness of the broker-dealer's compensation. Such factors may include financial stability of the broker; the actual executed price of the security and the broker's commission rates; research, custodial and other services provided by such brokers and/or dealers that are expected to enhance the Adviser's general portfolio management capabilities; the size and type of the transaction; the difficulty of execution and the ability to handle difficult trades; the operational facilities of the brokers and/or the dealers involved; and the ability to handle a block order for securities and distribution capabilities. In selecting a broker-dealer to execute transactions (or series of transactions) and determining the reasonableness of the broker-dealer's compensation, the Adviser need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. It is not the Adviser's practice to negotiate "execution only" commission rates, thus a Client may be deemed to be paying for research, brokerage or other services provided by a broker-dealer which are included in the commission rate. The Adviser's Chief Compliance Officer and traders meet periodically to evaluate the broker-dealers used by the Adviser to execute Client trades using the foregoing factors.

It is a strict current policy of the Adviser not to enter into traditional “soft dollar” arrangements. However, the Adviser may receive unsolicited research or other products or services other than execution (collectively the “Free Services”) at no apparent additional charge and not pursuant to any written “soft dollar” arrangement from a broker-dealer in connection with client securities transactions. To the extent that the receipt of such Free Services is deemed an economic benefit or a “soft dollar” relationship, the Adviser will limit the Free Services to items that constitute research and brokerage within the meaning of section 28(e) of the securities exchange act of 1934 (“Section 28(e)”). Research services within Section 28(e) may include, but are not limited to, research reports (including market research); certain financial newsletters and trade journals; software providing analysis of securities portfolios; corporate governance research and rating services; attendance at certain seminars and conferences; discussions with research analysts; meetings with corporate executives; consultants’ advice on portfolio strategy; data services (including services providing market data, company financial data and economic data); advice from broker-dealers on order execution; and certain proxy services. Brokerage services within Section 28(e) may include, but are not limited to, services related to the execution, clearing and settlement of securities transactions and functions incidental thereto (i.e., connectivity services between an adviser and a broker-dealer and other relevant parties such as custodians); trading software operated by a broker-dealer to route orders; software that provides trade analytics and trading strategies; software used to transmit orders; clearance and settlement in connection with a trade; electronic communication of allocation instructions; routing settlement instructions; post trade matching of trade information; and services required by the SEC or a self-regulatory organization such as comparison services, electronic confirms or trade affirmations.

Should the Adviser use Client commissions to obtain Section 28(e) eligible research and brokerage products and services, the Adviser’s Chief Compliance Officer will meet with the Adviser’s head trader periodically to review and evaluate its soft dollar practices and to determine in good faith whether, with respect to any research or other products or services received from a broker-dealer, the commissions used to obtain those products and services were reasonable in relation to the value of the brokerage, research or other products or services provided by the broker-dealer. This determination will be viewed in terms of either the specific transaction or the Adviser’s overall responsibilities to the accounts or portfolios over which the Adviser exercises investment discretion.

The use of Client commissions (or markups or markdowns) to obtain research and brokerage products and services would raise conflicts of interest. For example, the Adviser would not have to pay for the products and services itself. This would create an incentive for the Adviser to select or recommend a broker-dealer based on its interest in receiving those products and services.

The Adviser may obtain a product or service that is used, in part, by the Adviser for Section 28(e) eligible purposes and, in part, for other purposes. In such instances, the Adviser will make a good faith effort to determine the relative proportion of the product or service used to assist the Adviser in carrying out its investment decision-making responsibilities and the relative proportion used for administrative or other purposes outside Section 28(e). Such determination will be made based on the actual use of the product or service by the Adviser’s personnel. The proportion of the product or service attributable to assisting the Adviser in carrying out its investment decision-making responsibilities will be paid through brokerage commissions generated by Client transactions and the proportion attributable to administrative or other purposes outside Section 28(e) will be paid for by the Adviser from its own resources. The determination of the appropriate allocation of “mixed use” products and services creates a potential conflict of interest between the Adviser and Clients.

Although it does not currently do so, under certain circumstances, the Adviser may permit Clients to direct

the Adviser to execute the Client's trades with a specified broker-dealer. When a Client directs the Adviser to use a specified broker-dealer to execute all or a portion of the Client's securities transactions, the Adviser treats the Client direction as a decision by the Client to retain, to the extent of the direction, the discretion the Adviser would otherwise have in selecting broker-dealers to effect transactions and in negotiating commissions for the Client's account. Although the Adviser attempts to effect such transactions in a manner consistent with its policy of seeking best execution, there may be occasions where it is unable to do so, in which case the Adviser will continue to comply with the client's instructions. Transactions in the same security for accounts that have directed the use of the same broker will be aggregated. When the directed broker-dealer is unable to execute a trade, the Adviser will select broker-dealers other than the directed broker-dealer to effect Client securities transactions. A Client who directs the Adviser to use a particular broker-dealer to effect transactions should consider whether such direction may result in certain costs or disadvantages to the Client. Such costs may include higher brokerage commissions (because the Adviser may not be able to aggregate orders to reduce transaction costs), less favorable execution of transactions, and the potential of exclusion from the Client's portfolio of certain foreign ordinary shares and/or small capitalization or illiquid securities due to the inability of the particular broker-dealer in question to provide adequate price and execution of all types of securities transactions. By permitting a Client to direct the Adviser to execute the Client's trades through a specified broker-dealer, the Adviser will make no attempt to negotiate commissions on behalf of the Client and, as a result, in some transactions such Clients may pay materially disparate commissions depending on their commission arrangement with the specified broker-dealer and upon other factors such as number of shares, round and odd lots and the market for the security. The commissions charged to Clients that direct the Adviser to execute the Client's trades through a specified broker-dealer may in some transactions be materially different than those of Clients who do not direct the execution of their trades. Clients that direct the Adviser to execute the Client's trades through a specified broker-dealer may also lose the ability to negotiate volume commission discounts on batched transactions that may otherwise be available to other Clients of the Adviser.

The Adviser often purchases or sells the same security for many Clients contemporaneously and using the same executing broker. It is the Adviser's practice, where possible, to aggregate Client orders for the purchase or sale of the same security submitted contemporaneously for execution using the same executing broker. The Adviser will also aggregate in the same transaction, the same securities for accounts where the Adviser has brokerage discretion. Such aggregation may enable the Adviser to obtain for Clients a more favorable price or a better commission rate based upon the volume of a particular transaction. When an aggregated order is completely filled, the Adviser allocates the securities purchased or proceeds of sale pro rata among the participating accounts, based on the purchase or sale order. Adjustments or changes may be made under certain circumstances, such as to account for differences in Client objectives and strategies, risk tolerances, tax status and other criteria. If the order at a particular broker is filled at several different prices, through multiple trades, generally all such participating accounts will receive the average price and pay the average commission, subject to odd lots, rounding, and market practice. If an aggregated order is only partially filled, the Adviser's procedures provide that the securities or proceeds are to be allocated in a manner deemed fair and equitable to Clients. Depending on the investment strategy pursued and the type of security, this may result in a pro rata allocation to all participating Clients.

### **Item 13. Review of Accounts**

Each Client account is reviewed by the Principals or its designated person on an ongoing basis to determine whether securities positions should be maintained in view of current market conditions. Matters reviewed include specific securities held, adherence to investment guidelines and the performance of each Client.

Significant market events affecting the prices of one or more securities in Client accounts may trigger

reviews of Client accounts on other than a periodic basis.

Unless otherwise agreed to by the Adviser and Client, each Account will receive monthly reports from its custodian describing investments in the Account, summarizing that period's activities and comparing the market value of the securities in the Account for that period with the Account's performance for prior periods. The Adviser will provide each Client with quarterly reports containing a performance review. Additionally, the Adviser prepares a daily statement and makes such statement available to Clients upon request. Such reports may be delivered electronically to the Client in accordance with the Client's agreement with the Adviser.

Investors and Clients receive reports from the Adviser pursuant to the terms agreed upon in the applicable Governing Documents.

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

It is a strict current policy of the Adviser not to enter into traditional "soft dollar" arrangements. However, the Adviser may receive unsolicited research or other products or services other than execution (collectively the "Free Services") at no apparent additional charge and not pursuant to any written "soft dollar" arrangement from a broker-dealer in connection with client securities transactions. To the extent that the receipt of such Free Services is deemed an economic benefit or a "soft dollar" relationship, the Adviser will limit the Free Services to items that constitute research and brokerage within the meaning of Section 28(e). These services may create an incentive for the Adviser to select or recommend broker-dealers based on the Adviser's interest in receiving the research or other products or services and may result in the selection of a broker-dealer on the basis of considerations that are not limited to the lowest commission rates and may result in higher transaction costs than would otherwise be obtainable by the Adviser on behalf of its Clients. Please see Item 12 for further information on the Adviser's "soft-dollar" practices, including the Adviser's procedures for addressing conflicts of interest that arise from such practices.

The Adviser makes cash payments to third-party solicitors for Client referrals. Where applicable, cash payments for Client solicitations will be structured to comply fully with the requirements of Rule 206(4)-3 under the Investment Advisers Act of 1940 (the "Advisers Act") and related SEC staff interpretations.

#### **Item 15. Custody**

Rule 206(4)-2 promulgated under the Advisers Act (the "Custody Rule") imposes certain obligations on registered investment advisers that have custody or possession of any funds or securities in which any Client has any beneficial interest. An investment adviser is deemed to have custody or possession of Client funds or securities if the adviser directly or indirectly holds Client funds or securities or has the authority to obtain possession of them (regardless of whether the exercise of that authority or ability would be lawful). An investment adviser is deemed to have custody if it or its affiliate serves as a general partner to a limited partnership Client of the Adviser.

The Adviser is required to maintain the funds and securities (except for securities that meet the privately offered securities exemption in the Custody Rule) over which it has custody with a "qualified custodian." Qualified custodians include banks, broker-dealers, FCM and certain foreign financial institutions.

Rule 206(4)-2 generally imposes on advisers with custody of Clients' funds or securities certain requirements concerning reports to such Clients (including underlying Investors in certain circumstances) and surprise examinations relating to such Clients' funds or securities. However, The Adviser need not

comply with such requirements with respect to pooled investment vehicles if the pooled investment vehicle: (i) is audited at least annually by an independent public accountant, and (ii) distributes its audited financial statements prepared in accordance with generally accepted accounting principles to the Client, or, in certain circumstances, all limited partners, members or other beneficial owners, within 120 days (180 days in the case of a fund of fund adviser) of its fiscal year end. The Adviser intends to rely upon this exception and therefore will be exempt from the Rule 206(4)-2 reporting and examination requirements.

#### **Item 16. Investment Discretion**

The Adviser provides investment advisory services on a discretionary basis to Clients. Please see Item 4 for a description of any limitations Clients may place on the Adviser's discretionary authority.

Prior to assuming full discretion in managing a Client's assets, the Adviser enters into an IMA or other agreement that sets forth the scope of the Adviser's discretion.

Unless otherwise instructed or directed by a discretionary Client, the Adviser has the authority to determine: (1) which securities or instruments to buy or sell; (2) total amount of securities or instruments to buy or sell; (3) the executing broker or dealer for any transaction; and (4) the commission rates or commission equivalents charged for transactions. Because of the differences in Client investment objectives and strategies, risk tolerances, tax status and other criteria, there may be differences among Clients in invested positions and securities held, and it is possible that different Clients will hold opposing positions.

#### **Item 17. Voting Client Securities**

Although the Adviser does not generally anticipate that the securities purchased pursuant to its investment strategy will have voting rights, to the extent the Adviser is delegated proxy voting authority on behalf of its Clients, the Adviser will comply with its proxy voting policies and procedures, which are designed to ensure that in cases where the Adviser votes proxies with respect to Client securities, such proxies are voted in the best interests of its Clients.

Clients may obtain a copy of the Adviser's proxy voting policies and procedures and information about how the Adviser voted a Client's proxies by contacting Curtis F. Brockelman, Jr., Chief Compliance Officer by telephone at (646) 843-4802.

#### **Item 18. Financial Information**

##### *Balance Sheet*

The Adviser is not required to attach a balance sheet because it does not require or solicit the payment of fees six months or more in advance.

##### *Contractual Commitments to Our Clients*

The Adviser has no financial condition that is reasonably likely to impair our ability to meet contractual and fiduciary commitments to its Clients.

##### *Bankruptcy Petitions*

The Adviser has never been the subject of a bankruptcy petition.