

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

***Item 1. Cover Page***

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Date of the Brochure:	3/28/2012

This brochure provides information about the qualifications and business practices of Caravan Capital Management LLC. If you have any questions about the contents of this brochure, please contact us at (253) 230-9011 and/or [cliffq@caravancap.com](mailto:cliffq@caravancap.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.

Additional information about Caravan Capital Management LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

***Item 2. Material Changes***

This section regarding material changes to the Part 2 of Form ADV covers only material changes made since our previous Form ADV Part 2 which was last revised on March 30, 2011.

Changes made include additional information and detail about fees and other costs of the fund as described in Items 5 and 6.

In addition, investors should note that while Caravan Capital Management LLC is currently registered as an investment advisor with the SEC, due to not meeting the minimum assets under management requirement of \$25 million it is no longer eligible to remain registered with the SEC and is in the process of registering the State of Washington.

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**Note in regards to Part 2B of Form ADV: Brochure Supplement:** All information regarding individual management persons required in the Brochure Supplement is presented in the Brochure and in the Additional Disclosure Requirements for State Registered Advisors.

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

Caravan Capital Management LLC is an investment management firm which is the general partner of and currently advises to The Emerging Frontiers Master Fund Ltd., an investment fund registered in the British Virgin Islands, and to The Emerging Frontiers Fund LP, a private investment fund (or “hedge fund”) registered in the state of Delaware which invests substantially all its assets in the associated offshore master fund, The Emerging Frontiers Master Fund Ltd. In addition, Caravan Capital Management anticipates actively advising to another fund, The Emerging Frontiers Fund Ltd., an investment fund registered in the British Virgin Islands that is not yet operating but would also invest substantially all its assets in The Emerging Frontiers Master Fund Ltd. in conjunction with The Emerging Frontiers Fund LP. These funds are collectively and commonly known as a master-feeder structure whereby the investments in securities are held in the offshore master fund primarily for operational efficiency, flexibility and tax reasons and the other two funds acting as feeders into the master fund. These funds comprise the only investment products currently managed or advised by Caravan Capital, and as such, investment advice is not tailored to meet the needs of individual clients, rather, the fund seeks to achieve a set of investment objectives which can be found in a document entitled “The Emerging Frontiers Fund LP Offering Memorandum.”

Caravan Capital Management LLC, primarily specializes in investing its clients’ assets in the frontier, or pre-emerging public equity markets. Examples of frontier stock exchanges include Vietnam, Kuwait, Ghana, and Romania. More information is available regarding the nature of the frontier equity markets upon request, and clients are briefed of the unique characteristics and risks of the frontier markets before considering an investment in one of Caravan Capital’s investment funds.

The principal owner of the business is Clifford Quisenberry Jr., whose ownership presently exceeds 80% of Caravan Capital Management LLC.

As of 2/29/2012, the amount of assets under management by Caravan Capital Management LLC totaled \$6,231,817.

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

As the general partner, Caravan Capital Management LLC charges investors in The Emerging Frontiers Fund LP fees as a percentage of assets under management, called management fees, as well as through a performance-based fee, also called an incentive allocation. The typical management fee is 2% of the assets of a client held in the fund as well as a 20% incentive allocation based on the performance of the fund. These fees may be negotiable based on the size of the client’s investment in the fund or other factors. Fees are billed to the client’s account in the fund and are not billed separately to investors in the fund. The 2% management fee is accrued monthly and billed quarterly, due in advance. The 20% performance-based fee is accrued monthly, billed annually and due after the end of the year. In cases where a client withdraws all or a portion of his account balance in the fund before the last day of the quarter, any client fees that are paid in advance will be rebated on a pro-rated basis. The Emerging

Frontiers Master Fund Ltd. does not charge any additional or separate management or performance-based fees.

In some cases, Caravan has allowed or may allow clients to negotiate a fee lower than the stated 2% or change other aspects of the fee calculation or fee-based components. Reasons to allow this may include the belief by Caravan that the addition of this client would sufficiently enhance the asset size of the Fund or enhance the potential for future increased asset size that would help to spread the fixed costs of operating the fund over a larger asset base. Other cases have included and may include allowing an employee or owner of the Caravan to have a lower or no fee imposed.

None of the employees at Caravan Capital Management LLC receive compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

The Emerging Frontiers Fund LP also incurs costs for auditing of the fund, tax preparation, legal fees and other professional fees or costs to run the fund. In addition, investors in the funds will indirectly incur the startup costs associated with the fund that have been amortized over a 60 month period from its inception on 6/22/2009. Other indirect costs of investing in The Emerging Frontiers Fund LP include the custody fees and other fund expenses such as legal and accounting which occur at the level of The Emerging Frontiers Master Fund Ltd. Where feasible, known, estimated and anticipated annual costs are accrued on monthly basis. These costs and other fees are applied to reduce the client's account value within the fund. While these costs are consistent with the fiduciary duty of the general partner to its clients, the general partner, Caravan Capital Management LLC, seeks to minimize these additional costs. The general partner expects that these direct and indirect costs, excluding the management fees and performance-based fees, would be less than 2% of the net assets of the fund going forward. However, these costs may be higher due to unanticipated costs and can increase or decrease as a percentage of the fund as the size of the fund's asset size varies. Clients should contact Caravan Capital Management LLC for information on the most recent estimates of these costs. In addition, clients should refer to "The Emerging Frontiers Fund LP Offering Memorandum," "The Emerging Frontiers Fund LP Amended and Restated Limited Partnership Agreement" and/or the audited financial statements for more detailed disclosures of the fees and costs of investing in the fund.

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

Caravan Capital Management LLC charges investors in The Emerging Frontiers Fund LP an incentive allocation, or performance-based fee, as part of the typical fee structure based upon a high watermark. A high watermark means the highest historic level of an investor's asset account in the fund. Because performance-based fees are based on the value of an investors account assets as they rise and fall due to performance, the high watermark means that the manager is not paid in cases where the value of an investor's account assets fall below their highest historical level and the manager only gets paid based upon the amount that investor's assets subsequently exceed this high watermark. This ensures that client's aren't charged a performance-based fee in a year simply because their account assets rose in a year following a period of poor performance when they are still below the previously attained level.

The stated performance fee is currently set at 20% and all investors who pay this performance fee are currently subject to the high watermark. However, as stated above, in some cases Caravan has allowed or may allow clients to negotiate a different performance fee or change other aspects of the fee calculation, high watermark or other fee-based component. Reasons to allow this may include the belief by Caravan that the addition of this client would sufficiently enhance the asset size of the Fund or enhance the potential for future increased asset size that would help to spread the fixed costs of operating the fund over a large asset base. Other cases have included and may include allowing an employee or owner of the Caravan to have a lower or no fee imposed.

At present, essentially only one product that uses a performance-based fee, the master-feeder structure, is managed by Caravan Capital Management LLC, and so the performance fee does not present the potential for a conflict of interest in which Caravan Capital employees would be more highly incentivized to allocate potentially lucrative investments to one product and/or clients over another.

### ***Item 7. Types of Clients***

The Emerging Frontiers Fund LP typically takes on clients who are large institutions or high-net-worth individuals. The investors in The Emerging Frontiers Fund LP must be sophisticated investors and "accredited investors" and "qualified clients" as defined by regulatory requirements which at a minimum means that an individual client investing in the fund must have a net worth exceeding 1.5 million dollars, not counting the value of their real estate. The Emerging Frontiers Fund LP has a stated minimum initial investment size of \$500,000 but will and has waived that minimum. The minimum for subsequent contributions is \$50,000.

Investors in the frontier markets in general should be aware of the potential volatility of these markets, and should be focused on a long-time horizon for their investment in this sub-asset class.

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

Currently, Caravan Capital Management's primary strategy is to invest in the securities that trade on frontier emerging market countries through The Emerging Frontiers Fund LP and The Emerging Frontiers Master Fund Ltd, collectively called the "Fund," with an objective of long-term capital appreciation. In addition to publicly traded equities, we may invest in participation notes, and other equity and market linked investments, including private investment funds, open and closed end funds and other privately held securities, in countries that may be considered frontier countries.

The universe of frontier markets is comprised of over 8,000 companies in approximately 86 countries and includes any country that has a stock exchange but is not considered a developed market or an emerging market as defined by the major index providers. Examples of these markets include: Albania, Armenia, Azerbaijan, Bahrain, Bangladesh, Barbados, Belarus, Benin, Bermuda, Bolivia, Bosnia, Botswana, Bulgaria, Cape Verde, Cayman Islands, Colombia, Costa Rica, Cote d'Ivoire, Croatia, Cyprus, Ecuador, El Salvador, Estonia, Fiji, Georgia, Ghana, Greenland, Guatemala, Guyana, Honduras, Iraq,

Jamaica, Jordan, Kazakhstan, Kenya, Kuwait, Kyrgyz Republic, Laos, Latvia, Lebanon, Libya, Lithuania, Macedonia, Malawi, Maldives, Mali, Malta, Mauritius, Moldova, Mongolia, Montenegro, Namibia, Nepal, Niger, Nigeria, Oman, Pakistan, Palestine, Panama, Papua New Guinea, Paraguay, Qatar, Republika Srpska, Romania, Rwanda, Saudi Arabia, Senegal, Serbia, Slovak Republic, Slovenia, Sri Lanka, St. Kitts & Nevis, Sudan, Swaziland, Tanzania, Togo, Trin. & Tobago, Tunisia, U.A.E., Uganda, Ukraine, Uruguay, Uzbekistan, Venezuela, Vietnam, Zambia, Zimbabwe. However, we consider a large number of those countries and companies too small or illiquid to be investable for us, so this confines the universe somewhat to a more manageable number. We generally invest in 20-40 markets at any given time, and are currently monitoring about 100 companies.

This investment strategy can be characterized as very aggressive and opportunistic. For instance, the countries in which we may invest may be known for political or economic instability and illiquid markets, but will generally provide what we believe are opportunities for potentially solid market returns.

We will have flexible investment parameters in carrying out the overall investment objective and may in our discretion (and on an opportunistic and flexible basis) invest a limited portion of the Fund assets pursuant to alternative investment strategies which may increase the directional exposure of the Fund's portfolio, for example by investing in futures contracts or structured notes or otherwise making investments that involve the use of leverage or margin. While leverage may be used when available in the Fund, we do not anticipate that the Fund's portfolio will be highly leveraged. However, the use of leverage will magnify the underlying risk of the holdings. In addition, there is no assurance that the Fund will achieve its investment objective or be profitable.

Our investment philosophy focuses on certain guiding principles:

- Expected returns in a frontier country's market are often set relatively high by investors, who discount for country-specific risks within a local or regional portfolio. By implementing a broad-based portfolio, these country-specific risks can be diversified with the anticipated result that the expected returns can be captured with less attendant risks.
- Identify catalytic events for a frontier country, enter the market early, buy before demand arises and prices are low, then hold the position until other investors have entered and demand rises forcing prices to rise.
- Manage risk by exploiting low correlations, investing broadly and avoiding concentration.
- Recognize that the cost of transacting in frontier country markets can be very high and implement accordingly.
- Apply a contrarian strategy of buying when most others want to sell and selling when most others want to buy, in order to minimize transaction costs with improved volume and to buy securities at a favorable value to enhance long term investment results.

- Perceived risk is often greater than the actual risk. By understanding the risks, opportunities for favorable investments are realized. Consequently, a frontier country should not be eliminated from consideration just because it is considered unattractive at the present time.
- Analyze where the frontier country is on the spectrum of development. Differentiate process by type of country and adapt accordingly. Early stage markets may require longer holding periods to extract the most value while more developed frontier country markets may require a more nimble approach.
- Exploit market inefficiencies that often exist in the markets of frontier countries. Examples of these market inefficiencies can be seen in depositary receipts, such as American Depositary Receipts (“ADRs”), which may trade at high premiums to their underlying local stocks, unusual pricing of certain assets in markets with fixed currency regimes, and irrational investor reaction to corporate actions.

Our research is driven and based on an assessment of each frontier country, its political and economic climate, its markets and its investment opportunities, balancing valuation and potential return versus risk. The investment process at the country level employs a multi-pronged approach, combining quantitative techniques, thematic and factor bets and qualitative judgment based upon years of experience in these markets. We construct quantitative models designed to analyze country-level returns. We utilize regression as well as Bayesian network models on individual countries to determine which factors may be significant drivers for each market. We use techniques such as information coefficient analysis to determine the ability of specific factors to predict returns. Based upon these models, we can determine a range of country-level return forecasts or can determine how certain factors may drive a market. We use this information in conjunction with qualitative inputs, as well as our views on particular global factors, in order to determine a short-list of countries which we believe will outperform relative to other countries. Positive factors that we may consider include growth of real gross domestic product (“GDP”) per capita, the wealth effects introduced by regional neighboring economies, political and economic reform, the discovery of natural resources, the opening of trade and foreign investment, one or more major privatizations of state owned facilities and agencies, an improvement to various business, political or social risk indicators or rankings, a positive political change in governance, an improvement to currency conditions, and the admittance of that country to a regional economic, trade or monetary body or union. Negative factors we may consider include any high current account deficits relative to GDP, any central bank loss of control over inflation, any expropriations or nationalizations of industry, the appearance of increased protectionism, the deterioration of government enforcement or increased corruption, any perceived stock market bubble, inadequate securities laws, any impending war, civil strife or other instability, and any deterioration in sovereign debt ratings of such frontier country.

However, some of these methods are based on historical data and historical relationships which may be incomplete, inaccurate or may not hold in the future and thus these methods may not be successful in predicting future performance. Other methods are based on subjective assessment which may prove to be inadequate.



In further analyzing the relative favorability of a frontier country, we have found that consideration of where each frontier country is in its stage of development and placement within one of three stages assists with the investment approach to be taken as to investing in such frontier country. These three stages are (i) the neglected or early stage market, (ii) the standard frontier country market, and (iii) the frontier country whose market is transitioning to an emerging market.

A typical early stage or neglected frontier country market is one where the market is not currently a part of any frontier market index, or where an exchange either has yet to be created or has only recently been created. Often a privatization process is just beginning. To enter these markets, we may look for either good value relative to the apparent risk or a special situation or other catalyst event on the investment horizon. As breadth of the securities market and choices of listed or traded equities and other securities may be limited, the Fund may hold only a few or less of these securities with each early stage frontier country market. We may consider as a proxy securities in other markets or non-equity securities such as fixed income that have exposure to these early stage markets and economies. We may also anticipate a country's inclusion to an established frontier market index and consider the valuation and liquidity benefits that would result from such inclusion.

A standard frontier country market is usually already a member of a frontier market index. We may consider a standard frontier country with sustainable economic growth, or the potential for expansion of the country's market capitalization through privatization, with the result that such country's weight in a frontier market index or other events have not been fully priced into the market. In markets that we consider to be fully priced overall, we may consider individual securities investments that provide value or acquisition potential within that market.

The third stage encompasses those frontier country markets that are transitioning to emerging market status. These are countries with a higher relative gross domestic product per capita and often dominate a frontier country market index. Here, the market may have better regulatory controls, a broader selection of securities and access by foreign investors, although some aspect may prevent such a market from being considered an "emerging market." Often in such markets, identifying economic sectors that are underrepresented in an index or that have the potential for above average growth may provide favorable investment opportunities, such as a movement toward the consumer market in a country where its middle class is expanding rapidly.

The investment process at the stock level can be driven top-down, based upon themes we see playing out in a given country, or bottom-up based upon particular security-specific opportunities we may uncover. From the top-down approach, we may select securities that provide a beta exposure to a country, but also have sufficient liquidity, are attractively valued, and fulfill certain factor, sector, or thematic bets. From the bottom-up approach, we select securities which we view as mispriced relative to current valuations or to future price targets utilizing our equity valuation models. For the larger frontier markets, we are able to compile consensus earnings estimates using Bloomberg data, whereas for the smaller frontier markets we must conduct more primary research to generate our own earnings estimates. Based on a conversation with management, local analysts, or local sell-side research, we produce earnings, cash-flow and dividend forecasts to feed our discount models, which include Discounted Free Cash Flow to Firm and Dividend Discount Models, among others. In addition to the

short-term intrinsic valuations generated from our discount models, we generate long-term valuation targets using comparables models, based on which countries we think currently represent the future expected stage of market development of the country we are looking at. In this way, we assess how a re-pricing of all equities within a market caused by market discovery and development can impact the potential returns of an individual equity. In addition, we seek to identify securities that provide arbitrage opportunities and are extremely mispriced across multiple markets or relative to key factors such as commodity prices. However, investors should note that these models are sensitive to and often rely on historical data that can be inaccurate or may prove not to be as relevant in the future in helping to predict future performance. Nor can any model or investment process incorporate, identify or eliminate the risks in investing in securities of these markets.

Investment in The Emerging Frontiers Fund LP will be subject to various risks, including risks relating to the recently-formed nature of the Fund, foreign investment risks, frontier country risks, counter-party risks, currency, market and trading risks, settlement and custody risks, liquidity and capitalization risks, general investment risks, the use of certain investment techniques and the illiquid nature of the Fund. There can be no assurance that the Fund will achieve its investment objective or avoid substantial losses. An investor should not make an investment in the Fund with the expectation of sheltering income or receiving cash distributions. Investors are urged to consult their personal financial and tax advisers before investing in the Fund. See “Risk Factors” within The Emerging Frontier s Fund LP Offering Memorandum for more details on the risks involved in investing. Despite our investment process and the attempts of our team to assess and/or minimize risk where possible, investing in securities involves significant risk of loss, including the possibility of total loss of their investments, which clients should be prepared to bear. There are a significant number of risks relating to the type of securities investing to be engaged in by the Fund, including the following:

*Investment Risk.* An investment in the Fund is subject to significant investment risk, including the possible loss of the entire principal amount that is invested.

The Fund’s investments will consist of securities identified by Caravan Capital Management’s methodology. Since such strategy will involve identifying securities which are generally undervalued (or, in the case of short positions, overvalued) by the marketplace, success of such strategy will necessarily depend upon the market eventually recognizing such value in the price of the security, which may not necessarily occur. The Fund’s portfolio positions may undergo significant short-term declines and experience considerable price volatility. Since Caravan Capital Management’s methodology does not require any minimum market capitalization and since investment in small countries may involve greater illiquidity and price fluctuations, the Fund may take positions in companies or other issuers which may involve an increased level of general investment risk. Equity positions may include speculative securities. Accordingly, investors in the Fund must be prepared to assume the risks inherent in such speculative investments. An investment in the Fund should not be regarded as a complete investment program and should be considered solely by investors prepared to experience possible short-term volatility and fluctuations in value in the interest of seeking superior long-term capital appreciation.

It is possible to experience investment losses on both the long and short sides of a portfolio. In addition, strategies involving numerous positions and significant trading activity, such as that of the Fund, will require timely and successful executions and favorable overall transaction costs in order to be optimally successful.

An investment in the Fund should not be regarded as a complete investment program. As with any investment approach or strategy, Caravan Capital Management's investment approach, strategy and methodology cannot assure any given level of investment return or that the Fund's investment objective will in fact be realized. Any past successes with the methodology cannot assure future results. There can be no assurance that use of the methodology will necessarily result in profitability or that the Fund will not incur losses.

*Current Volatility of Capital Markets and Impairment of Credit Markets.* Extraordinary circumstances have from time to time significantly disrupted financial markets, and such circumstances may exist in the future. Recently, securities markets have experienced a tightening in the worldwide credit markets and a significant loss in value, posing possible systemic risks and resulting in extraordinary governmental actions, extreme price volatility, limited liquidity and a potential for overall collapse. Under such conditions, the Fund may be at a heightened risk for having its assets adversely affected by market volatility and credit unavailability.

Price volatility may be influenced to a greater degree by factors other than fundamentals, including overall investor sentiment, market forces, sudden favor or disfavor of a company or industry, predictions or rumors, and heavy trading pressure from particular investors. Such patterns of price movements may result in corresponding volatility in the Fund's returns and its level of capital. Equity positions may at times prove more difficult to sell in a timely or efficient manner and could thus impair the Fund's ability to fully realize portfolio gains or limit losses. The institutions, including brokerage firms and banks, with which the Fund will do business, or to which securities have been entrusted for custodial purposes, may encounter financial difficulties or contractions in credit availability that would impair the operational capabilities or the capital position of the Fund. The Fund's portfolio positions may undergo significant short-term declines and experience considerable price volatility. In addition, the existence of one or more of the conditions described above could lead to reduced demand for the securities in which the Fund invests, which may in turn decrease the value of the Fund's assets. Because the securities held by the Fund are marked to market and fluctuate in value based on supply and demand, reduced liquidity in the markets for certain securities could depress the value of the Fund's assets to less than their intrinsic value. If investors seek to withdraw their Capital Account balances at such a time, the Fund may be forced to sell its investments at less than intrinsic value in order to meet such withdrawal requests. An investment in the Fund should only be considered by investors prepared to experience possible short-term volatility and fluctuations in value in the interest of seeking long-term capital appreciation.

*Foreign Investment Risks.* The Fund's assets will be invested predominantly in securities denominated in foreign currencies and/or traded outside the United States or comparable

developed nations. Such investments require consideration of certain risks typically not associated with investing in U.S. securities. Investments in foreign issuers may be subject to greater risk than U.S. investments for many reasons, including changes in currency exchange rates and unstable and adverse political, social and economic conditions, which may significantly disrupt the financial markets or interfere with the Fund's ability to enforce its rights against foreign issuers. Foreign (non-U.S.) investments may also be subject to the risks of a lack of adequate or accurate company information, smaller, less liquid and more volatile securities markets, less secure foreign banks or securities depositories than those in the United States and foreign controls on investment and currency transfers. Because of less developed markets and economies, foreign investments may have less liquidity and increased price volatility. In some countries, less mature governments and governmental institutions may potentially lead to greater risks of expropriation, confiscatory taxation, unclear laws and national policies that may restrict the repatriation of cash or the Fund's investments in general. Foreign brokerage commissions and custodial costs generally are higher than in the United States. Finally, the value of the currency of the country in which the Fund has invested could decline relative to the value of the U.S. dollar, which may affect the value of the investment to U.S. investors. In addition, the underlying issuers of certain depositary receipts, particularly unsponsored or unregistered depositary receipts, are under no obligation to distribute shareholder communications to the holders of such receipts, or to pass through to them any voting rights with respect to the deposited securities. The risks of investing in foreign securities can be intensified in the case of investments in issuers located in emerging markets. To the extent that the Fund invests in emerging securities markets, the risks of foreign investing may be greater, as these countries may be less politically and economically stable than other countries. It may also be more difficult to buy and sell securities in countries with emerging securities markets. Investments in foreign issuers may also decrease the Fund's ability to borrow against its assets. As further detailed below, the risks of investing in frontier countries is magnified compared to the risks of investing in emerging markets.

*Risks of Investing in Frontier Countries.* The Fund's assets will be invested predominantly in securities traded in frontier countries. Investment in securities in non-U.S. and non-developed countries, whether in frontier countries or emerging market countries, involves risks not associated with investments in securities in developed countries. The risks associated with an emerging market investment are magnified, at times significantly, in a frontier country market investment. The risks of investing in a frontier country are significantly high and may involve unforeseeable risks. Among the numerous risks are risks associated with expropriation and/or nationalization, political or social instability, armed conflict, the impact on the economy as a result of civil war, religious or ethnic unrest, corruption, the withdrawal or non-renewal of any license enabling the Fund to trade in securities of a particular country, confiscatory taxation, imposition of exchange control regulations, inadequate settlement procedures, restrictions on transfers of assets, lack of uniform accounting, auditing and financial reporting standards, less publicly available financial and other information, diplomatic developments which could affect U.S. investments in those countries, changes in governmental administration or economic or monetary policy (in the United States or elsewhere) or changed adverse circumstances in

dealings between nations, and potential difficulties in enforcing contractual obligations. Markets in frontier countries may be subject to greater market volatility, significantly lower trading volume, political and economic instability, uncertainty regarding the existence of trading markets and more governmental limitations on foreign investment than more developed or emerging markets. In addition, securities markets in frontier countries may be subject to greater price fluctuations than securities in more developed or emerging markets. There may be less information publicly available with regard to issuers and such issuers are not subject to the uniform accounting, auditing and financial reporting standards applicable to U.S. issuers. There may be no single centralized securities exchange on which securities are traded in frontier countries and the systems of corporate governance to which companies in emerging markets are subject may be less advanced than that to which U.S. issuers are subject, and therefore, shareholders (especially minority shareholders) in such companies may not receive many of the protections available to shareholders of U.S. issuers. Investments in securities of non-U.S. issuers are subject to the laws of the individual countries in which the securities are issued. Each country has different laws specific to that country which impact investment and which may increase risk. Securities and bankruptcy laws in frontier countries may be relatively new and unsettled or minimal in scope or involve arbitrary or inconsistent application. Fines or levies may be assessed for inadvertent violation of a country's laws or regulations. Laws regarding foreign investment, securities regulation, title to securities, and shareholder rights may change quickly and unpredictably. In addition, the enforcement of systems of taxation at federal, regional and local levels in frontier countries may be inconsistent, and subject to sudden change.

*Frontier Country Political and Economic Issues.* A significant number of frontier countries do not have western-style or fully democratic governments. Often, the governments are authoritarian in nature and influenced by security forces. For example, certain governments may have been installed or removed as a result of military coups. Disparities of wealth, ethnic, religious and racial disaffection, among other factors, have also led to social unrest in certain frontier countries accompanied, in certain cases, by violence and labor unrest. The Fund's portfolio will be subject to a broad variety of political and economic concerns, including uncertainties arising from authoritarian governments or military involvement in political and economic decision-making, including changes in government through extra-constitutional means, political or diplomatic developments, popular unrest associated with demands for improved political, economic and social conditions, internal insurgencies, hostile relations with neighboring countries and ethnic, religious and racial disaffection, social and religious instability, changes in governmental policies, high rates of inflation, economic dependency on commodity pricing and free trade, infrastructure limitations, shortages of qualified workers, taxation and interest rates and developments in law or regulations, in particular the risk of, and possible change in, legislation relating to the level of foreign ownership in frontier country companies. Natural or manmade catastrophes may have a more magnified effect on the economy of a frontier country. A frontier country may have less institutional safeguards to protect against civil disorders or commotions, tribal, ethnic or civil wars, acts of aggression or terrorism, strikes, material

shortages or acts of God. Some frontier countries may be affected by a greater degree of public corruption and crime, including organized crime.

*Immature Capital Markets of Frontier Countries.* Frontier countries generally have smaller economies or less developed capital markets than traditional emerging markets, and, as a result, the risks of investing in emerging market countries are magnified in frontier countries. The legal infrastructure in each frontier country is unique and often undeveloped. In most cases, securities laws are evolving and inadequate for the protection of the public from fraud. Investment in non-U.S. securities involves considerations and possible risks not typically involved with investment in the securities of U.S. issuers. Issuers whose securities are traded in many of frontier countries are not required to, and do not, prepare financial statements as comprehensive as those conforming to generally accepted accounting principles in the United States or other developed markets. As a result, certain disclosures required of publicly traded issuers in the United States and other developed countries may not be made by issuers in frontier countries, and the type of information available in respect of such issuers may not be as extensive as it would be in the United States or other developed countries. Further, there is generally less vigorous regulation of the securities markets in frontier countries and of the activities of investors in such markets, and there may also be less enforcement of regulatory provisions relating thereto than in the United States or other developed countries. The economies of frontier countries are less correlated to global economic cycles than those of their more developed counterparts and their markets have low trading volumes and the potential for extreme price volatility and illiquidity. This volatility may be further heightened by the actions of a few major investors. For example, a substantial increase or decrease in cash flows of mutual funds investing in these markets could significantly affect local stock prices and, therefore, the valuation of the Fund. The trading markets also may involve substantially higher commission and transaction costs due to the lack of trading partners, lack of competition among brokers, institutionalization of higher fees and currency conversion. These factors make investing in frontier countries significantly riskier than in other countries and any one of them could cause the valuation of the Fund to decline.

*Government Influence and Interference in Frontier Country Capital Markets.* Governments of many frontier countries in which the Fund may invest may exercise substantial or significant influence over many aspects of the private sector. Government actions, bureaucratic obstacles, expropriation, nationalization, confiscation of assets, and corruption may have a significant effect on the economy, which could adversely affect the Fund's investments. In some cases, the governments of such frontier countries may own or control certain companies. Accordingly, government actions could have a significant effect on economic conditions in a frontier country and on market conditions, prices and yields of securities in the Fund's portfolio. Moreover, the economies of frontier countries may be heavily dependent upon international trade and, accordingly, have been and may continue to be, adversely affected by trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which they trade. These economies also have been

and may continue to be adversely affected by economic conditions in the countries with which they trade.

Investment in equity securities of issuers operating in certain frontier countries is restricted or controlled to varying degrees. These restrictions or controls may at times limit or preclude foreign investment in equity securities of issuers operating in certain frontier countries and increase the costs and expenses of the Fund. Certain frontier countries require governmental approval prior to investments by foreign persons, limit the amount of investment by foreign persons in a particular issuer, limit the investment by foreign persons only to a specific class of securities of an issuer that may have less advantageous rights than the classes available for purchase by domiciliaries of the countries and/or impose additional taxes on foreign investors. Certain frontier countries may also restrict investment opportunities in issuers in industries deemed important to national interests.

Frontier countries may require governmental approval for the repatriation of investment income, capital or the proceeds of sales of securities by foreign investors. In addition, if deterioration occurs in a frontier country's balance of payments, the country could impose temporary restrictions on foreign capital remittances. The Fund could be adversely affected by delays in, or a refusal to grant, any required governmental approval for repatriation of capital, as well as by the application to the Fund of any restrictions on investments. Investing in local markets in frontier countries may require the Fund to adopt special procedures, seek local government approvals or take other actions, each of which may involve additional costs to the Fund.

*Political Sanctions.* Generally, under United States law, the Fund is prohibited from investing in a country considered by the United States to be a state sponsor of terrorism or where certain embargo provisions apply. The Fund fully intends to comply with United States law. While complying with such law, the Fund may invest, from time to time, in certain companies which may operate in, or have dealings with, countries subject to sanctions or embargoes imposed by the U.S. government and the United Nations and/or countries identified by the U.S. government as state sponsors of terrorism. These companies may suffer damage to their reputations if they are identified as companies which operate in, or have dealings with, countries subject to sanctions or embargoes imposed by the U.S. government and the United Nations and/or countries identified by the U.S. government as state sponsors of terrorism. As an investor in any such companies, the Fund will be indirectly subject to those risks.

*Foreign (Non-U.S.) Currency Risk.* The Fund's capital accounts will be valued in U.S. dollars. However, a significant portion of the Fund's assets will be denominated in foreign (non-U.S.) currencies. There is the risk that the value of such assets and/or the value of any distributions from such assets may decrease if the currency in which such assets are priced or in which they make distributions falls in relation to the value of the U.S. dollar. The risk of an unfavorable currency exchange rate fluctuation is in addition to the institutional risks of a frontier country. For example, a frontier country may impose a detrimental currency exchange control structure, may impose high costs for currency conversion, may devalue or change its currency significantly,

or may impose stringent conditions on conversion of currency. The Fund is not required to hedge its foreign currency risk, although it may do so through foreign currency exchange contracts and other methods, although such hedges may not be available. Therefore, to the extent the Fund does not hedge its foreign currency risk, or the hedges are ineffective, the value of the Fund's assets and income could be adversely affected by currency exchange rate movements.

*Non-Recoverable Foreign Tax Withholding; Foreign Taxation.* Certain foreign governments in countries in which the Fund may invest may levy withholding or other taxes on dividend, interest or other income at high or confiscatory rates or have other forms of confiscatory taxation. Although in some countries a portion of these taxes are recoverable, the non-recovered portion of foreign withholding taxes or other taxes will reduce the income received from investments in such countries. In addition, the enforcement systems of taxation at federal, regional and local levels in frontier countries may be inconsistent and subject to sudden change.

*Frontier Country Licensing, Custody and Settlement Risk.* Approval of governmental authorities may be required prior to investing in the securities of companies based in certain frontier countries. Delays in obtaining such an approval would delay investments in the particular country. The Fund may maintain its foreign securities and cash in the custody of certain designated non-U.S. banks and securities depositories. Certain banks in foreign countries that are foreign sub-custodians may be recently organized or otherwise lack extensive operating experience. In addition, in certain countries there may be legal restrictions or limitations on the ability of the Fund to recover assets held in custody by a foreign sub-custodian in the event of the bankruptcy of the sub-custodian. Settlement and safekeeping systems in frontier countries may be less well organized than in emerging markets or developed markets. Records of ownership may have insufficient safeguards against destruction or alteration. Beneficial or record ownership may be challenged by the companies in which the Fund invests or by governmental authorities. Thus there may be a risk that settlement may be delayed and that cash or securities of the Fund may be in jeopardy because of failures of or defects in the systems. Under the laws of certain countries in which the Fund may invest, the Fund may be required to release local shares before receiving cash payment or may be required to make cash payment prior to receiving local shares.

*Delays in Settlement from Share Blocking.* Certain countries in which the Fund may invest utilize share blocking schemes. Share blocking refers to a practice, in certain foreign markets, where voting rights related to an issuer's securities are predicated on these securities being blocked from trading at the custodian or sub-custodian level, for a period of time around a shareholder meeting. These restrictions have the effect of prohibiting securities to potentially be voted (or having been voted), from trading within a specified number of days before, and in certain instances, after the shareholder meeting. Share blocking may prevent the Fund from buying or selling securities for a period of time. During the time that shares are blocked, trades in such securities will not settle. The specific practices may vary by market and the blocking period can last from a day to several weeks, typically terminating on a date established at the discretion of the issuer. Once blocked, the only manner in which to remove this block would be to withdraw



a previously cast vote, or to abstain from voting altogether. The process for having a blocking restriction lifted can be quite onerous with the particular requirements varying widely by country. In addition, in certain countries, the block cannot be removed. Share blocking may present operational challenges for the Fund, including the effect that an imposed block would have on pending trades. Pending trades may be caused to fail and could potentially remain unsettled for an extended period of time. Fails may also expose the transfer agent and the Fund to “buy in” situations in which if unable to deliver shares after a certain period of time, a counterparty has the right to go to market, purchase a security at the current market price and have any additional expense borne by the Fund or transfer agent. As a result of the ramifications of voting ballots in share blocking proxy markets, Caravan Capital Management, on behalf of the Master Fund and the Fund, reserves the right to abstain from voting proxies in share blocking proxy markets.

*Concentration of Investments.* Trading markets in frontier countries are smaller (based on market capitalization and value of securities traded) than in the United States and other developed securities markets. As a consequence, the Fund may invest in a relatively limited number of issuers, some or many of which operate in the same industry or economic sector. Caravan Capital Management does not intend to apply fixed diversification standards to the Fund portfolio with respect to any number or geographic areas of the world of invested frontier countries, the number of issuers, any particular industries, industry sectors, or types of securities. Accordingly, although the Fund’s portfolio may be diversified in one of these areas, the portfolio may not be considered sufficiently diversified or the portfolio may be concentrated, to varying degrees, within any of these areas, such as in one or more industries, industry sectors or security type, or in only a limited number of frontier countries or securities issuers. In addition, investments in certain geographic regions may be concentrated or become unexpectedly correlated. The economies and financial markets of certain geographic regions, such as the Middle East and Africa, can be interdependent, and investments in such geographic region may all decline at the same time. Certain geographical regions have historically been prone to natural disasters such as earthquakes, volcanoes or tsunamis or are economically sensitive to environmental events. Any such event could cause a significant impact on the economies and investments in these geographic regions. Any such concentration of investments can increase significantly both investment risk and portfolio volatility.

*Investments in Companies with Smaller Capitalizations or Limited Coverage.* The Fund may invest in the securities of companies with smaller capitalizations or that are the subject of little or no analysis or coverage by Wall Street or similar overseas firms. Investments in such companies may involve greater risk than is customarily associated with investments in the securities of companies with larger capitalizations or with greater Wall Street or similar coverage. For example, smaller companies often have limited product lines, markets, and/or financial resources may be dependent for management on one or a few key persons, may lack substantial capital reserves, may not have established performance records and may be more susceptible to losses. Also, the securities of companies with smaller capitalizations or limited Wall Street or similar coverage may be thinly traded (and therefore may have to be sold at a

discount from then-current market prices or in small lots over an extended period of time) and may be subject to wider and more abrupt price swings, thus creating the potential for greater losses than investments in the securities of companies with larger capitalizations or greater Wall Street or similar coverage. In addition, in connection with such reduced liquidity, transaction costs incurred by the Fund with respect to investments in the securities of companies with smaller capitalizations or limited Wall Street or similar coverage may be higher than the transactions costs the Fund would have incurred if the Fund had invested only in the securities of larger capitalization companies or companies with greater Wall Street or similar coverage.

*Capital with Limited Liquidity; Market Price Volatility.* Trading markets in frontier countries are subject to less liquidity than is usually the case in United States and other developed securities markets. Although Caravan Capital Management will take liquidity considerations (such as trading volume) into account in its investment analysis, there will be no minimum market capitalization or “public float” requirement applicable to all investments. Accordingly, the Fund may take positions in particular securities that are relatively large as compared to current trading volume or overall market capitalization. Other portfolio positions may involve securities that are lightly traded or otherwise have markets of limited liquidity. Such positions may at times prove more difficult to sell in a timely or efficient manner and could thus impair to some extent the Fund’s ability to fully realize portfolio gains or limit losses. Reduced liquidity may also lead to considerably more price volatility than would be the case in emerging or developed markets. Other factors that can contribute to price volatility and illiquidity include that a company is newly formed or in the early stages of development, there may be less public information available about the company, their shares may trade less frequently, and it may take a long time before the Fund realizes a gain, if any, on an investment in a company in a frontier country. Price volatility may also be influenced to a greater degree by factors other than fundamentals, including overall investor sentiment, market forces, sudden favor or disfavor of a company or industry, predictions or rumors and heavy trading pressure from particular investors. Such patterns of price movements may result in corresponding volatility in the Fund’s returns and its level of capital. Consequently, investments in securities in frontier countries involve substantially greater risks of loss and price fluctuations because their earnings and revenues tend to be less predictable (and some companies may be experiencing significant losses), and their share prices tend to be more volatile and their markets less liquid.

*Overall Investment Risk.* All securities investments risk the loss of capital. The nature of the securities to be purchased and traded by the Fund and the investment strategies and techniques to be employed by the Fund will increase this risk. There can be no assurance that the Fund will not incur losses. Many unforeseeable events, including, but not limited to, actions by various government agencies, and domestic and international economic and political developments, may cause sharp market fluctuations which could adversely affect the Fund’s portfolio or performance.

There can be no assurance that the investment strategy to be employed by the Fund will achieve the Fund’s investment objective or that the Fund will be profitable.

### *Risks Relating to Portfolio Construction and Implementation*

There will also be a number of significant risks inherent in the Fund's anticipated investment techniques. Such risks include the following:

*Participation Notes ("P-notes").* The Fund may invest a portion of its assets in P-notes. P-notes generally are issued by banks or broker-dealers and are promissory notes that are designed to offer a return linked to the performance of a particular underlying equity security or market. The return on a P-note that is linked to a particular underlying security generally is increased to the extent of any dividends paid in connection with the underlying security; however, the holder of a P-note typically does not receive voting rights as it would if it directly owned the underlying security. P-notes constitute direct, general and unsecured contractual obligations of the banks or broker-dealers that issue them, which therefore subjects the Fund to counterparty risk, as discussed below.

Investments in P-notes involve certain risks in addition to those associated with a direct investment in the underlying foreign companies or foreign securities markets whose return they seek to replicate. For instance, there can be no assurance that there will be a trading market for a P-note or that the trading price of a P-note will equal the underlying value of the foreign company or foreign securities market that it seeks to replicate. As the purchaser of a P-note, the Fund is relying on the creditworthiness of the counterparty issuing the P-note and has no rights under a P-note against the issuer of the underlying security. Therefore, if such counterparty were to become insolvent, the Fund would lose its investment. The risk that the Fund may lose its investments due to the insolvency of a counterparty may be amplified because there may be a very limited number of issuers available from whom the Fund may purchase P-notes. P-notes also include transaction costs in addition to those applicable to a direct investment in securities of frontier countries. Due to liquidity and transfer restrictions, the secondary markets on which the P-notes are traded may be less liquid than the markets for other securities, or may be completely illiquid. In addition, the ability of the Fund to value its P-notes accurately may become more difficult.

*Depository Receipts.* The Fund may invest in depository receipts, including unsponsored depository receipts. Unsponsored depository receipts may be established by a depository without participation by the underlying issuer. Holders of an unsponsored depository receipt generally bear all the costs associated with establishing the unsponsored depository receipt. The issuers of the securities underlying unsponsored depository receipts are not obligated to disclose material information in the United States and, therefore, there may be less information available regarding such issuers, and there may not be a correlation between such information and the market value of the depository receipts. In addition, the Fund's investments may also include depository receipts that are not purchased in the public markets and are restricted securities that can be offered and sold only to certain buyers. It is possible that depository receipts purchased by the Fund could have the effect of increasing the level of the Fund's illiquidity.

*Investment in Private Companies and Funds; Private Securities.* Caravan Capital Management may make late stage investments in private companies of securities, not having a ready market or otherwise publicly traded, offering near-term liquidity prospects, such as through a public offering, acquisition or other event. Caravan Capital Management may also make investments in private investment funds, privatization funds and public-private partnerships. Any investments in private investment funds will increase the fees and expenses payable by the Fund, since such investment funds also generally bear fees (which may include management, incentive and/or performance fees) and expenses in connection with their operations and investment activities. In addition, there may be little or no active market for some or all of these securities. In addition, there may be local laws restricting the transfer of the securities. Consequently, the Fund may not be able to dispose of such an investment when Caravan Capital Management desires to do so.

*Equity Securities.* The value of the equity securities held by the Fund are subject to market risk, including changes in economic conditions, growth rates, profits, interest rates and the market's perception of these securities. While offering greater potential for long-term growth, equity securities are more volatile and more risky than some other forms of investment.

*Short Selling.* When available, short selling may be a part of Caravan Capital Management's investment strategy and may be utilized (i) in situations where Caravan Capital Management believes, on the basis of its fundamental analysis, that the securities in question are overvalued, and therefore likely to experience significant price declines, over time, or (ii) as a hedge or offset to long positions. Short selling inherently involves certain additional risks. Selling securities short creates the risk of losing an amount greater than the initial investment and the theoretically unlimited risk of an increase in the market price of the securities sold short. Short selling can also involve significant borrowing and other costs which can reduce the profit or create losses in particular positions.

*Leverage; Interest Rates.* Although it is not anticipated that leverage will be a substantial focus, Caravan Capital Management may borrow funds opportunistically, as it sees fit, on behalf of the Fund in order to hedge, to increase investment positions or to make additional investments. Risk of loss and the magnitude of possible gains are both generally increased by the use of leverage. Fluctuations in the market value of the Fund's portfolio will have a greater effect relative to the Fund's capital than would be the case in the absence of leverage. Adverse market fluctuations, in the case of margin borrowings, may require the untimely liquidation of one or more investment positions. The amount of borrowing that the Fund may have outstanding at any time may be large in relation to its capital. Interest costs of borrowings will be an expense of the Fund and therefore both borrowing levels and fluctuations in interest rates may affect the operating results of the Fund.

*Options.* When available, the Fund may utilize options in furtherance of its investment strategy for both investment and hedging purposes. Options positions may include long positions, where the Fund is the holder of put or call options, as well as short positions, where the Fund is the seller (writer) of an option. Although option techniques can increase investment return, they

can also involve a relatively higher level of risk. The expiration of unexercised long option positions effectively results in loss of the entire cost or premium paid for the option. Option premium costs, as well as the cost of covering options written by the Fund, can reduce or eliminate position profits or create losses as well.

The Fund may also purchase and sell call and put options on stock indices and ETFs listed on national securities exchanges or traded in the over the counter ("OTC") market for the purpose of realizing its investment objective or for the purpose of hedging its portfolio. A stock index or ETF fluctuates with changes in the market values of the stocks included in the index or ETF. The effectiveness of purchasing or writing stock index or ETF options for hedging purposes will depend upon the extent to which price movements in the Fund's portfolio correlate with price movements of the stock indices or ETFs selected. Because the value of an index or ETF option depends upon movements in the level of the index or ETF rather than the price of a particular stock, whether the Fund will realize gains or losses from the purchase or writing of options on indices or ETFs depends upon movements in the level of stock prices in the stock market generally or, in the case of certain indices or ETFs, in an industry or market segment, rather than movements in the price of particular stocks. Accordingly, successful use by the Fund of options on stock indices or ETFs will be subject to Caravan Capital Management's ability to correctly predict movements in the direction of the stock market generally or of particular industries or market segments. This requires different skills and techniques than predicting changes in the price of individual stocks.

*Hedging Strategies.* Caravan Capital Management may, but is not required to, employ a number of hedging strategies as part of its risk control program for the Fund. Hedging against a decline in the value of a portfolio position does not eliminate fluctuations in the values of portfolio positions or prevent losses if the values of such positions decline, but establishes other positions designed to gain from those same developments. For a variety of reasons, however, Caravan Capital Management may not seek or be able to establish a sufficiently accurate correlation between hedging instruments and the portfolio holding or holdings sought to be hedged. Such imperfect correlation may prevent the Fund from achieving the intended hedge or expose the Fund to risk of loss. For example, the Fund's long and short positions may not be correlated in a manner that significantly protects against loss on one side of the portfolio. In addition, there may be risks which are not identified, and therefore are unhedged, or there may be risks where an efficient hedging strategy is unavailable. It will not be an objective for the Fund to be hedged significantly at all times. It should be assumed, therefore, that the Fund's portfolio may still be exposed to significant risks, notwithstanding any intended hedging strategies.

*Derivatives.* The Fund may engage in a variety of derivative transactions, including equity swaps and other swaps and derivatives. Swaps and other derivatives often involve investment exposure which can be in excess of committed capital. This makes possible both the recognition of significant gain and significant loss. Moreover, the counterparty lenders in derivative transactions typically require the investor to post collateral. As with margin transactions in securities, a decline in the value of posted collateral may result in the counterparty requiring additional collateral or the closeout of the derivative position, which may be untimely and result

in losses to the investor, which could be significant. Further, the profitability of investments by the Fund in the derivatives markets generally depends on the ability of Caravan Capital Management to analyze correctly these markets, which are influenced by, among other things, changing supply and demand relationships, governmental, commercial and trade programs and policies designed to influence world political and economic events, and changes in interest rates.

In addition, the derivatives markets are frequently characterized by limited liquidity, which can make it difficult as well as costly to close out open positions in order to either realize gains or to limit losses. Additionally, many derivatives are valued on the basis of dealers' pricing of these instruments. However, the price at which dealers value a particular derivative and the price which the same dealers would actually be willing to pay for such derivative upon closing of a position may be materially different. Such differences may have an adverse effect on the Fund if it is required to close or liquidate its derivative instruments. Moreover, the pricing relationships between derivatives and the underlying instruments on which they are based may not conform to anticipated or historical patterns, resulting in unanticipated losses.

The stability and liquidity of forwards, swaps, repurchase agreements, and other over-the-counter derivative transactions depend in large part on the creditworthiness of the parties to the transaction. If there is a default by the counterparty to a transaction, the Fund may have contractual remedies pursuant to the agreements related to the transaction; however, exercising such contractual rights may involve delays or costs, or may not be successful, which could adversely affect the Fund. It is possible that in the event of a counterparty credit default, the Fund may not be able to recover all or a portion of its investment in such derivative instrument and may be exposed to additional liability (*i.e.*, the obligations associated with what has become an unhedged position).

The Fund may invest in forward contracts and options thereon, which, unlike futures contracts, are not traded on exchanges and are not standardized; rather banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and "cash" trading is substantially unregulated; there is no limitation on daily price movements and speculative position limits are not applicable. The principals who deal in the forward markets are not required to continue to make markets in the currencies or commodities they trade and these markets can experience periods of illiquidity, sometimes of significant duration. There have been periods during which certain participants in these markets have refused to quote prices for certain currencies or commodities or have quoted prices with an unusually wide spread between the price at which they are prepared to buy and that at which they were prepared to sell. Disruptions can occur in any market traded by the Fund due to unusually high trading volume, political intervention or other factors. The imposition of controls by government authorities might also limit such forward (and futures) trading to less than that which Caravan Capital Management would otherwise recommend, to the possible detriment of the Fund. Market illiquidity or disruption could result in major losses to the Fund.

*Price Volatility.* Securities, such as stocks, P-notes, depositary receipts, options, futures and other synthetic and derivative securities, are inherently volatile. Such volatility may result in the value of the Fund's assets fluctuating from time-to-time more greatly than that of other investment vehicles which may be more diversified. There can be no assurance that Caravan Capital Management's investment strategy, including its hedging and diversification techniques, or other investment strategies or techniques, will be effective in protecting the Fund from such price volatility.

*Illiquid Investments.* The Fund may invest in securities, loans or other assets for which no (or only a limited) liquid market exists or that are subject to legal or other restrictions on transfer. The market prices, if any, for such assets tend to be volatile, and may fluctuate due to a variety of factors that are inherently difficult to predict including without limitation changes in interest rates, prevailing credit spreads, general economic conditions, financial market conditions, domestic or international economic or political events, developments or trends in any particular industry, and the financing condition of obligors on the Fund's assets. The Fund may not be able to sell assets when it desires to do so or to realize what it perceives to be their fair value in the event of a sale. The sale of illiquid assets and restricted securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the OTC markets. The Fund may be required to hold illiquid securities for a substantial period of time before any disposition can be effected.

*Special Investments.* Caravan Capital Management reserves the right to designate any investment by the Fund, directly or indirectly through the Master Fund, a Special Investment. Although Special Investments may offer the opportunity for significant gains, such investments will generally involve a high degree of business and financial risk that can result in substantial losses. The securities or other instruments underlying a Special Investment will tend to be less liquid or marketable and less seasoned and more susceptible to volatility in valuation and performance than investments in public companies. In addition, information about these securities or other instruments may be more difficult to obtain and may be less reliable and more subjective than information about public companies. Companies issuing such securities or other instruments, or certain projects of such companies, may have a very limited operating history, may be operating at a loss or with substantial variations in operating results from period to period and may require substantial additional capital to support expansion or to achieve or maintain a competitive position.

The securities or other instruments underlying Special Investments generally will be difficult or impossible to sell at prices comparable to the market prices of publicly traded securities of similar companies to those issuing such securities or other instruments. No assurance can be given that any such Special Investment or any underlying securities or other instruments will be eligible to be traded on a public market or can be liquidated. A Special Investment will be long-term in nature and may result in substantial losses, including the loss of the Fund's entire investment in that Special Investment. It may be difficult to value Special Investments until Disposition. (Generally, Special Investments are valued at cost until Disposition.)

*Restricted Securities.* The Fund may invest in unregistered and other restricted securities that are subject to substantial holding periods or that are not traded in public markets. Such restricted securities generally are difficult or impossible to sell at prices comparable to the market prices of similar securities that are publicly traded or not subject to restrictions on resale. The reduced liquidity of such securities could result in the Fund's inability to realize a favorable price upon disposition of such securities, and in some cases might render impossible such disposition at the time desired by the Fund. No assurance can be given that any such restricted securities will be eligible to be traded on a public market even if a public market for securities of the same class were to develop. It is highly speculative as to whether and when an issuer will be able to register its securities so that they become eligible for trading in public markets.

*OTC Transactions.* It is possible that the Fund may engage in transactions involving securities traded on OTC markets. In general, there is less governmental regulation and supervision in the OTC markets than of transactions entered into on an organized exchange. In addition, many of the protections afforded to participants on some organized exchanges, such as the performance guarantee of an exchange clearinghouse, will not be available in connection with OTC transactions. This exposes the Fund to the risks that a counterparty will not settle a transaction because of a credit or liquidity problem or because of disputes over the terms of the contract. Therefore, to the extent that the Fund engages in trading on OTC markets, the Fund could be exposed to greater risk of loss through default than if it confined its trading to regulated exchanges.

*Futures Contracts and Options on Futures Contracts.* The Fund may purchase and sell futures and options on futures contracts. Futures contracts are traded on a futures exchange and call for the future delivery of a specified "commodity" at a specified time and place. These contractual obligations, depending on whether one is a buyer or a seller, may be satisfied either by taking or making physical delivery of the "commodity" or by making an offsetting sale or purchase of an equivalent futures contract on the same exchange prior to the end of trading in the contract month. Futures prices are highly volatile. Financial instrument and foreign currency futures prices are influenced by, among other things, interest rates, changes in balances of payments and trade, domestic and international rates of inflation, international trade restrictions and currency devaluations and revaluations. The profitability of purchases and sales of futures contracts by the Fund will depend on Caravan Capital Management's ability to analyze price movements in those markets. Because low margin deposits are normally required, an extremely high degree of leverage is obtainable in futures and options trading. A relatively small price movement in a futures contract, consequently, may result in large losses. Thus, like other highly leveraged investments, any purchase or sale of a futures contract may result in losses which exceed the amount invested.

Most U.S. and certain foreign futures exchanges limit fluctuations during a single day in futures contract prices by regulations referred to as "daily price fluctuation limits" or "daily limits." During a single trading day, no trade may be executed at prices beyond the daily limits, and positions in a particular contract can neither be taken nor liquidated at a price beyond the



applicable limit. Futures prices in various commodities have occasionally moved the daily limit for several consecutive days with little or no trading. Similar occurrences could prevent the Fund from promptly liquidating unfavorable positions and could subject the Fund to substantial losses, which could exceed the margin initially committed to such trades. In addition, even if futures prices have not moved the daily limit, the Fund may not be able to execute futures trades at favorable prices if little trading in the contracts the Fund wishes to trade is taking place. It is also possible that an exchange or regulatory authority may suspend trading in a particular contract or order that trading in a contract be conducted for liquidation of open positions only.

In entering into futures contracts and options on futures contracts, there is a credit risk that a counterparty will not be able to meet its obligations to the Fund. The counterparty for futures contracts and options on futures contracts traded in the United States and on most non-U.S. futures exchanges is the clearinghouse associated with such exchange. In general, clearinghouses are backed by the corporate members of the clearinghouse who are required to share any financial burden resulting from the non-performance by one of its members and, as such, should significantly reduce this credit risk. In cases where the clearinghouse is not backed by the clearing members (*i.e.*, some non-U.S. exchanges), it is normally backed by a consortium of banks or other financial institutions. There can be no assurance that any counterparty, clearing member or clearinghouse will be able to meet its obligations to the Fund. In such a situation, the investor is subject to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing the Fund to suffer a loss. In addition, under the CEA, futures commission merchants are required to maintain customers' assets in a segregated account. If the Fund engages in futures and options contract trading and the futures commission merchants with whom the Fund maintains accounts fail to so segregate the Fund's assets or are not required to do so, the Fund will be subject to a risk of loss in the event of the bankruptcy of any of its futures commission merchants. Even where customers' Funds are properly segregated, the Fund might be able to recover only a *pro rata* share of its property pursuant to a distribution of a bankrupt futures commission merchant's assets.

*Insolvency or Failure of Broker-Dealers.* Institutions, such as brokerage firms or banks, may hold certain of the Fund's assets in "street name." Bankruptcy, inadequate controls or fraud at one of these institutions that holds a significant portion of the Fund's assets could impair the operational capabilities or the capital position of the Fund.

In addition, as the Fund may borrow securities to effect short positions, and may borrow money for additional investment purposes in the future, the Fund may, under such circumstances, post certain of its assets as collateral securing the relevant obligations or leverage ("Margin Securities"). It is expected that a broker or dealer would hold the Margin Securities on a commingled basis with margin securities of its other customers and could use certain of the Margin Securities to generate cash to Fund the Fund's leverage, including pledging such Margin Securities. Some or all of the Margin Securities could be available to creditors of a broker or

dealer in the event of its insolvency. In addition, there could be substantial delays in the repayment of the Fund's assets in the event that a broker or dealer were to become insolvent, as well as a risk of total loss of such assets. In such event, the timing and amount of recovery from the broker or dealer would depend on the circumstances of its insolvency (including the amount and value of assets still held by the broker or dealer) and any related liquidation proceedings. It is expected that the broker or dealer would have netting and set off rights over all the assets held by it for the Fund (which may indirectly include amounts held for its benefit in a special segregated bank account) to satisfy the Fund's obligations under the relevant brokerage agreement, including obligations relating to any margin or short positions. Any Margin Securities included in such assets could be subject to claims of the broker or dealer's creditors in the event of its insolvency.

*Debt and Other Income Securities.* The Fund may invest in fixed-income and adjustable rate securities. Income securities are subject to interest rate, market and credit risk. Interest rate risk relates to changes in a security's value as a result of changes in interest rates generally. Even though such instruments are investments that may promise a stable stream of income, the prices of such securities are inversely affected by changes in interest rates and, therefore, are subject to the risk of market price fluctuations. In general, the values of fixed income securities increase when prevailing interest rates fall and decrease when interest rates rise. Because of the resetting of interest rates, adjustable rate securities are less likely than non-adjustable rate securities of comparable quality and maturity to increase or decrease significantly in value when market interest rates fall or rise, respectively. Market risk relates to the changes in the risk or perceived risk of an issuer, country or region. Credit risk relates to the ability of the issuer to make payments of principal and interest. The values of income securities may be affected by changes in the credit rating or financial condition of the issuing entities. Income securities denominated in non-U.S. currencies are also subject to the risk of a decline in the value of the denominating currency relative to the U.S. dollar.

*High-Yield Securities.* The Fund may invest in high-yield securities, which are generally unrated or rated below investment grade and may be considered speculative. Such securities are generally not exchange-traded and, as a result, these instruments trade in the OTC marketplace, which is less transparent than the exchange-traded marketplace. In addition, the Fund may invest in bonds of issuers that do not have publicly traded equity securities, making it more difficult to hedge the risks associated with such investments. High-yield securities face ongoing uncertainties and exposure to adverse business, financial or economic conditions, which could lead to the issuer's inability to meet timely interest and principal payments. The market values of certain of these lower-rated and unrated debt securities tend to reflect individual corporate developments to a greater extent than do higher-rated securities (which react primarily to fluctuations in the general level of interest rates) and tend to be more sensitive to economic conditions than are higher-rated securities. Companies that issue such securities are often highly leveraged and may not have available to them more traditional methods of financing. It is possible that a major economic recession could disrupt severely the market for such securities and may have an adverse impact on the value of such securities. In addition, it is possible that

any such economic downturn could adversely affect the ability of the issuers of such securities to repay principal and pay interest thereon and increase the incidence of default of such securities.

*Investments in Distressed Securities.* The Fund may invest in “below investment grade” securities and obligations of issuers in weak financial condition, or that are experiencing poor operating results, have substantial capital needs or negative net worth, or face special competitive or product obsolescence problems, including companies involved in bankruptcy or other reorganization and liquidation proceedings. These securities are likely to be particularly risky investments although they also may offer the potential for correspondingly higher returns. Among the risks inherent in investments in troubled entities is the fact that it frequently may be difficult to obtain information as to the true condition of such issuers. Such investments may also be adversely affected by laws relating to, among other things, fraudulent transfers and other voidable transfers or payments, lender liability and a bankruptcy court’s power to disallow, reduce, subordinate or disenfranchise particular claims. Such companies’ securities may be considered speculative, and the ability of such companies to pay their debts on schedule could be affected by adverse interest rate movements, changes in the general economic climate, economic factors affecting a particular industry or specific developments within such companies. In addition, often there is no minimum credit standard that is a prerequisite to the Fund’s investment in any instrument, and a significant portion of the obligations and securities in which the Fund invests may be less than investment grade. The level of analytical sophistication, both financial and legal, that may be necessary for successful investment in companies experiencing significant business and financial difficulties may be unusually high. There can be no assurance that Caravan Capital Management will correctly evaluate the value of the assets underlying the Fund’s loans or the prospects for a successful reorganization or similar action. In any reorganization or liquidation proceeding relating to a company in which the Fund invests, the Fund may lose the entire investment, may be required to accept cash or securities with a value less than the Fund’s original investment and/or may be required to accept payment over an extended period of time. Under such circumstances, the returns generated from the Fund’s investments may not compensate its investors adequately for the risks assumed.

In liquidation (both in and out of bankruptcy) and other forms of corporate reorganization, there exists the risk that the reorganization either will be unsuccessful (due to, for example, failure to obtain requisite 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 to the Fund of the security in respect to which such distribution was made.

*Foreign Sovereign Debt.* Sovereign debt includes bonds that are issued by foreign governments or their agencies, instrumentalities or political subdivisions or by foreign central banks. Sovereign debt also may be issued by quasi-governmental entities that are owned by foreign governments but are not backed by their full faith and credit or general taxing powers. Investment in sovereign debt involves special risks. The issuer of the debt or the governmental authorities that control the repayment of the debt may be unable or unwilling to repay principal

and/or interest when due in accordance with terms of such debt, and the Fund may have limited legal recourse in the event of a default because, among other reasons, remedies must be pursued in the courts of the defaulting party. In addition, political conditions, especially a sovereign entity's willingness to meet the terms of its debt obligations, are of considerable significance.

A sovereign debtor's willingness or ability to repay principal and interest due in a timely manner may be affected by, among other factors, its cash flow situation, the extent of its foreign reserves, the availability of sufficient foreign exchange on the date a payment is due, the relative size of the debt service burden to the economy as a whole, the sovereign debtor's policy toward principal international lenders and the political constraints to which a sovereign debtor may be subject.

The occurrence of political, social or diplomatic changes in one or more of the countries issuing sovereign debt could adversely affect the Fund's investments. Political changes or a deterioration of a country's domestic economy or balance of trade may affect the willingness of countries to service their sovereign debt.

*Convertible Securities.* Convertible securities are generally debt securities or preferred stocks that may be exchanged under certain circumstances for shares of common stock (collectively, "Convertibles"). Convertibles typically pay current income as either interest (debt security convertibles) or dividends (preferred stocks). A Convertible's value usually reflects both the stream of current income payments and the value of the underlying common stock. The market value of a Convertible performs like that of a regular debt security; that is, if market interest rates rise, the value of a Convertible usually falls. Since it is convertible into common stock, the Convertible generally has the same types of market and issuer risk as the underlying common stock. Convertibles that are debt securities are also subject to the normal risks associated with debt securities, such as interest rate risks, credit spread expansion and ultimately default risk, as discussed below. Convertibles are also prone to liquidity risk as demand can dry up periodically, and bid/ask spreads on bonds can widen significantly.

An issuer may be more likely to fail to make regular payments on a Convertible than on its other debt because other debt securities may have a prior claim on the issuer's assets, particularly if the Convertible is preferred stock. However, Convertibles usually have a claim prior to the issuer's common stock.

In addition, for some Convertibles, the issuer can choose when to convert to common stock, or can "call" (redeem) the Convertible. An issuer may convert or call a Convertible when it is disadvantageous for the Fund, causing the Fund to lose an opportunity for gain. For other Convertibles, the Fund can choose when to convert the security to common stock or to put (sell) the Convertible back to the issuer.

*Effect of Substantial Withdrawals.* Substantial withdrawals by investors in the Fund within a short period of time could require the Fund to liquidate its investments more rapidly than would otherwise be desirable, possibly reducing the value of the Fund's assets and/or disrupting the

Fund's investment strategies. Reduction in the Fund's size could make it more difficult to generate a positive return or to recoup losses due to, among other things, reductions in the Fund's ability to take advantage of particular investment opportunities or decreases in the ratio of its income to its expenses.

*Overall Investment Risk.* An investment in the Fund is inherently risky. Investors in the Fund risk the loss of all or substantially all of their investment. Investors will have no opportunity to control the operations, including investment and disposition decisions, of the Fund. In order to safeguard their limited liability for the liabilities and obligations of the Fund, investors must rely entirely on Caravan Capital Management to conduct and manage the affairs of the Fund.

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

At Caravan Capital Management LLC, no member of our management team has been subject to any investigation, charges, or other disciplinary events. No managing persons have been subject to any disciplinary events within the last 10 years, or earlier.

No management person has been the subject of any bankruptcy petitions.

No management person has been found liable in an arbitration claim alleging damages in excess of \$2,500. Nor has any management person been found liable in a civil, self-regulatory organization such as the CFA Institute, or administrative proceeding involving any material infringements of codes or bylaws.

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

All of the management team of Caravan Capital Management devote the majority of their professional time to the management of Caravan Capital's investment products. None of Caravan Capital Management's management team has any material relationships or arrangements with related financial industry participants which could cause potential conflicts with the interests of clients in Caravan Capital's investment products. In addition, no member of the management team has any material commercial relationships or arrangements with external broker-dealers, investment companies, investment advisers, futures commission merchants, banking institutions, accountants or firms, lawyers or firms, insurance companies, pension consultants, real estate broker-dealers, or syndicators of limited partnerships which could potentially damage or compromise the interests of investors in Caravan Capital's investment products.

The principal, Clifford Quisenberry Jr., previously owned a research firm, Investment Frontiers Research LLC, which he founded prior to the founding of Caravan Capital Management LLC. However, Investment Frontiers Research LLC was generally inactive since the launch of Caravan Capital Management's funds and the firm was dissolved on December 31, 2009.

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

This Code of Ethics ("Code") has been adopted by Caravan Capital Management LLC and is designed to comply with Rule 204A-1 under the Investment Advisers Act of 1940 ("Advisers Act").

This Code establishes rules of conduct for all Principals and employees of Caravan Capital Management LLC and is designed to, among other things, govern personal securities trading activities in the accounts of Principals and employees, immediate family/household accounts and accounts in which a Principal and/or employee has a beneficial interest. The Code is based upon the principle that Caravan Capital Management LLC and its Principals and employees owe a fiduciary duty to Caravan Capital Management LLC's clients to conduct their affairs, including their personal securities transactions, in such a manner as to avoid (i) serving their own personal interests ahead of clients, (ii) taking inappropriate advantage of their position with the firm and (iii) any actual or potential conflicts of interest or any abuse of their position of trust and responsibility.

Managing members and related persons agree not to make investments in securities owned or potentially owned by Caravan Capital's advised investment funds unless pre-cleared by the Chief Compliance Officer. Personal brokerage statements are compiled on a regular basis so as to monitor and enforce this policy. In addition, managing members and related persons agree not to buy or sell securities owned in client accounts contemporaneously with transactions conducted in client accounts.

A copy of the complete Caravan Capital Management LLC Code of Ethics is available upon request.

In addition, the principals of our management team are CFA Charterholder members. As such, they are held to the high ethical standard of The CFA Institute Code of Ethics and Standards of Professional Conduct. Chartered Financial Analyst (CFA) charter is a globally respected, graduate-level investment credential established in 1962 and awarded by CFA Institute — the largest global association of investment professionals.

There are currently more than 90,000 CFA charterholders working in 135 countries. To earn the CFA charter, candidates must: 1) pass three sequential, six-hour examinations; 2) have at least four years of qualified professional investment experience; 3) join CFA Institute as members; and 4) commit to abide by, and annually reaffirm, their adherence to the CFA Institute Code of Ethics and Standards of Professional Conduct.

The CFA Institute Code of Ethics and Standards of Professional Conduct, enforced through an active professional conduct program, require CFA charterholders to:

- Place their clients' interests ahead of their own
- Maintain independence and objectivity
- Act with integrity
- Maintain and improve their professional competence
- Disclose conflicts of interest and legal matters

Passing the three CFA exams is a difficult feat that requires extensive study (successful candidates report spending an average of 300 hours of study per level). Earning the CFA charter demonstrates mastery of many of the advanced skills needed for investment analysis and decision making in today's quickly evolving global financial industry. As a result, employers and clients are increasingly seeking CFA charterholders—often making the charter a prerequisite for employment. Additionally, regulatory bodies in 19 countries recognize the CFA charter as a proxy for meeting certain licensing requirements, and more than 125 colleges and universities around the world have incorporated a majority of the CFA Program curriculum into their own finance courses.

The CFA Program curriculum provides a comprehensive framework of knowledge for investment decision making and is firmly grounded in the knowledge and skills used every day in the investment profession. The three levels of the CFA Program test a proficiency with a wide range of fundamental and advanced investment topics, including ethical and professional standards, fixed-income and equity analysis, alternative and derivative investments, economics, financial reporting standards, portfolio management, and wealth planning. The CFA Program curriculum is updated every year by experts from around the world to ensure that candidates learn the most relevant and practical new tools, ideas, and investment and wealth management skills to reflect the dynamic and complex nature of the profession.

To learn more about the CFA charter, visit [www.cfainstitute.org](http://www.cfainstitute.org).

### ***Item 12. Brokerage Practices***

In general, we may select brokers to execute transactions on the basis of desirable custody arrangements, the amount of commissions, the quality of execution, expertise in particular markets, the reputation, experience and financial stability of the broker dealer involved and the quality of service, familiarity both with investment practices generally and the techniques employed by us, research and analytic services and clearing and settlement capabilities, subject at all times to principles of best execution. Given the nature of frontier market trading, we prefer to have US-based brokerage firms that either have local operations or local brokerage networks. Having a US-based firm can provide additional assistance in challenging execution and settlement situations. In other cases we may use a local broker in countries where a US-based broker does not provide coverage or where a local broker would have a significant cost advantage to a client.

Due to the reasons above, we primarily utilize one global broker dealer: Auerbach Grayson, almost exclusively to execute our transactions. This is based upon Mr. Quisenberry's long experience with Auerbach Grayson's capabilities and a previous relationship that allows a small firm such as Caravan Capital Management to work with an institutional class broker that otherwise typically requires account relationships of over \$100 million. They are also one of a handful of US-based brokers which specialize in frontier market trading and they have a back office that provides outstanding service in settlement and operations and registration as well as access to research by their local partner brokers. In addition, trades executed through Auerbach Grayson can be custodied via Pershing at preferential rates.

We do not currently utilize soft dollars nor do we anticipate utilizing soft dollar trades. We currently manage two funds, and as such do not currently allow clients to direct brokerage spending. In the event that we added additional managed accounts, we would seek to aggregate trades where appropriate in the pursuit of best execution. Limited security purchases or IPO's would be allocated pro-rata based on the portion deemed appropriate to each client account's investment mandate.

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

We currently manage only one strategy implemented through two investment funds under the master-feeder structure described above in Item 4. The principals conduct a review and analysis of investment positions in the account continuously and provide performance reports on a monthly basis and a more in depth analysis of the performance and the investment environment of the frontier markets on a quarterly basis. In addition, we may provide email updates or white papers on a special basis if extreme market conditions or significant events which affect or could affect our client's investments occur. In the event that additional client accounts would be added, equal diligence would be paid to the review of other client accounts.

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

Managing members and related persons of Caravan Capital Management LLC do not receive compensation for referring clients to other investment advisors.

Caravan Capital Management LLC may utilize licensed placement agents to refer clients to our investment products. Placement agents will be compensated based on a percentage of the fees attained from the client relationship, or on a fixed-fee basis. Compensation will be structured in a way which minimizes potential conflicts with the interest of the clients of Caravan Capital's investment funds. Caravan Capital does not enter into relationships or arrangements with brokers or other financial market participants on the basis of client referrals.

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

Currently, we manage two investment funds under the master-feeder structure described above, in which client investments are dispersed among several custodians, and as such, individual clients do not receive statements directly from custodians. Clients in our investment fund receive statements prepared by our fund administrator, Hedgecount LLC, who calculates fund level net asset values and the corresponding client asset levels based on a compilation of our statements from custodians. Clients should carefully review these account statements. Further information regarding the custodial relationships employed by Caravan Capital's investment funds is available upon request and statements from these custodians can be sent to clients by Caravan Capital upon request or as required under state regulations.



In the event that Caravan Capital Management LLC was to manage individual separate client accounts, these clients would receive statements from their respective custodians directly. It would be beneficial for clients to carefully review these account statements, and to compare these statements with the statements and reports received Caravan Capital.

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

The managing members of our team do have complete discretionary authority over the management of investment funds. No client restrictions have been placed on the scope of these investments outside of the mandate presented in the fund's offering memorandum, available to qualifying investors upon request. In the event that separate individual client accounts would be managed, additional client restrictions could be placed on the management of that client's assets.

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

Caravan Capital Management LLC seeks to vote proxy ballots for client securities on all discretionary client accounts in a manner consistent with the long-term appreciation of client assets. However, in the frontier emerging markets, it is often prohibitively time-consuming, expensive, or otherwise impossible for advisors to vote on client securities due to the logistical and bureaucratic challenges presented in doing so. Caravan Capital's complete Proxy Voting Policy is available upon request.

Currently, Caravan Capital manages two investment funds of the master-feeder structure described in Item 4, and so does not allow clients to dictate voting policies on the fund's behalf. In the event that separate individual client accounts would be managed, clients would be permitted to vote proxy ballots on their securities so long as it was not deemed to be prohibitively time-consuming or expensive to do so.

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

Caravan Capital Management LLC does not require or solicit prepayment of fees on client assets more than six months in advance. However, a balance sheet is available upon request.

It is our view that there are no imminent or probable events or conditions that could render Caravan Capital Management LLC unable to meet its contractual obligations to clients. In the event of significant life events, such as the death of a managing member, clients will be apprised and offered the ability to withdraw funds without being subject to the otherwise mandatory early-withdrawal fee. Further details can be found within our Caravan Capital Management LLC Business Continuity Plan, available upon request.

Neither Caravan Capital Management nor its principals have ever been subject to a bankruptcy petition.

### ***Item 19. Additional Disclosure Requirements for State-Registered Advisers***

Caravan Capital Management LLC's current management is comprised of Mr. Clifford Quisenberry Jr. and Mr. Benjamin Griffith.

Mr. Quisenberry is the CIO and CEO, as well as the managing director and a board member of The Emerging Frontiers Master Fund Ltd. Mr. Quisenberry brings to bear more than 20 years of experience in the investment management industry, including over 15 years of experience managing portfolios of emerging market equities. He currently is the Chief Investment Officer of Caravan Capital Management, manager of The Emerging Frontiers Fund, a fund dedicated to frontier and early stage frontier emerging markets. Mr. Quisenberry began his career in 1987 at Fred Alger Management in New York as a research associate and was a Vice President and portfolio manager at Cutler & Company from 1990 to 1994. In 1994 he joined Parametric, a Seattle-based subsidiary of Eaton Vance, and became Parametric's Director of Research and chief of emerging market strategies and was a portfolio manager of the Eaton Vance Tax-Managed Emerging Markets Fund (EITEX). Mr. Quisenberry is recognized as a pioneer in the structured emerging markets approach and as an early proponent of frontier emerging markets which he introduced into Parametric's emerging market strategy in 1997. He has been published in *Pensions & Investments* and *The Journal of Wealth Management*, interviewed by The Wall Street Journal, Bloomberg News and CNBC, and is a speaker at industry conferences. Mr. Quisenberry graduated from Yale University in 1987 with a BA degree in economics and with a Distinction in Economics. He is a CFA Charterholder member since 1990.

Mr. Griffith is currently an Investment Analyst and Assistant Portfolio Manager. Mr. Griffith also serves as the Secretary to the Board of Directors of The Emerging Frontiers Master Fund Ltd. Mr. Griffith is responsible for investment analysis, assisting in portfolio management and developing and maintaining research systems and processes. He previously worked as an analyst for Bloomberg LP, focusing on Latin American Equities, including the frontier markets of Panama, Costa Rica, Ecuador, and El Salvador. His duties at Bloomberg included the gathering of information relevant to equities in countries where market moving data can be extremely difficult to acquire. He also has experience in individual security analysis, building forecasting and valuation models such as DCF, CFROI, Residual Income, and Peer Multiples and writing company-level reports. He began his financial career as an analyst working for COFIDE, a national development bank based in Lima, Peru, where he helped minimize the currency risks inherent in COFIDE's loan portfolio via the use of cross currency swaps. Mr. Griffith graduated Cum Laude from Connecticut College with Honors in Economics and Latin American Studies in 2006. He is a CFA Charterholder member since 2010.

None of the employees of Caravan Capital Management are compensated directly from performance-based fees. However, performance-based fees are and can be a major source of revenue for the entire firm from which salaries and other compensation can be derived.

Performance-based fees are typically charged based on 20% of the change in value of a client's investment account over the course of the calendar year, subject to the high-watermark, as explained in the previous item section regarding Performance-Based Fees. Clients should be aware that

performance-based compensation may create an incentive for the adviser to recommend an investment that may carry a higher degree of risk to the client.

None of our management has been subject to an award or otherwise being *found* liable in an arbitration claim alleging damages in excess of \$2,500, *involving* any of the following:

- (a) an investment or an *investment-related* business or activity;
- (b) fraud, false statement(s), or omissions;
- (c) theft, embezzlement, or other wrongful taking of property;
- (d) bribery, forgery, counterfeiting, or extortion; or
- (e) dishonest, unfair, or unethical practices.

None of our management has been subject to an award or otherwise being found liable in a civil, *self-regulatory organization*, or administrative *proceeding involving* any of the following:

- (a) an investment or an *investment-related* business or activity;
- (b) fraud, false statement(s), or omissions;
- (c) theft, embezzlement, or other wrongful taking of property;
- (d) bribery, forgery, counterfeiting, or extortion;

Our managing persons are not currently active in any business or activity that would present a potential conflict with the interests of clients invested in Caravan Capital's investment products. In addition, none of our managing persons have any relationship or arrangements with any issuers of securities outside of those deemed beneficial to clients of Caravan Capital Management LLC. Please see the respective section regarding Other Financial Industry Activities for more details.

#### **Part 2B of Form ADV: Brochure Supplement**

All of the required supplemental information has been provided regarding the adviser's management persons in the above Part 2A of Form ADV Brochure, as well in Item 19, the Additional Disclosure Requirements for State-Registered Advisers.