

## **Nexar Capital LLC**

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**March 2012**

This Brochure provides information about the qualifications and business practices of Nexar Capital LLC ("**Nexar**"). If you have any questions about the contents of this Brochure, please contact us by telephone at (212) 317-6700 or by email at Scott.Beechert@Nexarcap.com.

The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission ("**SEC**") or by any state securities authority.

Registration of an investment adviser does not imply that Nexar or any of its principals or employees possesses a particular level of skill or training in the investment advisory business or any other business. The oral and written communications of an investment adviser provide you with information about which you determine to hire or retain an investment adviser.

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

**Item 2: Material changes**

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On February 16, 2012, shareholders of Nexar's ultimate parent company, Nexar Capital Group SCA ("**Nexar Parent**"), signed an agreement with Union Bancaire Privée, UBP SA ("**UBP**") to sell 100% of Nexar Parent's equity to UBP (the "**Transaction**"). It is anticipated that the Transaction will close in April 2012, although, as the Transaction is subject to customary regulatory approvals, the Transaction could close later. There will be no change in the management of Nexar as a result of the Transaction. Nexar will amend its Form ADV promptly following closing of the Transaction to reflect the changes occurring as a result of the Transaction.

On March 13, 2012, Nexar Trading LLC, an affiliate of Nexar's which provided investment advice relating relate primarily to volatility arbitrage, filed a request with the Commodity Futures Trading Commission to withdraw its registration as a commodity trading adviser. As of the date of this Firm Brochure, such withdrawal request has not been approved. Such approval will be deemed granted 30 days following the submission of such request if not earlier approved.

Currently, our Brochure may be requested by contacting Scott V. Beechert, Nexar's Chief Compliance Officer ("**CCO**") and General Counsel, at (212) 317-6702 or Scott.Beechert@Nexarcap.com.

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**Item 4: Advisory Business**

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Nexar Capital LLC ("**Nexar**" or the "**Firm**"), a Delaware limited liability company, is an investment adviser formed in 2009 that may serve as the manager and/or investment manager (as the case may be) for, and provide discretionary investment advisory services to, one or more domestic private investment funds (the "**Onshore Funds**"). Nexar serves as investment adviser or sub-adviser to one or more private investment funds sponsored or managed by Nexar Capital S.A.S. (Paris, France), ("**Nexar SAS**") and/or NexAM S.A. (Paris, France) (formerly AAAM S.A.) ("**NexAM**"), and Ermitage Asset Management Jersey Limited (Jersey, Channel Islands) ("**Ermitage**") all affiliates of Nexar, or one of its affiliates (the "**Offshore Funds**," collectively with the Onshore Funds, the "**Funds**"). Initially, Funds advised by Nexar will typically not involve direct trading and instead will utilize a "**Fund of Funds**" or "**Manager of Managers**" approach.

Nexar will:

- (i) in the case of an Onshore Fund, act on a discretionary basis and allocate Fund capital to investment managers ("**Sub-Managers**") (including, potentially, Sub-Managers that may be affiliated with Nexar) and/or investment vehicles managed by such Sub-Managers ("**Sub-Funds**") as selected by Nexar; and
- (ii) in the case of an Offshore Fund, act on a discretionary or a non-discretionary basis and either allocate Offshore Fund capital to Sub-Managers and/or Sub-Funds or make recommendations to Nexar SAS, NexAM, Ermitage or an affiliate as to the allocation of Offshore Fund capital among Sub-Managers and/or Sub-Funds, as the case may be, in each instance in light of the investment objectives of the particular Fund.

Nexar also offers customized advisory services to institutional investors, either on a discretionary or a non-discretionary basis as agreed with each Client in the relevant investment advisory agreement ("**IAA**"), in respect of their alternative investment portfolios ("**Customized Portfolios**"). Customized Portfolios will also typically not involve direct trading and instead will utilize a "**Fund of Funds**" or "**Manager of Managers**" approach. Each IAA will typically state the Customized Portfolio's investment objectives, permitted investments and restrictions ("**Guidelines**"). Discretionary IAAs permit Nexar to buy and sell securities within the Guidelines without obtaining the Client's consent for each transaction. In connection with non-discretionary IAAs, Nexar will make recommendations to the Client as to how the Client may allocate its assets among one or more Sub-Managers and/or Sub-Funds in light of its investment objectives.

The Funds will be managed only in accordance with their own characteristics and not tailored to any particular private fund investor. Each of the Funds is managed in accordance with its own objectives as described in its respective offering, governing and subscription documents. Investors must consider whether a particular Fund meets their investment objectives and risk tolerance prior to investing.

Nexar is majority owned by most of its employees, with over 60 professionals in Paris, New York, Jersey (Channel Islands) and London.

As of February 29, 2012, the Firm managed collectively, approximately \$2.4 billion of assets on a discretionary and non-discretionary basis.

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**Item 5: Fees and Compensation**

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Nexar has not implemented a standard fee schedule. Instead, fees will depend on the nature of the particular investment program to be undertaken on behalf of each Client. Generally, each investor in a Fund will be charged a management fee (“**Management Fee**”) calculated as a percentage of such investor’s assets under management. Management Fees will generally be payable in arrears at the end of each calendar month (pro-rated for a partial month).

Fees charged with respect to an investment in each respective Fund advised by Nexar will be set forth in more detail in such Fund’s offering documents. Nexar may agree to fee structures in respect of individual investors in Funds that differ from those described above on a case-by-case basis.

Customized Portfolios

The fees payable by a Customized Portfolio Client will be negotiated on a case-by-case basis and will be set forth in the relevant IAA between the Client and Nexar. Such fees may differ from the fees charged to the Funds and will typically include a Management Fee and a Performance Fee.

Additional Fees to Sub-Managers

Investors in Funds of Funds and Customized Portfolio Clients will be subject to additional fees (typically including both a management fee and a performance fee) payable to the Sub-Managers. In the case where the Sub-Manager is affiliated with Nexar, such fees will either be waived or explicitly disclosed to any such investors in order to mitigate the potential conflicts of interest associated with such investments.

Negotiation of Fees; Waivers

As stated above, fees for Customized Portfolios will be negotiated on a case-by-case basis. Management Fees and Performance Fees payable by investors in the Funds generally will not be negotiable, but under certain circumstances, Nexar may, in its discretion, waive, or modify for particular investors, all or a portion of the Management Fees and/or Performance Fees payable to it by such investors.

Side Letters

From time to time, Nexar may enter into agreements, commonly known as “side letters,” with certain investors under which such investors may acquire interests in a Fund on different business terms than other investors, provided that doing so does not adversely affect such other investors.

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**Item 6: Performance Fees**

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In addition to being charged a Management Fee, each investor in a Fund may be charged a performance fee or performance allocation (“**Performance Fees**”) generally calculated as a percentage of the amount by which the net asset value of such investor’s investment (prior to reduction for any accrued Performance Fee) exceeds the prior period’s net asset value or, in the case of some but not all funds, the high water mark attributable to such investment. Performance Fees will, in all cases, be assessed in compliance with Rule 205-3

under the Investment Advisers Act of 1940, as amended (the “**Advisers Act**”). Such Performance Fees, if any, will generally be payable (i) upon an investor’s withdrawal of its investment from a Fund, with respect to the withdrawn amount and (ii) at the end of each fiscal year or upon the anniversary of investment (a “**Calculation Period**”), with respect to the performance of an investor’s investment during such Calculation Period. For Fund’s employing a high water mark, the high water mark initially attributable to an investor will be such investor’s initial investment. Thereafter, such high water mark will generally be the highest net asset value of the investor’s investment as of the last business day of any Calculation Period, if higher than the initial high water mark, after reduction for any Performance Fee then payable. Performance Fees will be calculated separately with respect to each investor in an Onshore Fund, and may be calculated either on the basis of each investor’s overall investment or separately with respect to each investment made by such investor.

The Management Fees and Performance Fees described in Items 5 and 6 will be calculated on the net asset value of the relevant Fund and will be based on unrealized as well as realized appreciation of assets.

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**Item 7: Types of Clients**

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Clients of Nexar are expected to be primarily institutional Clients for Customized Portfolio advisory services and the Funds. The Funds may be organized as Delaware limited liability companies, Irish Units Trust or other types of entities in other jurisdictions.

Investors in the Funds are expected to include bank or thrift institutions, investment companies, pension and profit sharing plans, trusts, estates, charitable organizations, and corporations; however these investors are not themselves Clients of Nexar.

The minimum investment in a Fund is expected to be \$250,000, subject to change or waiver at the discretion of the Fund’s manager. The exact amount will be specified in the relevant Fund’s offering documents. Clients for Customized Portfolio advisory services will generally be required to initiate their account(s) with a minimum of \$50,000,000, or to fund such level of investment within one year.

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**Item 8: Methods of Analysis, Sources of Information, Investment Strategies and Risk of Loss**

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***Methods of Analysis***

Nexar’s methods of analysis include, but are not limited to:

- Fundamental analysis
- Technical analysis
- Cyclical analysis

***Sources of Information***

Some of the sources of information Nexar uses include:

- Financial newspapers and magazines
- Research materials prepared by others

- Annual reports, prospectuses, filings with the SEC

**Investment Strategies**Nexar Capital LLC

Nexar provides advisory services to Funds and Customized Portfolios that employ a “Fund of Funds” or “Manager of Managers” approach in which their assets are allocated among one or more Sub-Funds and/or Sub-Managers for the purpose of achieving each Client’s particular investment objectives. The Sub-Managers and the Sub-Funds pursue a diverse range of trading and investing strategies. Nexar conducts a thorough evaluation of Sub-Managers and Sub-Funds using quantitative and qualitative analysis. To the extent such information is available, Nexar considers factors including, without limitation: the education, experience and background of key personnel; risk management techniques employed; risk/reward attributes of each Sub-Manager’s or Sub-Fund’s strategy; information obtained through personal interviews, reports and literature; portfolio composition; comparison of manager track records to peers and indices; as well as political and economic factors.

In evaluating Sub-Managers and Sub-Funds, Nexar conducts a pre-investment due diligence review and will perform periodic ongoing monitoring of each Sub-Manager. These reviews include evaluation of information obtained directly from Sub-Managers (including historical performance data). Nexar endeavors to obtain independent verification of certain information to the extent it deems doing so appropriate.

**Risk Factors**

*Note: All investments involve the risk of loss, including (among other things) loss of principal, a reduction in earnings (including interest, dividends and other distributions), and the loss of future earnings.*

The following list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment in the Funds:

Multi-Manager Fund of Hedge Funds Approach

Each Fund will seek to implement its specific investment objective and policies by investing in regulated and/or unregulated underlying funds managed by alternative or hedge fund Portfolio Managers. This fund of hedge funds approach is subject to a variety of risks summarized (not exhaustively) below.

There are three principal types of risk that can adversely affect the investment approach of a Fund: Portfolio Manager risk, strategy risk and market risk.

*Portfolio Manager risk* encompasses the possibility of loss due to Portfolio Manager fraud (at the trader or principal level), intentional or inadvertent deviations from a predefined investment strategy (including excessive concentration, directional investing outside of predefined ranges, excessive leverage or trading in new capital markets) or simply poor judgment. In addition, investments in underlying funds typically limit liquidity in such funds through monthly, quarterly, semi-annual and even annual and less frequent redemption dates and also have available to them mechanisms such as “gates” and side pockets to further limit liquidity in such fund, which all together may make investments in such funds highly illiquid.

*Strategy risk* is associated with the failure or deterioration of an entire strategy such that most or all managers employing that strategy suffer significant losses. Strategy-specific losses

may result from excessive concentration by multiple managers in the same investment or broad events that adversely affect particular strategies (e.g., illiquidity within a given market). Certain of the strategies employed by the Portfolio Managers can be expected to be speculative and involve substantial risk of loss in the event of such failure or deterioration.

*Market risk* reflects the fact that there are certain general market conditions in which any given investment strategy is unlikely to be profitable. Neither Nexar nor the Portfolio Managers have any ability to control or predict such market conditions. With respect to market risk, Nexar's approach is designed to achieve broad diversification across global capital markets (i.e., equities, fixed income, commodities, foreign currencies, listed securities and OTC instruments, across numerous markets worldwide) and thus limit its exposure to any single market. However, from time to time multiple markets could move in tandem against a Fund's positions and such Fund could suffer substantial losses. Recent extraordinary events have affected the banking, derivatives, equity and debt markets, hedge funds and the wider economy.

#### Lack of Liquidity for Funds of Hedge Funds

The Funds may invest with Portfolio Managers that, in turn, invest in securities and derivatives that often do not have a liquid market. For instance, a Fund may allocate a material portion of its assets to Portfolio Managers that implement credit, relative value and event-driven strategies, each of which typically relies on investments in debt instruments, credit default swaps, large blocks of public or private equities, convertible bonds or other illiquid debt, equity or derivative instruments. Nexar does not regard this lack of liquidity as problematic in and of itself; in fact, Nexar may allocate to these less liquid strategies precisely because Nexar believes that these longer-term, illiquid investments provide diversification benefits and the opportunity for returns that are not available in the liquid markets.

However, this lack of liquidity creates several risks. First, it makes it difficult for a Portfolio Manager and Nexar to determine if such Portfolio Manager is accurately valuing its positions because of the uncertainty regarding the realization of the prices that are quoted if such Portfolio Manager were to attempt to liquidate its portfolio at those prices. Second, it increases the risk that redemptions by other investors from the underlying fund managed by a Portfolio Manager will cause reductions in the net asset value of such underlying fund merely due to selling pressure, rather than a fundamental change in the investments themselves. Third, it increases the risk that an underlying fund will not honor a Fund's liquidity expectations. Although underlying funds may have restrictions in their governing documents that limit a Fund's ability to redeem funds typically to calendar quarter- or year-ends (or less frequently) on significant prior notice, as the recent market turmoil has demonstrated underlying funds may nevertheless be unable to abide by these somewhat onerous liquidity provisions. A side effect of this inability to redeem from an underlying fund is the inability to re-allocate a Fund's assets as dynamically as Nexar may otherwise desire. This limitation exists even when an underlying fund has not implemented a constraint on its expected liquidity. Given that, even in the best of times, underlying funds permit redemptions only infrequently and on significant prior notice, a Fund's flexibility to reallocate assets among underlying funds may be limited.

Nexar has no control over the liquidity of underlying funds and depends on the Portfolio Managers to provide appropriate valuations as well as liquidity in order to process redemptions by Investors. In some cases, Nexar will allocate a Fund's assets to underlying funds that later impose liquidity constraints making it impossible to terminate them as desired by Nexar. Investors must recognize that under certain circumstances, restrictions on liquidity imposed by the Portfolio Managers may materially restrict or delay Investor



redemption rights. From time to time, certain underlying funds may suspend, gate or otherwise limit redemptions, side pocket fund assets, implement holdbacks until after the completion of year-end or final audits, make distributions in-kind in connection with redemption requests or liquidate their portfolios. An inability to redeem from an underlying fund may expose a Fund to losses it could have otherwise avoided if such Fund had been able to redeem from such underlying fund; and if a investor that otherwise desires to redeem is required to remain indirectly invested in that underlying fund during its liquidation, the investor may experience those losses as well. It may also cause a Fund to become unbalanced as it is forced to obtain liquidity from those underlying funds which provide such liquidity, although Nexar intends to mitigate this risk through the Redeeming Class.

Moreover, underlying funds may distribute securities in-kind to a Fund in connection with redemption requests by such Fund, including illiquid securities and other distributions, which may result in such Fund directly holding securities which it may not be able to liquidate or dispose of for an extended period of time.

Many underlying funds may also have the authority to hold back a portion of redemption proceeds pending an audit or the passage of a stated time period. Amounts receivable from underlying funds are illiquid assets of a Fund that cannot be realized or redeployed until such amounts are actually paid to such Fund.

In certain cases, other investors in an underlying fund may have preferential redemption rights as compared to a Fund, the exercise of which could materially adversely affect such Fund's direct or indirect investment(s) in such underlying fund.

Nexar will attempt to control the illiquidity risk to which a Fund is subject in investing in underlying funds, but - as the events of 2008 have indicated - these risks may not always be controllable.

#### No True Arbitrage

The Portfolio Managers' strategies do not normally involve true arbitrage - in which profits will necessarily be realized if a position can be maintained until maturity. On the contrary, the Portfolio Managers' strategies generally involve taking positions in instruments whose true price and correlations to other instruments are uncertain and liquidity may be limited. What a Portfolio Manager analyzes as a mispricing may be evaluated quite differently by other market participants who may, in fact, use pricing models materially different from those used by the Portfolio Manager. No representation can be made that a Portfolio Manager will correctly identify any "true arbitrage" in any derivatives or other market. Even if a true arbitrage is identified, there can be no assurance that an underlying fund will be able to maintain an arbitrage position until the inherent profit is recognized. In addition, all arbitrage strategies are subject to the risks that increasing market liquidity, technological innovation and new theoretical constructs or refinements will reduce or eliminate the arbitrage opportunity and the profitability of its exploitation.

#### **Item 9: Disciplinary Information**

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

**Item 10: Other Financial Industry Activities and Affiliations**

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As described in Item 4 above, Nexar SAS is the direct owner of Nexar. Nexar SAS was formed in March 2009 and is registered as an investment adviser with the Autorité des Marchés Financiers in France (the “**AMF**”). Nexar SAS or an affiliate acts as sponsor, manager or investment manager to one or more Offshore Funds. In addition, Nexar SAS will provide investment management services utilizing Vol Arb strategies to one or more Clients and/or investment vehicles.

NexAM is wholly owned by Nexar SAS and is an affiliate of Nexar. Nexar SAS acquired all the equity of NexAM in September 2010. NexAM is registered as an investment adviser with the AMF. NexAM manages and/or sponsors funds which employ a “Fund of Funds” or “Manager of Managers” approach.

Ermitage Limited is a wholly owned subsidiary of Nexar Parent. Nexar Parent acquired all of the equity of Ermitage Limited in July 2011. Ermitage Asset Management Jersey Limited, a subsidiary of Ermitage Limited (“**EAMJL**”), is registered as an investment adviser with the Jersey Financial Services Commission and the U.S. Securities and Exchange Commission. EAMJL manages and/or sponsors funds which employ a “Fund of Funds” or “Manager of Managers” approach.

Nexar SCA is the direct parent of Nexar SAS and Ermitage Limited. Nexar Capital Group, a société à responsabilité limitée organized under Luxembourg law (“Nexar Sarl”) is the general partner of Nexar SCA. Certain employees of Nexar SAS and Nexar are majority equity owners of Nexar SCA and Nexar Sarl.

Investment funds managed by Aquiline Capital Partners LLC (“Aquiline”) are minority shareholders and certain officers and directors of Aquiline are members of the Board of Managers of Nexar Sarl. Aquiline manages “private equity” type funds specializing in financial services investments globally. Aquiline will not have a role in the day to day management of the Nexar group of companies.

As noted above, on February 16, 2012, shareholders of Nexar Parent, signed an agreement with UBP to sell 100% of Nexar Parent’s equity to UBP (the “Transaction”). It is anticipated that the Transaction will close in April 2012, although, as the Transaction is subject to customary regulatory approvals, the Transaction could close later. There will be no change in the management of Nexar as a result of the Transaction. Nexar will amend its Form ADV, Parts 1 and 2 promptly following closing of the Transaction to reflect the changes occurring as a result of the Transaction.

In its capacity as adviser or manager to Funds of Funds and Customized Portfolio Clients, Nexar may recommend or make allocations, as applicable, to investment vehicles using Vol Arb strategies which are managed or advised by Nexar SAS and/or their affiliates, in all cases provided that such strategies are consistent with each Fund or Client’s investment objectives and risk guidelines. The conflicts of interest arising from this potential practice will be disclosed in the Fund offering documents, or in the case of Customized Portfolio Clients, in the IAAs.

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

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***Code of Ethics***

The Code of Ethics (the “**Code**”) was adopted to effectuate the purposes and objectives of Sections 204A and Section 206 of the Investment Advisers Act of 1940 (the “Advisers Act”) and Rule 204-2 under the Advisers Act. Nexar’s Code of Ethics, among other things, establishes standards applicable to the personal trading and firm trading of all Nexar personnel, and requires periodic reporting of personal securities transactions.

In addition to the summary below, Investors and prospective Clients may obtain a copy of the Code of Ethics by contacting Scott V. Beechert (CCO) at (212) 317-6702 or [Scott.Beechert@Nexarcap.com](mailto:Scott.Beechert@Nexarcap.com).

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

Nexar is subject to significant conflicts of interest in providing investment advice to, and making investment decisions for, its Clients, which conflicts could affect its objectivity and the performance of the Client accounts. Nexar owes a fiduciary duty to each Client and will, in all of its dealings, take those fiduciary duties into account.

Subject to applicable restrictions under the Advisers Act as well as investment guidelines and restrictions that may apply to one or more of Nexar’s Clients, Nexar may enter into “principal transactions” within the meaning of Section 206(3) of the Advisers Act, in which Nexar acts as principal for its own account with respect to the sale of a security to, or purchase of a security from, a Client. Because Nexar and its affiliates may in the aggregate own more than 25% of one or more Funds, certain “cross trades” (defined below) between the Funds may be deemed principal transactions. To comply with the requirements of Section 206(3), Nexar will disclose all material facts about any principal transactions to relevant parties to the transaction and (i) will not cause a Fund to engage in such a transaction without approval by either the Fund’s investors, the Fund’s advisory committee or its equivalent, or, if no such committee exists, by an independent professional acting as representative of the investors in the Fund prior to settlement; and (ii) will not cause any Client other than a Fund to engage in such a transaction without obtaining the Client’s written consent prior to completion of the transaction. A “cross trade” would be a trade ordered by Nexar in which Nexar acts as agent for both the purchaser and seller of the securities, and either the purchaser or seller, or both, are Clients.

As described above, Nexar may invest Client capital with affiliated Sub-Managers and/or Sub-Funds managed by such affiliated Sub-Managers. In the case where the Sub-Manager is affiliated with Nexar, such fees will either be waived or explicitly disclosed to any such investors in order to mitigate the potential conflicts of interest associated with such investments. However, even where a fee waiver or rebate is applicable, Nexar’s dealings with such affiliated Sub-Managers (e.g., capital investment decisions, redemption terms, etc.) will not be conducted at arm’s length. In addition, to the extent that Nexar’s affiliates invest with a given Sub-Manager on terms that are more advantageous than those on which the Funds advised by Nexar invest with such Sub-Managers, Nexar and its affiliates may have an incentive to maintain or increase the investment by the Funds with such Sub-Managers in order to obtain and/or maintain such advantageous terms for the benefit of Nexar’s affiliates.

Nexar may also permit certain investors to invest in a Fund on economic terms that are preferential to those applicable to other investors in such Fund so long as such preferential terms are not detrimental to the other investors in such Client (e.g., lower fee to

knowledgeable employees and certain employees of affiliated entities, etc.). Other investors will not necessarily be able to know or avail themselves of these terms.

Nexar, its affiliates, and their respective partners, shareholders, directors, officers and employees may trade for their own accounts or manage other accounts, and in doing so may trade in the same securities traded by Nexar's Clients, including taking positions opposite to those of the Clients or may be competing with the Clients for positions in the marketplace. Nexar has adopted a Code of Ethics (the "**Code**") which includes policies and procedures designed to reduce potential conflicts of interest as well as to place Clients' interests first. The Code is also designed to avoid even the appearance of impropriety and to promote the highest ethical standards. The Code, which addresses personal trading of employees, requires that employees report their personal securities holdings and transactions to Nexar's compliance department. In addition, the Code covers topics including insider trading, conflicts of interest, political activities and contributions, and outside business activities. A copy of the Code will be furnished upon request to any investor Client or prospective investor.

Nexar's Clients may have similar investment objectives, and certain investments may be appropriate for more than one Client. Nexar has a fiduciary obligation to use its best efforts to ensure that no Client is treated unfairly in relation to any other Client in the allocation of securities or investment opportunities or in the order in which transactions are executed. Nexar seeks to allocate orders and investment opportunities among Clients in a manner it believes to be equitable, considering each Client's objectives, programs, limits and capital available for investment. In some cases, a particular investment may be bought or sold for one or more but fewer than all Clients, or may be bought or sold in different amounts and at different times for more than one but fewer than all Clients. Similarly, a particular investment may be bought for one or more Clients when one or more other Clients are selling the investment. In addition, purchases or sales of the same investment may be made for two or more Clients on the same date. In such event, such transactions will be allocated among Clients in a manner deemed by Nexar to be fair and equitable to each Client over time. Nexar has established policies and procedures designed to govern such allocations and assure their fairness.

With respect to Funds of Funds, Nexar will use its reasonable efforts to ensure that no Fund is treated unfairly versus another in relation to Nexar's allocations and recommendations among Sub-Funds, including limited investment capacity investments with certain Sub-Managers and Sub-Funds. Nexar need not in all cases select the same Sub-Managers for all Clients with the same investment objectives; however, Nexar will fairly allocate access to Sub-Managers taking into consideration such factors as each Client's investment objectives and constraints; the amount of the investment capacity to be allocated; the percentage of a Client's portfolio that is currently invested with the Sub-Manager or with other Sub-Managers that engage in similar and/or comparable investment strategies; whether an allocation to a particular investment will have a material impact on a Client's overall portfolio; timing or availability of investment opportunities in relation to Client liquidity requirements; and investment objectives and constraints including but not limited to those related to limitations on strategy, types of investments, leverage, volatility, rates of return, tax position and liquidity requirements.

### ***Personal Trading***

Nexar is obligated to monitor and restrict the personal investment practices and activities of its employees. Except as otherwise noted, Nexar's restrictions on personal investment transactions apply to all employees. This entails each employee of Nexar notifying the CCO of personal brokerage accounts for all "Covered Accounts" which accounts include:

- the personal securities account(s) (including securities, Exchange Traded Funds (“ETFs”), futures and commodities) of: (i) the employee; (ii) the employee’s spouse, domestic partner and children; (iii) anyone living either with or apart from an employee who receives material financial support from employee (except spouse with valid separation/divorce decree);
- any accounts over which the employee controls or influences investment decisions or has the right or authority to exercise any degree of control or discretionary authority; and
- any account in which the employee has a beneficial interest (e.g., a trust for his/her benefit).

To retain these Covered Accounts, the employee must do all of the following:

- Notify the CCO of the existence of such account at the commencement of employment at Nexar and/or at the time the account is opened;
- Promptly thereafter provide the CCO with account related documentation evidencing the nature of the account; and
- Provide the CCO with a complete current (no more than 45 days old) report of securities holdings (i) within 10 days of becoming a Nexar employee and (ii) on an annual basis. Note that no reports are required with respect to automatic investment plans and accounts over which the employee has no direct or indirect influence or control.

The following restrictions apply to all Covered Accounts:

No employee is permitted to:

- Trade any “single name” issuer securities (i.e. equity or debt) or options on such securities.
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- Trade while in possession of Inside Information or encourage others to do so (See Part III Insider Trading).
- Trade in advance of or based upon knowledge of a Client position, order, or planned order.
- Trade a security on which an employee trading prohibition has been posted on the Nexar Restricted List.
- Participate in new public offerings (IPOs or follow-ons) of equity, equity linked and corporate debt securities registered with the SEC.
- Otherwise engage in personal trading that conflicts with duties owed to Nexar or its Clients and the Investors.

Upon the commencement of employment or upon the opening of a Covered Account, employees must ensure that Nexar is designated as an interested party so that the CCO receives duplicate transaction confirmations and monthly statements. This often will require the CCO or the employee to send a letter to the broker requesting to receive duplicate trade confirms and brokerage statements.

The CCO, or his delegate, will review trade confirmations and statements received from the broker(s) to monitor for adherence to the policies set forth herein. Upon the closing of a Covered Account the employee must immediately notify and provide evidence to the CCO of such closing.

Nexar employees will be required on an annual basis to certify to the CCO the existence of all of their Covered and Managed Accounts.

## **Item 12: Brokerage Practices**

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### ***Broker Selection and Soft Dollars***

In respect of Client accounts the capital of which is invested with Sub-Managers and/or Sub-Funds, Sub-Managers determine the securities and other financial instruments to be bought and sold. Normally, the responsibility for broker-dealer selection and the commission rate to be paid is delegated to Sub-Managers. A Sub-Manager may pay a broker a brokerage commission in excess of that which another broker might have charged for effecting the same transactions, in recognition of the value of the brokerage and research services provided or paid for by such broker including, without limitation, research reports, economic surveys and analyses, recommendations as to specific securities and other products or services. Nexar may consent to such “soft dollar” arrangements by Sub-Managers even if such arrangements fall outside of the safe harbor provided by Section 28(e) of the Securities Exchange Act of 1934, as amended (“Section 28(e)”), provided that Nexar believes such arrangements to be in, or not opposed to, the best interests of its Clients that are invested with such Sub-Managers.

In respect of Client accounts for which Nexar has discretionary authority to make direct investments, Nexar will have discretion, without any requirement to obtain specific Client consent, over the selection of broker-dealers used, and commissions and other transaction costs paid, by such Clients. The selection of brokers to effect securities transactions for Client accounts must be guided by the principal objective of seeking to obtain best execution for Clients. Included in “best execution” are several factors: price, including commissions; creditworthiness of the broker; ability to consummate and clear trades in an orderly and satisfactory manner; consistent quality of service; risks taken in positioning a block of securities; and research and other market coverage resulting in a continuous flow of information, including with respect to bids and offers. “Best execution” does not necessarily mean obtaining the lowest possible price for any particular transaction. Nexar will test its best execution policies and procedures periodically for quality and reliability. Nexar does not intend to enter into formal soft dollar arrangements in respect of direct trading Client accounts, but may accept research and other services falling inside the safe harbor provided under Section 28(e).

The CCO is designated to oversee all aspects of Nexar “soft dollar” and Client-directed brokerage arrangements in the event any such arrangements are approved in the future. A list of third-party “soft dollar” arrangements will be maintained and reviewed by the CCO to determine whether the product or service is needed, and whether it provides legitimate assistance to the investment decision-making process. The list will also include all approved soft dollar arrangements, including the name of the product or service, the name of the third party provider and the hard dollar value, if known.

**Trade Allocation**

Nexar may purchase or sell securities on behalf of certain Clients which may differ from those purchased or sold for other Clients, even though their investment objectives may be similar or the same. These activities may adversely affect the prices and availability of the securities or instruments held by or considered for certain Clients. In addition, Nexar may have financial incentives to favor certain other accounts over others. If it is determined by Nexar that it would be appropriate for more than one Client to participate in an investment opportunity, Nexar will seek to allocate such opportunity to all Clients for which such opportunity is lawful and appropriate on a fair and equitable basis, taking into account factors including the respective relative amounts of capital available for new investments, the Clients' respective investment programs, portfolio composition, hedging considerations, availability of leverage or other liquidity constraints and applicable tax and legal considerations. Such considerations may result in allocations being made on a non-pro rata basis. If an order for a particular investment opportunity cannot be fully executed under prevailing market conditions, the amount executed may be allocated among the different Clients for which the opportunity is relevant on a basis which Nexar considers fair and equitable.

**Item 13: Review of Accounts**

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Client accounts will be monitored continuously by members of Nexar's Investment Committee and their support staff. Nexar's operations personnel and their external service providers, under the oversight of the COO, will perform a variety of review functions on an ongoing basis, including with respect to cash management, cash reconciliation, trade confirmation and reconciliation, pricing, corporate actions and other matters. Legal and compliance personnel and their external service providers, under the oversight of the GC/CCO, will perform a variety of review functions, many on a daily basis, to ensure the transactions executed and posted to all Client accounts meet the investment criteria for the respective account and comply with Nexar's internal policies. Client accounts are further reviewed at monthly Investment Committee meetings, and more often as conditions warrants. At such meetings Investment Committee members and other staff members involved in determining investment advice for Clients examine a variety of factors, including overall market and/or sector conditions, investment selections, portfolio allocations and diversification, the performance of Sub-Managers and Sub-Funds, etc., and determine the basis for future investment decisions (including addition of new Sub-Managers or termination of existing Sub-Managers). In addition, on a monthly basis, New York and Paris based risk and compliance teams review Client investment restrictions and compliance therewith.

All Client accounts are reviewed jointly by members of the Investment Committee: Arie Assayag (Chairman), Eric Attias (Chief Investment Officer), Paulo Baia (Head of Research) and Jason Lovelace (Head of Risk).

Investors in a Fund will receive reports of estimated investment performance on a monthly basis. As soon as practicable after the year-end financial audit, each person who was an investor in a Fund will receive audited financial statements for the Fund. Reports showing estimated account performance are sent to each customized portfolio Client on a monthly basis.



**Item 14: Client Referrals and Other Compensation**

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In accordance with applicable Federal and State regulations, Nexar may compensate persons for soliciting prospective investors for, or referring prospective investors to, the Funds. Nexar may, and intends to, enter into arrangements with persons affiliated and not affiliated with Nexar whereby Nexar compensates such persons for introducing qualified persons to Nexar as potential investors in the Funds. Such compensation may take the form of payments by Nexar to such persons of up to 100% of the Management Fee or Performance Fees received by Nexar from the Funds attributable to investments made in the Funds by qualified persons so introduced.

**Item 15: Custody**

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Rule 206(4)-2 under the Advisers Act, and certain related rules and regulations under the Advisers Act, impose certain obligations on registered investment advisers that have “custody or possession of any funds or securities in which any Client has any beneficial interest.”

An investment adviser is deemed to have custody or possession of Client funds or securities if the adviser directly or indirectly holds Client funds or securities or has any authority to obtain possession of them, regardless of whether the exercise of that authority or ability would be lawful. For example, if an investment adviser is able to charge its fees to the actual custodian of the Client’s assets and to cause the custodian to pay those fees when due, the investment adviser will be deemed to have custody or possession of the Client’s funds.

An adviser has custody if it acts in any capacity that gives the adviser legal ownership of, or access to, the Client funds or securities. Nexar therefore has custody of Client assets to the extent that it acts as both investment adviser and general partner, manager or managing member of a Fund with the authority to dispose of funds and securities in such Fund’s account.

Nexar is required to maintain the Client funds and securities for which it has custody with a “qualified custodian”: (i) in a separate account for each Client under the Client’s name; or (ii) in accounts that contain only Nexar’s Clients’ funds and securities, under Nexar’s name as agent or trustee for its Clients. Qualified custodians include banks, broker-dealers, futures commission merchants and certain non-U.S. financial institutions.

Upon opening an account with a qualified custodian on a Client’s behalf, Nexar must promptly notify the Client in writing of the name and address of the qualified custodian and the manner in which the funds or securities are maintained. Nexar will verify that the custodian sends quarterly account statements to the Client, which the CCO will monitor. Alternatively, Nexar must send out such statements and be subject to the additional audit requirements of Rule 206(4)-2, unless it can rely on the audit exemption discussed below.

Rule 206(4)-2 imposes on advisers with custody of Clients’ funds or securities certain requirements concerning reports to these Clients. However, advisers need not comply with the reporting requirements with respect to pooled investment vehicles if the pooled investment vehicle:

- is audited at least annually; and



- distributes its audited financial statements prepared in accordance with U.S. generally accepted accounting principles to all limited partners, members or other beneficial owners within 180 days of its fiscal year end (for Funds of Funds).

Nexar intends to distribute the audited financials of each Fund to Investors in such Fund within the 180 day time period, and therefore will be exempt from the Rule 206(4)-2 Reporting Requirements.

Nexar has implemented certain procedures to ensure that it does not obtain possession of Client assets that should be maintained with a qualified custodian. While it is expected that the implementation of the procedures described above will insulate Nexar from any claim that it has possession of Client funds or securities, and while it is unlikely that any Client, broker-dealer, bank or other financial institution would inadvertently send funds or securities directly to Nexar, Nexar personnel have the following responsibilities:

- If the Nexar employee becomes aware that a Client is contemplating delivering securities to Nexar, to instruct such Client to deliver such securities to the Client's custodian and not to Nexar;
- If the Nexar employee becomes aware that a Client has delivered securities to Nexar, to promptly notify the CCO;
- If the Nexar employee becomes aware that a broker dealer, bank or other financial institution is contemplating wiring, or otherwise sending, funds to Nexar or delivering securities to Nexar for the account of a Client, to instruct such person to wire, or send, such funds or deliver such securities to such Client's custodian and not to Nexar, (except with regard to payment of Nexar's fees by a Client's custodian); and
- If the Nexar employee becomes aware that a broker dealer, bank or other financial institution has wired (or otherwise sent) funds to Nexar or delivered securities to Nexar for the account of a Client, to promptly notify the CCO.
- In the event that Client assets are inadvertently received by Nexar, the CCO will arrange for the assets to be sent to the sender, the Client or the Client's custodian, as appropriate, within three business days.

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**Item 16: Investment Discretion**

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Nexar has discretionary authority to manage the Funds with no limitations. These terms are set out in the Offering Memoranda of the Funds. (See also Item 12: Brokerage Practices, Investment and Brokerage Selection.)

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**Item 17: Voting Client Securities**

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In its role as a registered investment adviser with the SEC, Nexar is required to abide by Rule 206(4)-6 of the Advisers Act. In respect of Client accounts the capital of which is invested with Sub-Managers and/or Sub-Funds, Nexar rarely, if ever, will be requested to exercise direct voting responsibilities for such Clients (as proxy voting will normally be carried out by the relevant Sub-Managers). However, from time to time, Nexar may be

required to vote proxy solicitations sent by a Sub-Manager with respect to a corporate event or change of investment terms in the Sub-Fund advised by such Sub-Manager.

Nexar has implemented proxy voting policies and procedures consistent with Rule 206(4)-6 under the Advisers Act. Rule 206(4)-6 requires Nexar to: (i) adopt policies and procedures reasonably designed to ensure that proxies with respect to securities in Client accounts where Nexar exercises voting discretion are voted in the best interest of Nexar's Clients; (ii) disclose how information may be obtained on how Nexar votes proxies, and (iii) maintain records relating to Nexar's proxy voting. Nexar will vote all proxy proposals, amendments, consents or resolutions (collectively, "proxies") relating to Client securities in a prudent manner and solely in the best interest of the Clients. Nexar will attempt to consider all aspects of its vote that could affect the value of a Client's investment (including, where applicable, the role of a Sub-Fund in a Fund or the value of a Sub-Fund).

In respect of proxies received from a Sub-Manager, Nexar's general policy is to vote in accordance with the recommendation of the Sub-Manager on routine and administrative matters, unless Nexar has a particular reason to vote to the contrary, and to vote on a case-by-case basis on non-recurring or extraordinary matters in accordance with the goals of achieving its Clients' stated objectives.

In furtherance of Nexar's goal of voting proxies in the best interests of Clients, Nexar will monitor the potential for conflicts of interest with respect to voting proxies on behalf of Client accounts as a result of personal relationships, significant Client relationships or special circumstances that may arise during the conduct of Nexar's business. If a proxy relates to an issuer with respect to which Nexar has a conflict of interest, it will vote the proxy on behalf of Client accounts only if it has determined that the conflict of interest is not material. Otherwise, Nexar will refrain completely from exercising its discretion with respect to such proxy and will refer that vote to an outside service for its independent consideration as to how the vote should be cast.

A Client may obtain a copy of Nexar's Procedures and information about how it voted proxies by contacting Scott V. Beechert (CCO) at (212) 317-6700 or Scott.Beechert@Nexarcap.com.

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**Item 18: Financial Information**

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