

Discerene Group LP
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This Brochure provides information about the qualifications and business practices of Discerene Group LP. If you have any questions about the contents of this Brochure, please contact us at 203-274-8801. 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 Discerene Group LP also is available on the SEC's website at www.advisorinfo.sec.gov.

Item 2 – Material Changes

The following is a list of material changes that have occurred since the last annual update of this Brochure, dated January 31, 2014.

- Discerene Value Advisors LLC converted from a Delaware limited liability company to a Delaware limited partnership, and changed its name to Discerene Group LP, effective August 1, 2014.

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Item 4 – Advisory Business

Discerene Group LP (“Discerene” or “the Advisor”), a Delaware limited partnership, is an investment advisor which provides investment advisory/management services. Discerene is the general partner of certain limited partnerships, and also offers investment management services on a managed account basis.

Discerene commenced operations in June 2010. As of June 30, 2014, the firm managed \$222.7 million in regulatory assets, all of which are managed on a discretionary basis.

The Advisor’s primary investment objective is to achieve long-term capital appreciation by investing client assets in a portfolio of global equity securities. The strategy is long-biased using a bottom-up fundamental valuation approach, with short-selling done opportunistically if believed to be sufficiently compelling. Investments are made in the stocks of U.S. and non-U.S. issuers, including issuers in emerging markets, which trade at deep discounts to intrinsic value. In addition to its core investment strategy, the firm may employ other investment strategies deemed appropriate by the Advisor and may invest in and trade a variety of securities, instruments and investments. Separate account clients may elect to impose restrictions on certain types of transactions. Any such limitations are addressed in each account’s investment advisory agreement.

Mr. Soo Chuen Tan is the President of Discerene and sole owner of Discerene’s general partner, Discerene Holdings Inc. Prior to founding the firm, Mr. Tan was a Partner and Managing Director at Deccan Value Advisors based in Greenwich, Connecticut. Prior to Deccan, Mr. Tan was an analyst at the Baupost Group, Halcyon Asset Management and McKinsey & Company. Mr. Tan received a Bachelor of Arts degree in Jurisprudence from Oxford University, and received his MBA from Harvard Business School.

Item 5 – Fees and Compensation

All fees are subject to negotiation at the Advisor's discretion.

Management Fees

Discerene Fund LP – The Advisor charges a quarterly management fee, which varies by class of interests, from 0% to 1.25% annualized, based upon the opening capital account balance of each Fund investor for a calendar quarter. Management fees are payable quarterly in advance.

In general, for separately managed accounts, the Advisor charges a quarterly management fee at a rate that is negotiated between the client and the Advisor. The specific manner in which fees are charged by the Advisor is established in a client's written agreement. Discerene will generally bill its management fees on a quarterly basis. Clients may elect to be billed in advance or arrears each calendar quarter. Clients may also elect to be billed directly for fees or to authorize the Advisor to directly debit fees from client accounts.

Management fees shall be prorated for each capital contribution and withdrawal made during the applicable calendar quarter. Accounts initiated or terminated during a calendar quarter will be charged a prorated fee. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable, subject to the particular conditions of a client's written advisory agreement.

Termination and Withdrawal Fees

The Discerene Fund LP offers an early termination fee option for certain classes of interests which ranges from 3% to 5%.. The Advisor also has agreed to termination/early withdrawal terms with clients of separate managed accounts that are specific to each account.

Similar termination fees are negotiated with separate account clients individually.

Performance Fees

The Advisor charges performance fees to certain qualified accounts. These fees are negotiated with each client and are generally subject to a hurdle rate. For information

regarding the Discerene Fund LP's performance fee, please see the Offering Memorandum of the Fund.

Operating Expenses

Clients bear all operating expenses and other costs of their investment including (as applicable), but not limited to:

- accounting, bookkeeping, auditing and tax preparation fees and expenses
- legal fees and expenses
- all fees and disbursements
- insurance and bonding costs
- all trading expenses and transaction costs, including, but not limited to, brokerage commissions and expenses relating to short sales, clearing and settlement charges, interest on loans and debit balances, margin interest, broker service fees and other clearing and custodial expenses
- fees or assessments in connection with any regulatory registrations, qualifications and/or approvals of the client or the Advisor, and related compliance fees and expenses, deemed appropriate by the Advisor
- such research and portfolio management expenses as the Advisor shall deem appropriate, which may include, but are not limited to, expenses incurred in connection with due diligence investigations or research as to investments or potential investments, including travel, lodging and other expenses incurred in connection with visits to companies, meetings, research symposiums and communications with company management, security holders, analysts and other third parties, costs of research reports, consultants, data feeds and databases, news wires and quotation services, periodical subscription fees and costs of software (including risk control and market analytic software) utilized by the Advisor in connection with managing client portfolios
- the cost of preparation and distribution of reports and statements to clients
- all filing and recording fees
- all custodial fees and bank service fees
- all applicable federal, state, local and foreign taxes
- extraordinary expenses

The Advisor has no financial interest in any operating expenses borne by clients.

Item 12 further describes the factors that Discerene considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions).

Item 6 – Performance-Based Fees and Side-By-Side Management

In some cases, Discerene has entered into performance fee arrangements with qualified clients: such fees are subject to individualized negotiation with each such client. The Advisor structures any performance or incentive fee arrangement subject to Section 205(a)(1) of the Investment Advisors Act of 1940 (the “Advisors Act”) in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3. In measuring clients' assets for the calculation of performance-based fees, the Advisor shall include realized and unrealized capital gains and losses. Performance based fee arrangements may create an incentive for the Advisor to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. Such fee arrangements also create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities. Discerene has procedures designed and implemented to ensure that all clients are treated fairly and equally, and to prevent this conflict from influencing the allocation of investment opportunities among clients.

Item 7 – Types of Clients

Discerene provides portfolio management services to high net worth individuals and institutions including corporate pension and profit-sharing plans, charitable institutions, foundations, endowments, trust programs and private investment partnerships.

The minimum investment in the Discerene Fund LP is \$5 million, which can be waived at the Advisor’s discretion.

Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss

Investing in securities involves risk of loss that clients should be prepared to bear.

The Advisor’s primary investment objective is to achieve long-term capital appreciation. The Advisor seeks to achieve this objective by investing client assets in a portfolio of global

securities. The Advisor's investment strategy is long-biased using a bottom-up fundamental valuation approach, with short-selling done opportunistically if believed to be sufficiently compelling.

In addition to its core investment strategy, the Advisor employs other investment strategies deemed appropriate and invests in and trade a variety of securities, instruments and investments.

In the absence of finding a sufficient number of investments that meet the Advisor's investing criteria, client accounts will be invested in cash or cash equivalents including, without limitation, short-term U.S. government securities, bank deposits and money market instruments. The Advisor anticipates holding sizeable cash positions in client accounts on an ongoing basis. Cash balances will generally be larger when securities are trading at higher valuations, and smaller when market valuations are more compelling.

An investment with Discerene is speculative and will be subject to substantial risks including, without limitation, the Advisor's investment strategy, the use by the Advisor of certain investment techniques, and the illiquid nature of investments. There is no assurance that the Advisor will achieve its investment objective or will not incur losses, or that it will be profitable.

There are certain significant risks inherent in the Advisor's investment strategy and investment techniques. Such risks include, but are not limited to, the following:

General Investment Risk

Clients' portfolio positions may undergo significant declines and experience considerable price volatility. Portfolios may at times be concentrated in a limited number of securities. Accordingly, the investments may involve an increased level of general investment risk. Clients must be prepared to assume the risks inherent in speculative investments. An investment with the Advisor should not be regarded as a complete investment program and should be considered solely by investors prepared to experience possible volatility and fluctuations in value.

Limitations as to Investment Approach

As the investments of the Advisor will generally be net-long equity market exposure at any time over a market cycle, returns earned will depend to some extent on the direction of the broad equity market. The success of the Advisor's strategy and trading activities will depend on our ability to identify undervalued investment opportunities. Because such identification and exploitation involves uncertainty, no assurance can be given that we will be able to correctly identify and capitalize on investment opportunities. Clients may also be

adversely affected by unforeseen events involving such matters as changes in market liquidity, interest rates, the credit status of an issuer, forced redemptions of securities or acquisition proposals.

Equity Securities

The Advisor may invest in equity and equity derivative securities, including exchange traded funds and index based products. The value of these securities generally will vary with the performance of the issuer and movements in the equity markets. As a result, clients may suffer losses if the Advisor invests in equity securities of issuers whose performance diverges from the Advisor's expectations or if equity markets generally move in a single direction and the Advisor has not hedged against such a general move. To the extent the Advisor invests in equity derivatives and private placements activities, clients will be exposed to risks that issuers will not fulfill their contractual obligations, such as delivering marketable common stocks upon conversions of convertible securities and registering restricted securities for public resale.

Short Selling

Short selling will be utilized opportunistically when believed to be sufficiently compelling. Short selling inherently involves certain particular risks. Selling securities short creates the risk of losing an amount greater than the initial investment in a relatively short period of time and the theoretically unlimited risk of an increase in the market price of the securities sold short. There is also the risk that the securities borrowed in connection with a short sale will need to be returned to the securities lender on short notice. If the request for return of securities occurs at a time when other short sellers of the security are receiving similar requests, a "short squeeze" can occur, and the Advisor might be compelled, at the most disadvantageous time, to replace borrowed securities previously sold short with purchases on the open market, possibly at prices significantly in excess of the proceeds received earlier. In addition, short selling can involve significant borrowing and other costs which can reduce the profit or create losses in particular positions.

Price Volatility

Equity securities are inherently volatile. Such volatility may result in the value of client assets fluctuating from time-to-time more greatly than that of other investment vehicles which may be more widely diversified or which may invest in a greater variety of market sectors. There can be no assurance that the Advisor's investment strategy will be effective in protecting clients from such price volatility.

Restricted Securities and Other Illiquid Investments

The Advisor may invest in non-public and restricted securities and other assets, which are subject to legal or other restrictions on transfer or for which no liquid market exists. The market prices, if any, for such investments tend to be volatile and may not be readily ascertainable, and the Advisor may not be able to sell them 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 restricted and illiquid 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 over-the-counter markets. The Advisor may not be able to readily dispose of such illiquid investments and, in some cases, may be contractually prohibited from disposing of such investments for a specified period of time. Restricted securities may sell at a price lower than similar securities that are not subject to restrictions on resale. Disposition of such investments may be possible, if at all, only at substantial discounts from their purchase price or intrinsic value. Substantial holdings by clients of illiquid securities may adversely affect the ability of the Advisor to effect capital withdrawals on a satisfactory basis.

Debt Securities

Certain of the debt instruments in which the Advisor invests may be unrated, and whether or not rated, the debt instrument may have speculative characteristics. The issuers of such instruments may face significant ongoing uncertainties and exposure to adverse conditions that may undermine the issuer's ability to make timely payment of interest and principal. In addition, an economic recession could severely disrupt the market for these securities and may have an adverse impact on the value of such instruments. It is also likely 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 for such securities.

Leverage and Financing Risk

The Advisor may pledge client securities in order to borrow additional funds. Leverage may have the effect of potentially increasing losses. Any event which adversely affects the value of an investment would be magnified to the extent a client is leveraged. The cumulative effect of the use of leverage in a market that moves adversely to a client's investments could result in a loss which would be greater than if a client were not leveraged. In addition, to the extent that a client borrows funds, the interest cost at which the client can borrow will affect the operating results. The use of leverage may result in certain clients, such as tax-exempt organizations, employee benefit plans and individual

retirement accounts, recognizing “unrelated business taxable income” for Federal income tax purposes.

The use of short-term margin borrowings may result in certain additional risks. For example, should the securities that are pledged to brokers to secure margin accounts decline in value, or should brokers from which clients have borrowed increase their maintenance margin requirements (i.e., reduce the percentage of a position that can be financed), then clients could be subject to a “margin call,” pursuant to which the client must either deposit additional funds with the broker or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. The broker will typically have the right to liquidate the client’s portfolio in certain circumstances. In the event of a precipitous drop in the value of the client’s assets, the client might not be able to liquidate assets quickly enough to pay off the margin debt and might suffer mandatory liquidation of positions in a declining market at relatively low prices.

As a condition to providing the client with leverage, financial institutions may be expected to require the client to pledge all or a substantial portion of its assets as collateral. In addition, financial institutions may be expected to impose various covenants and restrictions on the client as a result of which they may exercise a substantial degree of control over the client’s investment activities and the client’s assets. Such covenants and restrictions may, among other things, have the effect of: restricting the ability of the Advisor to fully implement the investment strategy in the manner that it deems appropriate; restricting the ability of the Advisor to transfer and dispose of client assets; restricting the ability of the Advisor to take other actions to protect the client’s assets; restricting the ability of the client to declare or make distributions of its assets to investors; restricting the ability of the client to adopt and implement changes to the investment activities and the investment management agreement. Upon an event of default, a financial institution may require the client to liquidate certain investment positions in an untimely or otherwise adverse manner, may be entitled to take possession of all or a portion of the client’s assets, and/or may have the right to take other actions which could have an adverse impact on the client or its assets.

Generally, the rights of creditors to the assets of a debtor are prior to those of equity investors. As a creditor of a client, a financial institution would have a first priority claim on any assets held by the client.

The Advisor may, from time to time without the consent of the clients, modify the terms of leverage arrangements, terminate credit arrangements or obtain additional or alternative credit or other loan arrangements on behalf of clients. Any such future modifications or additional or alternative loan arrangements may cause clients to become subject to

covenants, agreements, restrictions and/or costs, similar to, or in addition to, the ones described above.

Options

The Advisor may utilize options in furtherance of its investment strategy for both speculative and hedging purposes. Options positions may include long positions, where the client is the holder of put or call options, as well as short positions, where the client 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 client, can reduce or eliminate position profits or create losses as well. The client's ability to close out its position as a purchaser of an exchange-listed option is dependent upon the existence of a liquid secondary market on option exchanges. The Advisor may also utilize options which may have limited liquidity.

The seller ("writer") of a call option which is covered assumes the risk of a decline in the market price of the underlying security or other instrument below the purchase price of the underlying instrument, less the amount of premium received by the seller, and effectively forgoes the opportunity for gain on the underlying instrument above the exercise price of the option. The buyer of a call option assumes the risk of losing its entire investment (the premium paid) in the call option. If the buyer of a call option sells short the underlying security or other instrument, a loss on the call option itself may be offset, in whole or in part, by any gain on the short sale of the underlying position.

The seller ("writer") of a put option which is covered assumes the risk of an increase in the market price of the underlying security or other instrument above the sales price (in establishing the short position) of the underlying instrument, plus the premium received by the seller, and forgoes the opportunity for gain on the underlying instrument below the exercise price of the option. The buyer of a put option assumes the risk of losing its entire investment (the premium paid) in the put option. If the buyer of a put option holds a long position in the underlying security or other instrument, a loss on the put option itself may be offset, in whole or in part, by any gain on the underlying position.

The profitability of the Advisor's option trading may depend upon the attractiveness of option premiums relative to such factors as price volatility, strike price and expirations. Numerous factors can affect the level of option premiums. Although high premiums can make option writing more attractive, they can effectively preclude other favorable trading opportunities. Profitability in options trading may further depend upon a variety of market factors, such as the presence of a requisite degree of volatility, liquidity in pricing options

and the underlying securities, efficiency of trading execution and the absence of so-called catastrophic or aberrational market factors. Successful implementation of option strategies generally requires a high degree of trading skill and expertise as well as sufficient access to enabling technology.

Futures Contracts

The Advisor may trade futures contracts in connection with its investment activities. Futures contract trading is typically accompanied by a high degree of leverage as, in the futures markets, initial margin deposits are typically low relative to the value of the futures contracts purchased or sold. Low margin deposits mean that a relatively small price movement in a futures contract may result in immediate and substantial losses to the investor. For example, if at the time of purchase 10% of the price of a futures contract is deposited as margin, a 10% decrease in the price of the futures contract would, if the contract is then closed out, result in a total loss of the margin deposit before any deduction for the brokerage commission and other transaction costs. Thus, like other leveraged investments, any purchase or sale of a commodity contract may result in losses in excess of the amount invested.

Futures positions may be illiquid because, for example, some U.S. commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as “daily price fluctuation limits” or “daily limits.” When such rules are invoked once the price of a particular futures contract has increased or decreased by an amount equal to the daily limit, positions in such futures contract can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. Futures contract prices in various commodities occasionally have moved the daily limit for several consecutive days with little or no trading. Similar occurrences could prevent the Advisor from promptly liquidating unfavorable positions and subject clients to substantial losses. In addition, the Advisor may not be able to execute futures contract trades at favorable prices if trading volume in such contracts is low. It is also possible that an exchange or the CFTC may suspend trading in a particular contract, order immediate liquidation and settlement of a particular contract or order that trading in a particular contract be conducted for liquidation only. The CFTC and certain commodity exchanges have also established limits referred to as speculative position limits, or position limits, on the maximum net long or net short position which any person or group of persons may hold or control in particular futures and options. Limits on trading in options contracts also have been established by the various options exchanges. It is possible that the trading decisions of the Advisor may have to be modified and that positions held by clients may have to be liquidated in order to avoid exceeding any of such limits.

Limitations on Hedging Strategies

The Advisor may employ certain hedging techniques in connection with the investment strategy. However, there is no requirement that all or any positions be hedged. Moreover, such strategies, if employed, may not hedge against general market risk such as a price decline in the overall equity markets, opportunistic investment risk, issuer risk, industry risk, sector risk or catastrophic risk, any of which could be significant. The costs of hedging necessarily reduce the profitability of the position sought to be hedged. There is no assurance that the Advisor's intended hedging strategies can necessarily be implemented or if established will necessarily succeed in eliminating the intended risk.

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, the Advisor 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 client from achieving the intended hedge or expose the client to risk of loss. Even if hedging is employed, there may be risks which are not identified, and therefore unhedged, or there may be risks where an efficient hedging strategy is unavailable. It is not an objective for the strategy to be hedged significantly at all times. It should be assumed, therefore, that client portfolios may still be exposed to significant risks, including issuer and industry risks, notwithstanding the Advisor's hedging strategies.

Structured Finance Products including Collateralized Debt Obligations

The Advisor may invest a portion of client assets in structured finance products including collateralized debt obligations ("CDOs") and other products, in both funded (cash) and unfunded (derivative) form. CDOs and other structured finance products are subject to credit, liquidity, default, recovery, correlation, market value, interest rate, currency, collateral, operations, structural, legal, tax and certain other risks. Structured finance products are generally privately placed and offer less liquidity than other investment grade or non-investment grade corporate debt. They are also generally issued in structured transactions with risks different from regular corporate debt. In addition, concentrations of structured finance products of a particular type, as well as concentrations of structured finance products issued or guaranteed by affiliated obligors, serviced by the same servicer or backed by the same or similar underlying collateral, may subject clients to additional risk. A portion of the client portfolios may consist of structured finance products that are subordinate in right of payment and rank junior to other securities that are secured by, or represent an ownership interest in, the same pool of assets. In addition, certain

transactions have structural features that divert payments of interest and/or principal to more senior classes when the delinquency or loss experience of the pool exceeds certain levels. As a result, such securities have a higher risk of loss as a result of delinquencies or losses on the underlying assets. In certain circumstances, payments of interest may be reduced or eliminated for one or more payment dates, and/or principal payment may be reduced or eliminated.

Forwards, Swaps, Repos and Other Derivatives

The Advisor may utilize forwards, swap contracts, repurchase agreements (“repos”) and other over-the-counter derivative instruments. Principal risks relating to the use of derivatives include, in the case of hedging strategies, the possible imperfect correlation between the derivative and the market value of the securities, currencies or other commodity position intended to be hedged (i.e., tracking risk); losses magnified by the degree of leverage (exposure) represented by the derivative; lack of a liquid secondary market for closing out the position; losses resulting from interest rate or currency movements not anticipated by the Advisor; reduced returns as a result of collateral posting to counterparties; and the risk of counterparty default.

A position in a derivative instrument entails risks that are separate and distinct from those of the underlying interest. For example, the leverage (market risk per trading unit) and volatility represented by a derivative instrument is often significantly greater than that of the underlying interest. Trading in various over-the-counter derivatives involves certain risks as to the counterparty (i.e., its ability to fulfill its contractual obligations under the derivative instrument). 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 should a client be required to sell such position, may be materially different. Such differences can result in an overstatement of a portfolio’s net asset value, and may have a material adverse effect on the portfolio if it is required to sell derivative instruments in order to raise funds for margin purposes or to pay withdrawals.

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. In addition, there may be an imperfect correlation between the derivative and the market value of the securities, currencies or other commodity position intended to be hedged.

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 client 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 client. It is possible that in the event of a counterparty credit default, the client 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).

Commodities

Trading in commodity interests may involve substantial risks. Commodity markets are highly volatile. The low margin or premiums normally required in such trading may provide a large amount of leverage, and a relatively small change in the price of a security or contract can produce a disproportionately larger profit or loss. There is no assurance that a liquid secondary market will exist for commodity futures contracts or options purchased or sold, and the client may be required to maintain a position until exercise or expiration, which could result in losses. As noted above, many commodity exchanges limit the amount of fluctuation permitted in contract prices during a single trading day. Once the daily limit has been reached in a particular contract, no trades may be made that day at a price beyond that limit. Contract prices could move to the daily limit for several consecutive trading days with little or no trading, thereby preventing prompt liquidation of commodity interest positions and potentially subjecting the portfolio to substantial losses. In addition, trading commodity interests on foreign markets may involve greater risk than trading on United States exchanges. For example, some foreign exchanges are principal markets so that no common clearing facility exists and a trader may look only to the broker for performance of the contract. Investing in commodities and forward or futures contracts is a highly specialized investment activity entailing greater than ordinary investment risk.

Municipal Securities

The Advisor may invest in municipal bonds issued by one or more cities or other local governments and agencies, including, but not limited to, counties, redevelopment agencies, special-purpose districts, school districts, publicly owned airports and seaports, and any other governmental entities below the state level, in order to take advantage of fixed and/or variable interest rates and possible exemptions granted to holders of municipal bonds on interest received with respect to federal income tax and income tax of the state in which the municipal bonds originate. Investments in municipal bonds are subject to

different degrees of risk resulting from the varying ranges of creditworthiness amongst issuers of municipal bonds, interest rate risk, project finance risk, tax rate risk, and a lack of direct oversight by the SEC, which can adversely affect the ability of investors in municipal bonds to gather the same disclosures that are required of issuers of corporate debt, particularly in the secondary trading market.

Stock Index Options

The Advisor may also purchase and sell call and put options on stock indices listed on securities exchanges or traded in the over-the-counter market for the purpose of realizing its investment objectives or for the purpose of hedging its portfolio. A stock index fluctuates with changes in the market values of the stocks included in the index. The effectiveness of purchasing or writing stock index options for hedging purposes will depend upon the extent to which price movements in the portfolio correlates with price movements of the stock indices selected. Because the value of an index option depends upon movements in the level of the index rather than the price of a particular stock, whether the portfolio realizes gains or losses from the purchase or writing of options on indices depends upon movements in the level of stock prices in the stock market generally or, in the case of certain indices, in an industry or market segment, rather than movements in the price of particular stocks.

ETFs

The Advisor may also invest in ETFs, or exchange traded funds, which are publicly traded investment vehicles that hold passively managed portfolios of stocks. As a result, the risk associated with a particular ETF corresponds closely to the risk of the asset subclass that the ETF is tracking. ETFs typically track an index, such as the Dow Jones Industrial Average or the S&P 500. The purpose of ETFs is to give investors liquid ways of trading indices or groups of stocks. ETFs are traded like common stocks on major stock exchanges. The most liquid ETFs (DIA, SPY and QQQQ) are consistently ranked at the top of the volume charts at the NASDAQ and AMEX, but some ETFs are more thinly traded than others.

Currency

The Advisor is expected to invest a portion of portfolio assets in principal instruments denominated in currencies other than the U.S. dollar, the price of which is denominated in the local currency of the investment. The Advisor will, however, value client securities and other assets in U.S. dollars. The value of client assets will fluctuate with U.S. dollar exchange rates as well as the price changes of the investments in the various local markets and currencies. The Advisor may also hold cash balances of foreign currencies. Thus, an increase in the value of the U.S. dollar compared to the other currencies in which the

Advisor makes its investments will reduce the effect of increases and will magnify the U.S. dollar equivalent of the effect of decreases in the prices of the clients' securities in their local markets. Conversely, a decrease in the value of the U.S. dollar will have the opposite effect on the client's non-U.S. dollar securities.

Global Investments

The Advisor may invest a substantial portion of clients' assets in the securities and instruments of issuers located outside the United States. In addition to business uncertainties, such investments may be affected by political, social and economic uncertainty affecting a country or region. Many financial markets are not as developed or as efficient as those in the United States and, as a result, liquidity may be reduced and price volatility may be higher. The legal and regulatory environment may also be different, particularly as to bankruptcy and reorganization. Financial accounting standards and practices may differ, and there may be less publicly available information in respect of such companies.

Clients may be subject to additional risks which include possible adverse political and economic developments, possible seizure or nationalization of foreign deposits and possible adoption of governmental restrictions which might adversely affect the payment of principal and interest to investors located outside the country of the issuer, whether from currency blockage or otherwise. Furthermore, some of the securities may be subject to brokerage taxes levied by governments, which has the effect of increasing the cost of such investment and reducing the realized gain or increasing the realized loss on such securities at the time of sale. Income received by portfolios from sources within some countries may be reduced by withholding and other taxes imposed by such countries. Any such taxes paid by the client will reduce the net income or return from such investments. While the Advisor will take these factors into consideration in making investment decisions for clients, no assurance can be given that the Advisor will be able to fully avoid these risks.

Emerging Markets

Investment in emerging market securities involves a greater degree of risk than investment in securities of issuers based in developed countries. Among other things, emerging market securities investments may carry the risks of less publicly available information, more volatile markets, less strict securities market regulation, less favorable tax provisions, and a greater likelihood of severe inflation, unstable currency, war and/or expropriation of personal property than investments in securities of issuers based in developed countries. In addition, investment opportunities in certain emerging markets may be restricted by legal limits on foreign investment in local securities.

Emerging markets generally are not as efficient as those in developed countries. In some cases, a market for a security may not exist locally, and transactions will need to be made on a neighboring exchange. Volume and liquidity levels in emerging markets are lower than in developed countries. When seeking to sell emerging market securities, little or no market may exist for such securities. In addition, issuers based in emerging markets are not generally subject to uniform accounting and financial reporting standards, practices and requirements comparable to those applicable to issuers based in developed countries, thereby potentially increasing the risk of fraud or other deceptive practices. Furthermore, the quality and reliability of official data published by the governments or securities exchanges in emerging markets may not accurately reflect the actual circumstances being reported.

The issuers of some emerging market securities, such as banks and other financial institutions, may be subject to less stringent regulations than would be the case for issuers in developed countries and, therefore, potentially carry greater risks. Custodial expenses for a portfolio of emerging markets securities generally are higher than for a portfolio of securities of issuers based in developed countries.

Many of the laws that govern private and non-U.S. investments, securities transactions, creditors' rights and other contractual relationships in non-U.S. countries, particularly in developing countries, are new and largely untested. As a result, client portfolios may be subject to a number of unusual risks, including inadequate investor protection, contradictory legislation, incomplete, unclear and changing laws, ignorance or breaches of regulations on the part of other market participants, lack of established or effective avenues for legal redress, lack of standard practices and confidentiality customs characteristic of developed markets, and lack of enforcement of existing regulations.

Regulatory controls and corporate governance of companies in developing countries may confer little protection on investors. Anti-fraud and anti-insider trading legislation is often rudimentary. The concept of fiduciary duty is also limited when compared to such concepts in developed country markets. In certain instances, management may take significant actions without the consent of investors. There can be no assurance that this difficulty in protecting and enforcing rights will not have a material adverse effect on client portfolios and their operations. Furthermore, it may be difficult to obtain and enforce a judgment in certain of non-U.S. countries in which client assets are invested.

Highly Volatile Markets

The prices of financial instruments in which the Advisor may invest can be highly volatile. Price movements in which portfolio assets may be invested are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary

and exchange control programs and policies of governments, and national and international political and economic events and policies. Client portfolios are subject to the risk of failure of any of the exchanges on which its positions trade or of its clearinghouses.

Overall Investment Risk

All securities investments risk the loss of capital. The nature of the securities, instruments, derivatives and investments to be purchased and traded by the Advisor and the investment techniques and strategies employed may increase this risk. Many unforeseeable events, including actions by various government agencies, such as the Federal Reserve Board, domestic and international economic and political developments, and terrorist attacks, may cause sharp market fluctuations which could adversely affect the strategy.

There can be no assurance that the investments or investment techniques employed by the Advisor will achieve its investment objectives or that the strategy will be profitable. There can be no assurance that client accounts will not incur losses.

Item 9 – Disciplinary Information

Discerene has no information applicable to this Item.

Item 10 – Other Financial Industry Activities and Affiliations

Aside from the Discerene Fund LP, discussed elsewhere in this document, Discerene and its principals and associated persons have no information applicable to this Item.

Item 11 – Code of Ethics

The Advisor has established a “Code of Ethics” (the “Code”). The Code sets forth the policies and procedures of the Advisor regarding business ethics, confidentiality and personal trading of securities. The purpose of the Code is to identify the ethical and legal framework in which the Advisor and its directors, officers, partners, principals, members and employees (“Supervised Persons”) are required to operate and to highlight some of the guiding principles and mechanisms for upholding the Advisor’s standard of business conduct. The Code is designed to ensure that all Supervised Persons are aware of and adhere to the policies and procedures of the Advisor. The description below is a summary

only. A complete copy of the Code will be provided to clients or prospective clients upon written request.

Standard of Business Conduct

The Code is based on the principle that the Advisor and its employees owe a fiduciary duty to the Advisor'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.

The purpose of the Code is to preclude activities which may lead to or give the appearance of conflicts of interest, insider trading and other forms of prohibited or unethical business conduct.

Prohibited Conduct

The Advisor's employees are required to avoid any circumstances that might adversely affect, or appear to adversely affect, their duty of complete loyalty to the Advisor's clients.

Personal Securities Transactions

The Advisor has adopted the following principles governing personal investment activities by the Advisor's Supervised Persons:

- The interests of client accounts will at all times be placed first.
- All personal securities transactions will be conducted in such manner as to avoid any actual or potential conflict of interest or any abuse of an individual's position of trust and responsibility.
- Supervised Persons must not take inappropriate advantage of their positions.
- Participation in IPOs is prohibited

While personal trading by the Advisor's Supervised Persons in securities held in client accounts is strictly curtailed, certain principals of the firm own legacy positions of stocks held in client accounts. Any sales of these securities will be monitored to ensure no conflict of interest exists with clients.

Item 12 – Brokerage Practices

The Advisor will generally have the authority to determine the securities to be purchased or sold and the price and the amount thereof, as well as the authority to select brokers and to determine the amount of commissions to be paid, subject to principles of best execution. Managed account clients, pursuant to their investment advisory agreements, may impose restrictions on the Advisor's broker selection ability.

The Advisor may allocate a client's brokerage business to brokers (other than the custodian), on the basis of certain considerations, which may include:

- amount of commission
- quality of execution
- reputation
- experience and financial stability of the broker-dealer involved
- quality of service
- familiarity with the securities markets and investment techniques employed with respect to a client
- research and analytic services
- clearing and settlement capabilities
- availability of margin or other leverage
- block positioning or other special execution capabilities or other services provided.
- stock borrowing availability and cost

Brokers may provide client referral services but Discreene does not consider these capital introduction capabilities when selecting brokers.

The commissions the client will pay to such broker will not necessarily represent the lowest commission rates available, but will reflect the Advisor's evaluation of the research and other brokerage related services supplied by such brokers and which benefit the client, either alone or together with the other clients of the Advisor. In each case, the Advisor will make a determination that the amount of any increased commission costs on account of such research or other services is reasonable relative to the value of services so provided.

Section 28(e) of the Securities Exchange Act of 1934, as amended, provides a "safe harbor" to investment managers who use commission dollars of their advisory accounts to obtain investment research, brokerage and other services that provide lawful and appropriate assistance to the managers in performing investment decision making responsibilities,

provided that the amount of any increased commission costs on account of such research or other services is reasonable relative to the value of the services so provided. Any such arrangement will be confined to the products or services that qualify as “research and brokerage services” within the meaning of Section 28(e) and that meet the other requirements of that Section. Expenses paid through the use of these commission dollars would otherwise have been paid directly by clients. During the last year, the Advisor has used such commissions to compensate brokers for services in connection with research on current or potential client investments and for market data services.

In general, any and all brokerage allocations will be subject to the principles of best execution and the other allocation policies described above, as well as any restrictions imposed by the applicable law.

Since any particular research obtained by the Advisor may be useful to one or more clients, the Advisor, in considering the reasonableness of brokerage commissions paid, will not attempt to allocate the relative cost benefits of research between clients except in limited circumstances where appropriate.

When the Advisor deems the purchase or sale of securities to be in the best interest of clients, the Advisor and such affiliates may aggregate the securities to be purchased or sold by such entities and clients in order to obtain superior execution or lower brokerage expenses. In particular, execution prices for identical securities purchased or sold on behalf of multiple accounts in any one business day may be averaged. In such events, allocation of the securities purchased or sold, as well as expenses incurred in the transaction, will be made among any participating clients by applying such considerations as the Advisor deems appropriate, including relative account size of such entities and clients, amount of available capital, size of existing positions in the same or similar securities, impact of leverage, investment objective and strategy considerations, including, without limitation, concentration parameters, tax considerations and other factors. Although such allocations may be pro rata as to the client and other clients, they will not necessarily be so.

No client will be entitled to investment priority over another client or other managed accounts, but every client may not necessarily participate in every investment opportunity. The Advisor will endeavor to make all the investment allocations in a manner which it considers to be the most equitable to all managed entities and clients.

With respect to managed accounts where brokers may be identified and selected by the client, rather than the Advisor, the client will be responsible for negotiating the terms and arrangements for the client’s account with the broker. In such cases, the Advisor will have no responsibility with respect to the identification and selection of brokers or the terms of

execution and other services provided by such brokers. As a result, such accounts may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on their transactions than would otherwise be the case.

Item 13 – Review of Accounts

Soo Chuen Tan, the portfolio manager, will review portfolio positions on at least a weekly basis. Positions that meet or exceed their price targets will be evaluated to determine if the position should be sold, and positions that have declined in value will be reviewed to establish if the investment thesis continues to hold, and if so, if position sizes should be increased. Investors in partnerships managed by the Advisor will receive monthly capital account statements from Admiral Administration, the Fund Administrator. Statements for separately managed client accounts will be generated by the custodian and sent directly to the client on a monthly basis.

Item 14 – *Client Referrals and Other Compensation*

The Advisor does not have any relationships to disclose in this section.

Item 15 – Custody

Clients receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. Discerene urges you to carefully review such statements and compare such official custodial records to the account statements that we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Item 16 – Investment Discretion

Discerene usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

When selecting securities and determining amounts, the Advisor observes the investment policies, limitations and restrictions of the clients for which it advises.

Investment guidelines and restrictions must be provided to Discerene in writing.

Investment discretion is generally authorized by power of attorney granted in an investment management agreement or limited partnership agreement.

Item 17 – Voting *Client* Securities

Discerene, as a matter of policy and as a fiduciary to our investment funds and separate managed account clients, is responsible for voting proxies for portfolio securities consistent with the best economic interests of Discerene's clients. Our Firm maintains these written policies and procedures as to the handling, research, voting and recording of proxies. Our policies and procedures include the responsibility to monitor corporate actions, receive and vote proxies and maintain relevant records.

Proxy voting is an important right of shareholders and reasonable care and diligence must be undertaken to ensure that such rights are properly and timely exercised.

Discerene will vote proxies in the best interests of each particular client. Discerene's policy is to vote all proxies for a specific issuer in the same way for each client absent some qualifying restrictions or a material conflict of interest.

Discerene will generally vote in favor of routine corporate housekeeping proposals such as the election of directors and the selection of auditors, absent conflicts of interest (e.g., an auditor's provision of non-audit services).

Discerene will generally vote against proposals that cause board members to become entrenched or to cause unequal voting rights.

In reviewing proposals, Discerene may also consider the opinion of management, the effect on management, the effect on shareholder value and the issuer's business practices.

In the event that a client has provided specific parameters regarding proxy voting, the instructions of the client will be followed.

Investors may request information on how specific proxies were voted.

Item 18 – Financial Information

Discerene has no information applicable to this Item.