

## FORM ADV PART 2A: FIRM BROCHURE



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This brochure provides information about the qualifications and business practices of Hound Partners, L.L.C. If you have any questions regarding the contents of this brochure, please contact us at 212-984-2415.

The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority. Registration with the SEC or any state securities authority does not imply a certain level of skill or training.

Additional information about Hound Partners, L.L.C. can also be found on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 – Material Changes**

As of 12/31/2013 there were no material changes to report. As of 1/1/2014 Hound launched Hound Partners Long Master, LP and Hound Partners Concentrated Master, LP. Both funds are master funds in a master-feeder structure and include domestic and offshore feeders.

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#### Item 4 – Advisory Business

Hound Partners, LLC (“Hound”, “we” or the “Adviser”) is an investment management firm founded in October 2004 by Jonathan Auerbach.

Mr. Auerbach is the sole equity owner, managing member and portfolio manager of Hound and also serves as a research analyst.

Hound’s advisory services are focused on managing long and short portfolios primarily in equity and equity-related instruments. For a further description of the Adviser’s investment objectives, strategies and associated risks please see Item 8, Method of Analysis, Investment Strategies and Risk of Loss.

#### Private Funds

Hound serves as the investment manager to a nine private funds (each a “Fund” and collectively, the “Funds”), which are managed according to specific investment objectives and strategies as discussed in each Fund’s Confidential Private Offering Memorandum (“Offering Document”). Three of the private funds employ a long/short strategy (“Long/Short Funds”) and together form a single master feeder structure. Six of the private funds, which are formed as two master feeder structures employ a long only strategy (“Long Only Funds”).

Hound’s private funds are as follows:

#### Long / Short Funds

##### Hound Partners Offshore Fund, LP

Master Fund  
Launched Aug 1, 2005  
Offshore 3(c)(7)  
Cayman Islands  
Dec 31 Year End

##### Hound Partners, LP

Feeder Fund  
Launched Oct 1, 2004  
Domestic 3(c)(7)  
Delaware  
Dec 31 Year End

##### Hound Partners Offshore Fund, Ltd.

Feeder Fund  
Launched Aug 1, 2005  
Offshore 3(c)(7)  
Cayman Islands  
Dec 31 Year End

#### Long Only Funds

##### Hound Partners Long Master, LP

Master Fund  
Launched Jan 1, 2014  
Offshore 3(c)(7)  
Cayman Islands  
Dec 31 Year End

##### Hound Partners Long Fund, LP

Feeder Fund  
Launched Jan 1, 2014  
Domestic 3(c)(7)  
Delaware  
Dec 31 Year End

##### Hound Partners Long Fund, Ltd

Feeder Fund  
Launched Jan 1, 2014  
Offshore 3(c)(7)  
Cayman Islands  
Dec 31 Year End

**Hound Partners**  
**Concentrated Master, LP**

Master Fund  
Launched Jan 1, 2014  
Offshore 3(c)(7)  
Cayman Islands  
Dec 31 Year End

**Hound Partners**  
**Concentrated Fund, LP**

Feeder Fund  
Launched Jan 1, 2014  
Domestic 3(c)(7)  
Delaware  
Dec 31 Year End

**Hound Partners**  
**Concentrated Fund, Ltd.**

Feeder Fund  
Launched Jan 1, 2014  
Offshore 3(c)(7)  
Cayman Islands  
Dec 31 Year End

**Separately Managed Account**

Hound is the investment adviser to one separately managed account (“SMA”) that is managed according to an investment advisory agreement. The SMA is traded pari-passu with the Long/Short Funds and has similar terms.

The Funds and the SMA together are Hound’s advisory clients (“Clients”).

Hound does not tailor its advisory services to the individual needs of the underlying investors and does not accept investor imposed investment restrictions.

As of December 31, 2013, Hound managed approximately \$1,758,704,000 of Client assets on a discretionary basis which is all attributable to the Funds and SMA. Hound does not manage assets on a non-discretionary basis.

Hound and an affiliate of Hound, Hound Performance, LLC (the “General Partner”) which acts as general partner to certain Funds have filed a Claim of Exemption (the “Exemption”) from registration as a Commodity Pool Operator (“CPO”) with the United States Commodity Futures Trading Commission (the “CFTC”). The Exemption requires that at all times Advisory Clients either (1) have no more than 5% of assets used to establish commodity interest positions or (2) the notional value of commodity interest positions does not exceed 100% of each Advisory Clients’ liquidation value.

## Item 5 – Fees and Compensation

The Long/Short Funds pay Hound a quarterly Fixed Fee in advance in an amount equal to 0.375% (i.e., 1.5% per annum) of the net assets. In addition, Hound or an affiliate of Hound, Hound Performance, LLC (the “General Partner”) can earn an annual performance based fee of 20% of net profits (including net unrealized gains or losses) as of the end of a fiscal year unless there are net losses from the prior year.

The Long Only Funds pay Hound a monthly Fixed Fee in advance in an amount equal to 0.0833% (i.e., 1.0% per annum) of the net assets. In addition, Hound or an affiliate of Hound, Hound Performance, LLC (the “General Partner”) can earn an annual performance based fee equal to 20% of the net profits (including net unrealized gains or losses) as of the end of a fiscal year that exceed an established minimum rate of return subject to an underperformance carryforward. The established minimum rate of return is referred to as a Hurdle and is based on the S&P 500 Total Return Index.

Hound may waive or reduce the fixed fee and/or performance-based compensation for investors that are members, principals, or employees or affiliates of Hound or relatives of such persons and for certain large or strategic investors.

Hound is responsible for and pays, or causes to be paid, all office overhead expenses, which for a fiscal year include overhead expenses of an ordinarily recurring nature such as rent, supplies, secretarial expenses, stationery, charges for furniture and fixtures, employee insurance, payroll taxes and compensation of analysts and certain other personnel. All other expenses involving the management and operation of Client accounts are borne by Clients. Other Client expenses include, but are not limited to, legal, audit, accounting, administration, middle-back office and trading expenses (including compensation of trading personnel), certain professional research expenses (including consultants' fees, research service fees, investigative service fees and research-related foreign travel expenses), investment expenses such as commissions, interest on margin accounts, custodial fees, bank service fees and other expenses related to the purchase, sale or transmittal of Client assets. To the extent expenses relate to a specific Client account, the expense will be borne entirely by the specific Client. In the case of expenses which relate to more than one Client account, each client will bear their pro rata share of the expense. The Funds shall also bear their pro rata share of the Master Fund's expenses.

Investors are encouraged to refer to each Fund's offering documents for a more detailed discussion of the various fees and expenses associated with each Fund.

See Item 12, Brokerage Practices for a detailed discussion of Hound's brokerage practices.

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

As discussed in Item 5, Fees and Compensation, Hound is eligible to earn a performance-based fee.

The Long/Short Funds and SMA managed by Hound have the same long/short strategy and are generally managed pari-passu and charged the same performance based fees. The Long Only Funds have a long biased strategy and charge a lower fixed fee percentage than the Long/Short Funds (1% versus 1.5% annual rate). In addition the Long Only Funds must outperform the Hurdle rate of return before a performance fee is earned. We believe the performance fee difference is warranted due to the differences in strategies and risk profiles.

However, the existence of performance-based compensation may create an incentive for Hound to enter into transactions on behalf of Clients that are particularly risky or speculative. The Adviser has implemented policies and procedures which it believes are reasonably designed to ensure all investments are consistent with each Fund's investment objectives and that all Funds are treated fairly.

Hound is involved with the valuation of securities held by the Funds, which in turn may affect the calculation of the management fee and the performance based fee it receives. This creates an incentive for Hound to increase the value of the assets during the valuation process. Hound believes it addresses this conflict by (1) using an independent third-party administrator to independently price the portfolio in accordance with the Funds' valuation policies as outlined in the respective limited partnership agreements and (2) ensuring that Funds are audited at least annually.

## Item 7 – Types of Clients

As noted in Item 4, Advisory Business, Hound provides investment advisory services to the Funds and a SMA.

The minimum investment in the Funds is \$1,000,000, subject to waiver at the discretion of Hound.

Interests in the Funds are offered on a private placement basis, and in reliance on Section 3(c)7 of The Investment Company Act of 1940 (“Company Act”) to persons who generally are “accredited investors” as defined under The Securities Act of 1933 and “qualified purchasers” as defined under the Company Act, and who are subject to certain other conditions, which are fully set forth in its offering documents.

The General Partner may from time to time enter into agreements with one or more prospective investors whereby in consideration for agreeing to invest certain amounts in the Funds or other consideration deemed material by the General Partner, may be granted favorable rights not afforded to other limited partners. The Fund and the General Partner may enter into such agreements without the consent of or notice to the existing investors. No other investor shall be entitled to participate in any such special arrangement without the approval of the General Partner. The General Partner shall have no obligation to offer any special arrangement to any other investor.



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

### Method of Analysis and Investment Strategy

Hound's investment process and philosophy is value oriented and powered by very deep fundamental research. We believe that exceptional investment ideas are scarce and concentrate the portfolio in a small number of our best ideas. Our investment process involves very deep fundamental research stressing original, primary research where, we believe we have a deep understanding of critical variables that differs from market expectations, with an equal emphasis on long and short positions. We feel that tolerating volatile investments in the portfolio increases opportunity.

### The Long/Short Funds:

Hound typically seeks to create a core portfolio of around 20 to 30 longs and 30 to 40 shorts. Hound will establish a new position when the investment process generates a compelling idea. Hound often starts with a small position and adds to it as Hound's conviction increases or as additional information comes to its attention, whether through the passage of time or additional research. Hound will exit a position when 1) the position has been proven right and it is time to redeploy the capital, 2) the position was wrong, 3) Hound finds better ideas, 4) the position becomes too large a portion of the portfolio, or 5) it is distracting to Hound's portfolio management process.

### The Long Only Funds:

The investment objective of the Long Only Funds is to achieve capital appreciation that is superior to the S&P 500 Index over time. However, the Long Only Funds will not be managed to resemble the S&P 500 or track its performance. While the funds may engage in short selling from time to time, it is anticipated that the portfolio will typically be long only and in any event will always have a significant (if not exclusive) long bias. Hound believes that exceptional investment ideas are scarce and, accordingly, concentrates the Long Only Funds' portfolios in what it considers to be its "best" ideas. It is anticipated that the core portfolio will significantly overlap with the long positions held by the Long/Short Funds.

Hound Partners Long Master, LP's core portfolio generally will consist of roughly 20 to 30 long positions.

Hound Partners Concentrated Master, LP's portfolio will generally consist of roughly 8 to 15 long positions.

### Investment Risk

Investing in Funds managed by Hound involves risk of loss that investors should be prepared to bear. An investor should not make an investment unless it is prepared to lose all or a substantial portion of its investment.

### Short Sales

Short selling involves certain additional risks. Such transactions expose Clients to the risk of loss in an amount greater than the initial investment, and such losses can increase rapidly and in the case of

equities, without effective limit. There is the risk that the securities borrowed by Hound in connection with a short sale would need to be returned to the securities lender on short notice. If such request for return of securities occurs at a time when other short sellers of the same security are receiving similar requests, a "short squeeze" can occur, wherein Hound might be compelled, at a 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.

#### Concentrated Portfolio/Lack of Diversification

The portfolios of certain Clients will consist of a small number of investments which may result in each investment's size being significant to the overall portfolio. As a result, large positions relative to the portfolio subject the portfolio to significant losses compared to a more diversified portfolio if the value of an investment which represents a significant percentage of the portfolio were to decline in value.

#### Small to Medium Cap Stocks

At any given time, the Funds may have significant investments in smaller-to-medium sized companies with market capitalizations of less than \$1 billion. These securities often involve greater risks than the securities of larger, better-known companies.

#### Illiquid Investments

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

#### Leverage

The use of leverage exposes Clients to additional levels of risk, including (i) greater losses from investments than would have been the case had Clients not borrowed to make the investments, (ii) margin calls or interim margin requirements which may force premature liquidations of investment positions and (iii) losses on investments where the investment fails to earn a return that equals or exceeds Clients' cost of borrowing such funds. In the event of a sudden, significant drop in value of Clients' assets, Hound might not be able to liquidate assets quickly enough to repay borrowings, further magnifying losses.

In an unsettled credit environment, Hound may find it difficult or impossible to obtain leverage. In such event, Hound could find it difficult to fully implement its strategy. In addition, any leverage obtained may be terminated (or the collateral requirements changed) on short notice by the lender, which could result in Hound being forced to unwind positions quickly and at prices below what Hound deems to be fair value for such positions.

### Non-U.S. Securities

Investing in securities of non-U.S. governments and companies which are generally denominated in non-U.S. currencies and utilization of options on non-U.S. securities involves certain considerations comprising both risks and opportunities not typically associated with investing in securities of the United States Government or United States companies. These considerations include changes in exchange rates and exchange control regulations, political and social instability, expropriation, imposition of foreign taxes, less liquid markets and less available information than is generally the case in the United States, higher transaction costs, less government supervision of exchanges, brokers and issuers, greater risks associated with counterparties and settlement, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards and greater price volatility.

### Options

The purchase or sale of an option involves the payment or receipt of a premium by the investor and the corresponding right or obligation, as the case may be, to either purchase or sell the underlying security, or other instrument for a specific price at a certain time or during a certain period. Purchasing options involves the risk that the underlying instrument will not change price in the manner expected, so that the investor loses its premium. Selling options, on the other hand, involves potentially greater risk because the investor is exposed to the extent of the actual price movement in the underlying security rather than only the premium payment received (which could result in a potentially unlimited loss). Over-the-counter options also involve counterparty solvency risk.

### Counterparty and Custodial Risk

There are risks involved in dealing with the custodians who settle Hound trades. Each Client maintains accounts with one or more prime brokers who act as custodian of Client assets. Although Hound monitors and believes that they are appropriate custodians, there is no guarantee that the custodians will not become bankrupt or insolvent. While both the U.S. Bankruptcy Code and the Securities Investor Protection Act of 1970 seek to protect customer property in the event of a bankruptcy, insolvency, failure, or liquidation of a custodian, there is no certainty that, in the event of a failure of a custodian that has custody of Client assets, Clients would not incur losses due to its assets being unavailable for a period of time, the ultimate receipt of less than full recovery of its assets, or both. Clients will rank as an unsecured creditor to each of its custodians in relation to assets that the custodians lend or otherwise use and, in the event of the insolvency of a custodian, Clients might not be able to recover equivalent assets in full. In addition, if applicable law permits, cash that the custodians hold or receive on Clients' behalf may be inaccessible by Clients, may not be segregated from the custodians' own cash and may be used by the custodians in the course of their investment business. In such event, Clients will rank as one of the custodians' general creditors.

### Special Situations and Distressed Securities

Hound may invest in companies involved in (or the target of) acquisition attempts or tender offers or in companies involved in work-outs, liquidations, spin-offs, reorganizations, bankruptcies and similar transactions. In any investment opportunity involving any such type of special situation, there exists the risk that the contemplated transaction either will be unsuccessful, take considerable time or will result in a distribution of cash or a new security the value of which will be less than the purchase price of the

security or other financial instrument in respect of which such distribution is received. Similarly, if an anticipated transaction does not in fact occur, the investment may be sold at a loss. Because there is substantial uncertainty concerning the outcome of transactions involving financially troubled companies in which Clients may invest, there is a potential risk of loss by Clients of their entire investment in such companies.

#### Emerging Markets

Investing in emerging market debt or equity involves certain risks and special considerations not typically associated with investing in other more established economies or securities markets. Such risks may include (i) the risk of nationalization or expropriation of assets or confiscatory taxation; (ii) social, economic and political uncertainty including war; (iii) dependence on exports and the corresponding importance of international trade; (iv) price fluctuations, less liquidity and smaller capitalization of securities markets; (v) currency exchange rate fluctuations; (vi) rates of inflation (including hyperinflation); (vii) controls on foreign investment and limitations on repatriation of invested capital and on the Funds' ability to exchange local currencies for U.S. dollars; (viii) governmental involvement in and control over the economies; (ix) governmental decisions to discontinue support of economic reform programs generally and to impose centrally planned economies; (x) differences in auditing and financial reporting standards which may result in the unavailability of material information about issuers; (xi) less extensive regulation of the securities markets; (xii) longer settlement periods for securities transactions; (xiii) less developed corporate laws regarding fiduciary duties of officers and directors and the protection of investors; (xiv) certain considerations regarding the maintenance of portfolio securities and cash with non-U.S. sub-custodians and securities depositories.

#### Corporate Debt Obligations

Corporate debt obligations, including commercial paper are subject to certain risks including the risk of an issuer's inability to meet principal and interest payments on the obligations (credit risk).

#### High Yield Securities

Investing in "high yield" bonds and preferred securities which have lower credit ratings are subject to greater risk of loss of principal and interest than higher-rated securities and are generally considered to be predominantly speculative with respect to the issuer's capacity to pay interest and repay principal. They are also generally considered to be subject to greater risk than securities with higher ratings in the case of deterioration of general economic conditions.

#### Futures Contracts

Investments in futures contracts and options can be both for hedging purposes and to increase the total return on the portfolio. Trading in futures contracts and options is a highly specialized activity which, while it may increase the total return on the portfolio, may entail greater than ordinary investment risks.

Please refer to each Fund's respective offering documents for additional detail regarding Hound's investment strategies and risks. SMA Investors should consult with the SMA sponsor.

## **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of the investment adviser or the integrity of its management. Hound has no applicable disciplinary information to disclose.

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

Tiger Partners, LLC (referred to as "Tiger Investor") has made strategic seed investments in the Funds which are advised by Hound and, in exchange for such seed investment, the Tiger Investor has received certain rights typically associated with such an investment, including a right to share in profits and non-compete rights. Neither the Tiger Investor nor any of its affiliates has discretion or control over the management of Hound or Hound's Clients.

Hound shares traders with two other private fund advisers. Hound has established policies and procedures with respect to sharing of traders designed to protect the interests of Hound's Clients and manage the conflicts of interest resulting from a trader executing transactions on behalf of clients of more than one investment adviser.

Hound also shares office space with other private fund advisers. Hound has established policies and procedures with respect to sharing office space designed to protect the interests of Hound's clients.

Mr. Auerbach and certain employees of Hound have made personal investments in a third-party service provider that recruits industry experts for consultation with persons performing research in the investment management industry and others (the "Consulting Firm"). Hound currently uses the Consulting Firm to assist it with research on behalf of Clients and this expense (like other research expenses) is borne by Clients. While Hound believes the quality and pricing of the Consulting Firm is as good or better than its competitors, a conflict of interest arises since the payment by Clients of fees to the Consulting Firm may increase the profitability of the Consulting Firm and, therefore, increase the return on the investment in the Consulting Firm experienced by Mr. Auerbach and the aforementioned employees.

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

Hound has adopted a comprehensive Code of Ethics designed to promote the highest ethical standards among employees and to recognize our fiduciary responsibility to clients. The Code of Ethics establishes standards of business conduct for all employees and is designed to detect and prevent prohibited acts and mitigate potential conflicts of interest between Hound, its employees and the Funds. Hound provides training at least annually to all employees with regards to its Code of Ethics.

Hound has adopted, as part of its Code of Ethics, a Personal Trading Policy which generally prohibits personal trading subject to certain exceptions. Hound closely monitors the personal trading of employees, and generally requires pre-approval from the Hound's Chief Compliance Officer for personal trades subject to certain exceptions.

The Code of Ethics establishes guidelines for employees with identifying instances when they might be exposed to material non-public information and compliance procedures when they believe they are in possession of material non-public information. The Code of Ethics also strictly prohibits Hound and its employees from engaging in market manipulation, the spreading of rumors and any sort of collusion with other market participants.

Other features of Hound's Code of Ethics include:

- annual certification by employees that they have read, understand and agree to abide by Hound's Code of Ethics and insider trading policies and procedures;
- a gift and entertainment policy which generally prohibits the giving and receipt of gifts greater than a *de minimis* value; and
- quarterly submission of securities transaction reports and annual securities holdings reports for each personal account of the employee and their spouse, minor children, and any other person or entity over which the employee exercises control or investment discretion.

## Item 12 – Brokerage Practices

### **Broker Selection**

Hound retains full discretion to determine the broker or dealer to be used for each securities transaction for Fund accounts. In selecting brokers or dealers to execute transactions, Hound is not obligated to solicit competitive bids and is not obligated to seek the lowest available brokerage commissions, mark-ups or other compensation (collectively, "Commissions"). In certain cases, Hound may be paying more than "execution only" Commissions in which case Funds may be paying for research, brokerage or other services provided by the broker which are included in the Commissions. In these cases, Hound will receive a benefit since Hound otherwise would have to produce or pay for the research or other services directly. Hound may have a conflict of interest in that it may have an incentive to select brokers or dealers because Hound receives research, products or services rather than receiving the most favorable execution. Hound believes it has procedures in place to control the risk associated with this conflict of interest which includes performing regular reviews of its brokers to determine that commissions paid are reasonable in relation to the value of the brokerage services received.

In selecting brokers and negotiating commission rates, Hound will take into account the financial stability and reputation of brokerage firms, their execution quality and the research, brokerage or other services provided by such brokers. Hound may place transactions with a broker or dealer that (i) provides Hound with the opportunity to participate in capital introduction events sponsored by the broker-dealer or (ii) refers investors to Funds or other products advised by Hound (or an affiliate), if otherwise consistent with seeking best execution provided Hound is not selecting the broker-dealer in recognition of the opportunity to participate in such capital introduction events or the referral of investors.

The Clients' Prime Brokers used by Hound are Morgan Stanley, Goldman Sachs, Fidelity, Deutsche Bank and JP Morgan. Hound reserves the right, in its sole discretion, to change the brokerage and custodial arrangements, described above, of the Funds without further notice to Clients.

### **Section 28(e) Safe Harbor**

Section 28(e) of the Securities Exchange Act of 1934, as amended, is a "safe harbor" that permits an investment manager to use Commissions or "soft dollars" to obtain research and brokerage services that provide lawful and appropriate assistance in the investment decision-making process. It is Hound's policy to only use "soft dollars" to obtain research and brokerage services that constitute research and brokerage within the meaning of Section 28(e). Research services within Section 28(e) may include, but are not limited to, research reports (including market research); certain financial newsletters and trade journals; software providing analysis of securities portfolios; corporate governance research and rating services; attendance at certain seminars and conferences; discussions with research analysts; meetings with corporate executives; consultants' advice on portfolio strategy; data services (including services providing market data, company financial data and economic data); advice from brokers on order execution; and certain proxy services. Brokerage services within Section 28(e) may include, but are not limited to, services related to the execution, clearing and settlement of securities transactions and functions incidental to those services (i.e., connectivity services between an investment manager and a



broker-dealer and other relevant parties such as custodians); trading software operated by a broker-dealer to route orders; software that provides trade analytics and trading strategies; software used to transmit orders; clearance and settlement in connection with a trade; electronic communication of allocation instructions; routing settlement instructions; post trade matching of trade information; and services required by the SEC or a self-regulatory organization such as comparison services, electronic confirms or trade affirmations.

In some instances, Hound may receive services paid with non-28(e) eligible soft dollar benefits. However, disclosure has been made to all Clients that these non-28(e) eligible soft dollar benefits are only used to pay for services that would otherwise be allowable Client expenses.

Although Hound will make a good faith determination that the amount of Commissions paid is reasonable in light of the products or services provided by a broker, commission rates are generally negotiable and, thus, selecting brokers on the basis of considerations that are not limited to the applicable commission rates may result in higher transaction costs than would otherwise be obtainable. The receipt of such products or services and the determination of the appropriate allocation in the case of “mixed use” products or services creates a potential conflict of interest between Hound and its Funds because a specific Fund may pay for certain products and services that are not exclusively for the benefit of that Fund and instead may be primarily or exclusively for the benefit of Hound and its employees. Hound believes it has procedures in place to control the risk associated with this conflict of interest such as performing regular reviews of its brokers to determine that commissions paid are reasonable in light of the value of the brokerage services received and that the amount of trading is reasonable within Hound’s investment strategy.

Hound uses both proprietary and research from various brokers as well as third-party research products which are paid for with soft dollars obtained from commissions paid to certain brokers. During the last fiscal year, soft dollar payments made on behalf of Hound were for the following: real time stock quotes, market data, security specific research, valuation services, conference expenses and independent equity research firms.

#### Trade Aggregation and Allocation

When appropriate, Hound may, but is not required to aggregate Client orders to achieve more efficient execution or to provide for equitable treatment among Clients. On occasion, Hound may not aggregate Client orders as particular circumstances may exist which preclude aggregation in order to comply with both Hound’s fiduciary duty and duty to seek best execution. Hound has established policies and procedures which it believes are reasonably designed to ensure all Clients are treated fairly and no Client is favored over another Client.

#### Trade Errors

While Hound’s goal is to execute trades seamlessly in the best interests of Clients, errors can occur for a variety of reasons, and the required corrective measures may differ depending upon the nature of the error. When an error is made on behalf of a Client, Hound will use its best efforts to break or otherwise correct the trade as soon as practicable after discovery to ensure that Clients do not incur a loss.

It is Hound's policy that a trade error that results in a gain to a Client will remain in the Client's account. Trade errors that result in a loss to a Client will be assessed to the Client's account except in the case of gross negligence or willful misconduct by a member or employee of Hound.

#### Cross Trades

From time to time, Hound may seek to execute transactions between Client accounts (including rebalancing trades between Client accounts) that have similar portfolios. Hound will only effect these transactions when believed to be in the best interests of Clients and at a price and under circumstances that Hound has determined by reference to independent market indicators, which are believed to constitute "best execution" for the accounts.

### Item 13 – Review of Accounts

Hound's Managing Member, Mr. Auerbach, monitors and reviews Client accounts on a continual basis with a focus on ensuring adherence to their investment objectives.

The Funds have engaged independent third-party administrators (the "Administrators") who record cash and security positions on a daily basis. On a daily basis the Administrators reconcile the records of the Funds with the Funds' prime brokers. Detailed reconciliation reports are provided on a daily basis to Hound's Operations Team noting any discrepancies if applicable. Hound will attempt to clear reconciling items as quickly as possible. The Administrators also prepare a month end accounting packages for each Fund which reflects Fund specific holdings, profit and loss including realized and unrealized gains/losses, capital activity, investment related income and expenses and expense items as discussed in each Fund's official offering documents. Hound's Operations Team also completes month end accounting packages based on data provided by the administrators for final review and sign off by Hound's Chief Financial Officer and Chief Operating Officer.

Fund investors receive the following regular communications from Hound unless otherwise indicated:

- Monthly performance estimate generally on the 2<sup>nd</sup> business day of each month.
- Final monthly performance attribution and exposures generally on the 5<sup>th</sup> business day of each month.
- Monthly account statement from the Administrator generally on the 6<sup>th</sup> business day.
- Semi-annual investor letters generally in January and July of each year.
- Annual audited financial statements within 120 days of year-end.

#### **Item 14 – Advisory Client Referrals and Other Compensation**

Hound does not compensate any person for referring Funds.

As discussed in Item 12 – Brokerage Practices, Hound may execute transactions with a broker or dealer that (i) provides Hound with the opportunity to participate in capital introduction events sponsored by the broker-dealer or (ii) refers investors to Funds advised by Hound, if otherwise consistent with seeking best execution provided Hound is not selecting the broker-dealer in recognition of the opportunity to participate in such capital introduction events or the referral of investors.

Neither Hound nor its officers or employees accept compensation for the sale of securities or other investment products.

## Item 15 – Custody

While the disclosure requirements under this item are not applicable to Hound, it should be noted that the General Partner has the ability to access and control the assets of the Funds. Hound satisfies its regulatory obligation by ensuring that each Fund is subject to an audit at least annually by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, and requires that each Fund distribute its audited financial statements to all investors within 120 days of the end of its fiscal year.

Hound is not deemed to have custody of the SMA.

#### **Item 16 – Investment Discretion**

Hound has full trading authority over all Client accounts. Investment discretion authority is granted to Hound contractually when an investor completes and signs a Fund’s official subscription package or through the investment management agreement in the case of the SMA.

## Item 17 – Voting Client Securities

Hound has adopted Proxy Voting Policies and Procedures, which it believes are reasonably designed to ensure that proxies are voted in the best interest of its Clients and in accordance with its fiduciary duties and Rule 206(4)-6 under the Advisers Act. Hound's policies and procedures contain procedures designed to address potential conflicts of interest that may arise between Hound and its Clients which may include, but not limited to, information barriers. In addition, Hound has engaged a third party to facilitate its proxy voting and, in certain circumstances, independently advise how a particular proxy should be voted.

Hound has sole and exclusive authority and responsibility to vote all proxies on behalf of its Clients. As such, Clients may not direct how Hound should vote on a particular proxy.

Hound will provide a copy of the Proxy Voting Policies and Procedures and proxy voting record to any investor or qualified prospective investor upon request by contacting us at the email address or telephone number listed on the cover page of this document.

## **Item 18 – Financial Information**

Hound is not required to include a balance sheet for its most recent fiscal year, is not aware of any financial condition reasonably likely to impair its ability to meet contractual commitments to Funds, and has not been the subject of a bankruptcy petition at any time during the past ten years.