



**ITEM 1  
COVER PAGE**

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**PART 2A OF FORM ADV: FIRM BROCHURE**

KEPOS CAPITAL LP

April 12, 2011

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*This brochure provides information about the qualifications and business practices of Kepos Capital LP. If you have any questions about the contents of this brochure, please contact us at +1-212-588-7400 or [info@keposcapital.com](mailto:info@keposcapital.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority.*

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

*Kepos Capital LP is an investment adviser registered under the Investment Advisers Act of 1940. Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.*

## **ITEM 2**

### **MATERIAL CHANGES**

On July 28, 2010, the United States Securities and Exchange Commission (the “SEC”) published “Amendments to Form ADV” which amended certain obligations of registered advisers regarding the disclosure document that they are obligated to provide to clients as required by the SEC’s rules. This new Item 2 (Material Changes) is one result of these amendments.

This brochure constitutes an initial filing and, as such, this Item 2 is inapplicable.

In the future, this Item 2 will contain a summary of specific material changes that are made to this brochure and we (*i.e.*, Kepos Capital LP) will provide you with a summary of these changes within 120 days of the end of our fiscal year (which is December 31). We may from time to time further provide additional disclosure information about material changes, by amending this brochure or through additional documents or other communications.

We will further provide each of our clients with a new brochure as necessary based on changes or new information, at any time, without charge. Currently, clients may request our brochure by contacting our Investor Relations group at +1-212-588-7400 or [info@keposcapital.com](mailto:info@keposcapital.com).

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## **ITEM 4**

### **ADVISORY BUSINESS**

#### **A. General Description of Advisory Firm.**

Kepos Capital LP (referred to in this brochure as "Kepos Capital," the "firm," "we," or "us") is a Delaware limited partnership that was established in December 2009; in November 2010 we began to actively advise clients.

Our "principal owners" are Mark Carhart and Giorgio De Santis. Mr. Carhart is the Chief Investment Officer, the Chief Executive Officer, and a limited partner of Kepos Capital; he also indirectly controls Kepos Capital's general partner. Mr. De Santis is the Director of Research and a limited partner of Kepos Capital and indirectly owns a non-controlling stake in Kepos Capital's general partner.

#### **B. Description of Advisory Services.**

We are a globally focused asset management firm that seeks to provide investment advisory services to U.S. and non-U.S.-based clients (including pooled investment vehicles and, potentially, sophisticated institutional investors or other entities) by employing a scientifically-based, yet intuitive, approach to systematic global macro investing.

We perform our advisory services through a quantitative research and investment process. In general, our personnel perform proprietary research, seeking to combine economic theory and statistical methods to identify financially profitable opportunities. Ideas are generally developed and evaluated based on factors such as economic intuition, support from empirical evidence, market conditions, and leverage requirements

Our overall strategy set, which potentially can be tailored for specific clients (See Item 4.C.), includes macro-level and individual strategies.

#### **C. Availability of Customized Services for Individual Clients.**

At present we do not offer investors in the pooled investment vehicles we manage the ability to select exposure to (or restrict or eliminate exposure to) specific assets, investments, or asset classes (other than "new issue" gains and losses, if any, that we allocate pursuant to applicable regulations).

Also, while we do not currently offer these types of services, we have the ability in the future to provide customized products or management services to individual clients through managed accounts or other structures.

#### **D. Wrap Fee Programs.**

While we have the ability to do so, as of the date of this brochure, we are not participating in any wrap fee programs.

**E. Assets Under Management.**

As of January 31, 2011, our client assets under management were \$34,700,000 (rounded to the nearest \$100,000). We have computed "client assets under management" in this Item 4.E. in the same way that we computed "assets under management" for Item 5.F in Part 1A.

Please note that all of our January 31, 2010 assets under management represent direct or indirect investments by our personnel or from accounts affiliated, controlled, or organized by our personnel (*e.g.*, retirement accounts, charitable foundations, and trusts). The pooled investment vehicles we manage began to accept investments from outside investors in February 2011.

## ITEM 5 FEES AND COMPENSATION

### A. Advisory Fees and Compensation.

As we will only be providing this brochure to clients who are "qualified purchasers" under the Investment Company Act of 1940, we have not included a fee schedule or the other information requested by Item 5.A.

### B. Payment of Fees.

For clients that are pooled investment vehicles, we (usually through a third-party administrator) generally deduct management fees directly from a client account, usually on a quarterly basis and in advance. For incentive fees or incentive-based allocations of profits for clients that are pooled investment vehicles, we follow a similar procedure and generally deduct (usually through an administrator) these amounts directly from the client's account, generally on an annual basis and in arrears. For a managed account, this practice could vary depending on the specific arrangement with an individual client.

### C. Additional Fees and Expenses.

Our clients are responsible for certain additional costs and expenses related to the trading and investment activity that we conduct for their accounts; this includes expenses incurred by them directly as well as reimbursements of expenses that we incur on their behalf.

While the organizational documents and investment management agreements relating to any specific client will dictate the actual expenses relating to that client, additional costs and expenses that we currently charge to our clients include: investment-related expenses; expenses related to market data and other data and information; execution related expenses;<sup>1</sup> up to 50% of the costs and expenses of risk management and risk reporting software and services; systems and technology expenses; fees and expenses of any third-party administrator and other third parties providing administrative, accounting, operations and valuation services; third-party accounting, auditing and tax preparation expenses; regulatory and legal expenses; other professional fees and expenses relating to investments or the operation of, or accounting for, a client account or (if the client is a pooled investment vehicle) of the client itself; placement agent fees and expenses, if any; costs of printing and mailing reports and notices; organizational, administrative, and ongoing registration, licensing, and similar fees and expenses of a client account or (if the client is a pooled investment vehicle) of the client itself; expenses relating to obtaining insurance for members of any board of directors of a client and for us and our personnel; bank service fees; withholding and transfer taxes; entity-level taxes; other expenses related to the purchase, sale or transmittal of client assets; and extraordinary expenses and other similar expenses related to a client account or (if the client is a pooled investment vehicle) to the client itself.

When expenses are attributable to a specific class or to certain subset of investors within a pooled investment vehicle, we, in our discretion, generally may allocate such expenses only to such class or investors.

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<sup>1</sup> Item 12 describes factors that we consider in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions).

**D. Prepayment of Fees.**

As discussed above in Item 5.B., for our existing clients (all of which are pooled investment vehicles) we generally deduct management fees directly from a client account, usually on a quarterly basis and in advance. A *pro rata* portion of such management fees will be paid in respect of any subscriptions made by new or existing investors on any date that does not fall on the first day of a calendar quarter, based on the actual number of days remaining in such partial quarter. If an investor redeems or withdraws from a pooled investment vehicle client, other than as of the last day of a quarter, we will repay a *pro rata* portion of any applicable management fee (based on the actual number of days remaining in the quarter) to the pooled investment vehicle for distribution to such investor.

**E. Additional Compensation and Conflicts of Interest.**

We do not accept, and none of our supervised persons accepts, compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.



**ITEM 6**  
**PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

We have entered into incentive fee arrangements with qualified clients in compliance with Section 205(a)(1) of the Investment Advisors Act of 1940 and the exemptions available thereunder (including Rule 205-3).

## **ITEM 7**

### **TYPES OF CLIENTS**

We generally provide investment advice to alternative investment funds (*e.g.*, pooled investment vehicles that are exempt from registration under the Investment Company Act of 1940) and, on a case by case basis, may offer customized managed accounts for institutions and benefit plans. Any particular pooled investment vehicle client will have its own eligibility and qualification criteria (*e.g.*, requirements that investors represent that they are “qualified purchasers” under the Investment Company Act of 1940, non-“US Persons” under Regulation S, and/or “accredited investors” under the Securities Act of 1933) and minimum investment requirements. The requirements for any managed account (we currently do not offer managed accounts) would be negotiated on a case-by-case basis.

## ITEM 8

### METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

#### **A. Methods of Analysis and Investment Strategies.**

We apply a systematic research and investment process. Our personnel perform proprietary research, combining economic theory and statistical methods in an effort to identify financially profitable opportunities. Ideas are generally developed and evaluated based on factors such as economic intuition, support from empirical evidence, market conditions (such as the liquidity of tradable instruments), and leverage requirements. Once a strategy has been developed and evaluated, it is translated into a portfolio of securities and investments based on a number of criteria, which could include expected returns, various risk measures such as asset volatility and correlations, expected transaction costs, leverage requirements and exposure to specific sectors, industries and indices, as well as to the overall market.

In applying our overall systematic approach, we invest our clients' capital in a variety of investment strategies. We currently pursue or expect to pursue a number of strategies for our clients, including but not limited to the following broad categories: macro strategies; individual equities strategies; commodity strategies; volatility strategies; credit strategies; and opportunistic trading.

All investments made or recommended by us for clients involve the risk of the loss of capital. Our clients' accounts may utilize investment techniques such as margin transactions, short sales, option transactions and forward and futures contracts, which practices can, in certain circumstances, maximize the adverse impact to which our clients' accounts may be subject.

#### **B. Material, Significant, or Unusual Risks Relating to Investment Strategies.**

***Trading Judgment.*** The success of our trading strategies is subject to the judgment and skills of our research and trading personnel. Additionally, our trading abilities with regard to execution and discipline are important to the returns of our clients' accounts. There can be no assurance that our investment decisions or actions will be correct. Incorrect decisions or poor judgment may result in substantial losses.

***Model and Data Risk.*** Given the complexity of the investments and strategies we manage, we must rely heavily on quantitative models (both proprietary models developed by our personnel, and those supplied by third parties) and information and data supplied by third parties. These models and data are used to construct sets of transactions and investments, to value investments or potential investments (whether for trading purposes, or for the purpose of determining client valuations), to provide risk management insights, and to assist in hedging our clients' investments.

When these models and data prove to be incorrect, misleading or incomplete, any decisions made in reliance on them expose our clients to potential risks. For example, by relying on these models and data, we may be induced to buy certain investments for our clients at prices that are too high, to sell certain other investments at prices that are too low, or to miss favorable opportunities altogether. Similarly, any hedging based on faulty models and data may prove to be unsuccessful. Furthermore, when determining the net asset value of a client account, any valuations of the client's investments that are based on valuation models may prove to be incorrect.

Some of the models we use are predictive in nature. The use of predictive models has inherent risks. For example, such models may incorrectly forecast future behavior, leading to potential losses on a cash flow or a mark-to-market basis. In addition, in unforeseen or certain low-probability scenarios (often involving a market disruption of some kind), such models may produce unexpected results, which can result in losses for our clients. Furthermore, because predictive models are usually constructed based on historical data supplied by third parties, the success of relying on such models may depend heavily on the accuracy and reliability of the supplied historical data.

All of our models rely on correct market data inputs. If incorrect market data is entered into even a well-founded model, the resulting valuations will be incorrect. However, even if market data is input correctly, "model prices" will often differ substantially from market prices, especially for securities with complex characteristics, such as derivative securities.

***Obsolescence Risk.*** We are unlikely to be successful in managing client accounts unless the assumptions underlying our models are realistic and either remain realistic and relevant in the future or are adjusted to account for changes in the overall market environment. If such assumptions are inaccurate or become inaccurate and are not promptly adjusted, it is likely that profitable trading signals will not be generated.

Also, if and to the extent that our models do not reflect certain factors, and we do not successfully address such omission through testing and evaluation and modify the models accordingly, major losses may result.

***Crowding/Convergence.*** There is significant competition among quantitatively-focused managers, and our ability to deliver returns for our clients that have a low correlation with global aggregate equity markets and other hedge funds is dependent on our ability to employ models that are simultaneously profitable and differentiated from those employed by other managers. To the extent that we are not able to develop sufficiently differentiated models, our clients' investment objectives may not be met, irrespective of whether the models are profitable in an absolute sense.

In addition, to the extent that our models come to resemble those employed by other managers, the risk that a market disruption that negatively affects predictive models will adversely affect our clients' accounts is increased, as such a disruption could accelerate reductions in liquidity or rapid repricing due to simultaneous trading across a number of funds in the marketplace.

***Risk of Programming and Modeling Errors.*** The research and modeling process we engage in is extremely complex and involves financial, economic, econometric and statistical theories, research and modeling; the results of that process must then be translated into computer code. Although we seek to hire individuals skilled in each of these functions and endeavor to provide appropriate levels of oversight, the complexity of the individual tasks, the difficulty of integrating such tasks, and the limited ability to perform "real world" testing of the end product raises the chances that the finished model may contain an error; one or more of these errors could adversely affect the performance of our client's accounts and likely would not constitute a trade error under our policies or an applicable investment management agreement.

***Involuntary Disclosure Risk.*** As described above, our ability to achieve our clients' investment goals is dependent in large part on our ability to develop and protect our models and proprietary research. We protect our intellectual property through policies, procedures, agreements, and similar measures designed to create and enforce robust confidentiality, non-disclosure, and similar safeguards. However, aggressive position-level public disclosure obligations (or disclosure obligations to exchanges or regulators with insufficient privacy safeguards) could lead to opportunities for competitors to reverse-engineer our models, and thereby impair our clients' relative or absolute performance.

***Proprietary Trading Methods.*** Because the trading methods we employ on behalf of our clients are proprietary to us, a client will not be able to determine any details of such methods or whether they are being followed.

***No Fixed Diversification Policies.*** Although diversification is considered by the firm as part of our overall portfolio risk management process, our clients may not be fully diversified at all times. In addition, we are not restricted as to the percentage of our clients' assets that may be invested in any particular issuer, industry, instrument, market or strategy. We generally do not maintain any fixed limits, guidelines or requirements for diversifying a client account among strategies, issuers, industries, instruments, markets or sectors. In attempting to maximize returns, we may concentrate the holdings of a client account in those issuers, industries, instruments, markets or sectors that, in our sole judgment, provide the best profit opportunities consistent with the client's investment objective. Such concentration of risk could ultimately result in more significant losses to the client than would be the case if its capital had been spread over a wide number of positions. It is also possible that a client account could become significantly concentrated in one strategy, and the investments in such strategy may be more illiquid than the investments in other available strategies.

***Financing Arrangements; Availability of Credit.*** The use of leverage is integral to many of our strategies, and performance depends on the availability of credit in order to finance a client portfolio. We have the power to borrow funds on behalf of our clients' accounts and may do so when we deem appropriate, including, without limitation, to enhance client returns and meet client redemptions that would otherwise result in the premature liquidation of investments. We may cause our clients to borrow funds from brokers, banks and other lenders to finance their trading operations. Such leverage, which may be substantial, may also be achieved through, among other methods, purchases of securities on margin and the use of options, futures, forward contracts, repurchase and reverse repurchase agreements and swaps. There are no limitations on our ability to borrow for the account of or to leverage our clients' accounts. The use of leverage can, in certain circumstances, increase the losses to which our clients may be subject.

Furthermore, counterparties that provide financing to our clients' accounts can often apply essentially discretionary margin, haircut, financing and collateral valuation policies. Changes by banks and counterparties in any of the foregoing, or the imposition of other credit limitations or restrictions, may result in large margin calls, loss of financing, forced liquidation of positions at disadvantageous prices, termination of swap and repurchase agreements and cross-defaults to agreements with other dealers. Any such adverse effects may be exacerbated in the event that such limitations or restrictions are imposed suddenly and/or by multiple market participants at or about the same time. There can be no assurance that we, for our clients' accounts, will be able to secure or maintain adequate financing.

The purchase of options, futures, forward contracts, repurchase agreements, reverse repurchase agreements and equity swaps generally involves little or no margin deposit and, therefore, provides substantial leverage. Accordingly, relatively small price movements in these financial instruments may result in immediate and substantial losses to our clients.

***Dependence upon Key Individuals.*** Investors have no authority to make decisions or to exercise investment or business discretion on behalf of any collective investment vehicle clients. The authority for all such decisions is delegated to us. We, in turn, are dependent on the services of certain of our key personnel, and the loss of the services of one or more of these professionals could impair our ability to provide services to our clients, and be material and adverse to our clients (particularly to our collective investment vehicle clients).

In some cases, if certain of our principals cease to be involved in the ongoing operation of the firm for any reason, our clients may be exposed to the risk of termination of critical agreements containing "key man" clauses.

***Client Expenses.*** Our clients' accounts will incur substantial costs in addition to incentive and management fees. These expenses may be higher than those incurred by other businesses or by other hedge fund managers. In addition, certain of the strategies we employ require frequent trading, increased portfolio turnover, brokerage commissions and other transaction fees and expenses.

***Systems Risks.*** Our clients depend on us to develop and implement appropriate systems for our trading and investing activities. We rely extensively on computer programs and systems (and may rely on new systems and technology in the future) for various purposes including, without limitation, to trade, clear and settle transactions, to evaluate certain financial instruments, to monitor portfolio positions and net capital, and to generate risk management and other reports that are critical to oversight of trading activities. Certain operations will be dependent upon systems operated by third parties and we may not be in a position to verify the risks or reliability of such third-party systems. These programs or systems may be subject to certain limitations, including, but not limited to, those caused by incorrect code, computer "worms," viruses and power failures. The failure of one or more systems or the inability of such systems to satisfy our and our client's needs could have a material adverse effect on our clients' accounts.

***Turnover.*** In view of the fact that our trading programs requires the taking of frequent trading positions, as well as the use of leverage, short-term market considerations will frequently be involved. It is anticipated that the turnover rate of our clients' portfolios may be higher than the turnover rates of other types of investment vehicles, potentially involving substantial transaction costs, brokerage commissions and fees.

***Correlation Risk.*** Many of the risks to which our clients might be exposed as a result of our management of their accounts, including but not limited to those discussed in this brochure, may be correlated. For example, in the recent crisis in the global markets, the poor performance of hedge funds and other investment vehicles led to increased difficulties in obtaining and maintaining financing, increased illiquidity, and increased valuation uncertainty, among other risks. To the extent various risks are correlated, losses could be accelerated or exacerbated.

***Risks of Counterparty Defaults and Other Adverse Events or Actions.*** The financial institutions and counterparties, including, without limitation, banks and brokerage firms, with which we cause our clients' accounts to trade or invest, may encounter financial difficulties and default on their obligations to our clients. Any such default could result in material losses to our clients. Such losses could result not only from an inability to recover assets on deposit with such counterparties, but also from a delay in establishing trading accounts with other counterparties, despite having ongoing exposure to open positions. Capital deposited at certain non-U.S. broker-dealers may not be subject to client money protection rules, and our clients would then face the possibility of being an unsecured creditor in the event of a broker-dealer insolvency.

In addition to the risk of a counterparty default, there is also the risk that the counterparties we select for our clients may be required to restrict the amount of credit granted to our clients due to their own financial difficulties, which could result in a forced liquidation of substantial portions of a client account.

### **C. Risks Associated With Particular Types of Securities.**

We trade a wide variety of instruments for our clients' accounts and, in general, do not enter into management agreements that materially restrict the universe of securities and other trading instruments that we may employ. At present, instruments heavily employed by us include exchange-traded futures and derivatives (including variance swaps, interest rate swaps, and currency forwards), each of which have certain inherent risks.

***Futures.*** The low margin deposits normally required in futures contract trading (typically between 2% and 20% of the value of the contract purchased or sold) permit an extremely high degree of leverage. Like other leveraged investments, investments in any futures trade may result in losses in excess of the amount invested. Futures and related options may be illiquid because they can generally only be traded while the exchange in question is open and certain 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." Under such daily limits, during a single trading day no trades may be executed at prices beyond the daily limits. Once the price of a contract for a particular future has increased or decreased by an amount equal to the daily limit, positions in the future can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. Thus, once the market has moved to the "daily limit," it becomes extremely expensive, as well as difficult if not impossible, to close out positions against which the market is moving. This could prevent our clients from liquidating unfavorable positions promptly and subject them to substantial losses. The governing bodies of the various futures exchanges also may intervene so as to limit trading or require the liquidation of certain positions, resulting in major losses for affected market participants. Futures trading, unlike forward trading (as discussed below), is typically highly regulated, and such regulation could adversely affect our clients in certain circumstances.

***Derivatives.*** Our clients' accounts use derivative financial instruments, including, without limitation, warrants, options, swaps, notional principal contracts, contracts for difference, forward contracts, futures contracts and options thereon, and uses derivative techniques for hedging and for other trading purposes. The use of derivative instruments involves a variety of material risks, including, without limitation, the extremely high degree of leverage often embedded in such instruments and the possibility of counterparty non-performance, as well

as of material and prolonged deviations between the theoretical and realizable value of a derivative (*i.e.*, due to nonconformance to anticipated or historical correlation patterns). These anticipated risks (and other risks that may not be anticipated) may make it difficult, as well as costly to our clients, to close out positions in order either to realize gains or to limit losses.

Many of the derivatives traded by us for our clients' accounts are likely to be principal-to-principal or "over-the-counter" contracts between the client and third parties entered into privately, rather than on an exchange. If so, our clients will not be afforded the regulatory and financial protections of an exchange or its clearinghouse (or of the government regulator that oversees such exchange and clearinghouse). In privately negotiated transactions, the risk of the negotiated price deviating materially from fair value is substantial, particularly when there is no active market available from which to derive benchmark prices. 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 be willing to pay for such derivative should a counterparty wish or be forced to sell such position may be materially different. Such differences can result in an overstatement of the value of a client's account and may materially adversely affect our clients in situations in which they are required to sell derivative instruments.

Our use of derivatives and other techniques (such as short sales) for hedging purposes in our clients' accounts involves certain additional risks, including, without limitation: (i) imperfect correlation between movements in the asset on which the derivative is based and movements in the asset being hedged; and (ii) possible impediments to effective portfolio management or the ability to meet short-term obligations because of the percentage of a client account's assets segregated to secure its obligations under derivatives contracts.

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

***Counterparty Risks in the OTC Market.*** As referenced above, many of the markets in which we may effect transactions for our clients' accounts are not "exchange-based," including, without limitation, "over-the-counter" and "interdealer" markets. The participants in such markets are typically not subject to the credit evaluation and regulatory oversight to which members of "exchange-based" markets are subject. The lack of evaluation and oversight of over-the-counter markets that are available in exchange traded transactions (including,



without limitation, clearing organization guarantees, daily marking-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries) exposes our clients to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not *bona fide*) or because of a credit or liquidity problem, thus causing our client to suffer a loss. Further, dealers have no obligation to make markets in non-exchange traded investment assets and our clients' accounts may hold non-exchange traded assets for which there is no market. If there is a default by the counterparty to such a non-exchange traded transaction, our clients will, under most normal circumstances, have contractual remedies pursuant to the agreements related to the transaction. However, exercising such contractual rights may involve delays, costs, or losses.

**ITEM 9**  
**DISCIPLINARY INFORMATION**

We have no disclosures to make under Item 9.

**ITEM 10**  
**OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

**A. Broker-Dealer Registration Status.**

We have no disclosures to make under Item 10.A.

**B. Futures Commission Merchant, Commodity Pool Operator, or Commodity Trading Adviser Registration Status.**

We have no disclosures to make under Item 10.B.

**C. Material Relationships or Arrangements with Industry Participants.**

We have no disclosures to make under Item 10.C.

**D. Material Conflicts of Interest Relating to Other Investment Advisers.**

We have no disclosures to make under Item 10.D.

**ITEM 11**  
**CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS**  
**AND PERSONAL TRADING**

**A. Code of Ethics.**

Our Code of Ethics provides specific policies and guidance on ethical and fiduciary matters for our personnel, some of which are summarized or highlighted below:

- *Gifts.* Firm personnel may not give or offer or receive any gift of more than *de minimis* value (currently \$100 over a calendar year) to existing investors, prospective investors, or any entity that does or seeks to do business with or on behalf of the firm without the prior written approval of our Compliance Officer.
- *Entertainment.* We prohibit firm personnel from providing or receiving extravagant or inappropriate entertainment. In addition, we (or our personnel) are required to pay for or reimburse an allocable share of any business-related entertainment (*e.g.*, tickets for sporting events and business dinners) provided to firm personnel, subject to a number of exceptions (including a *de minimis* exception and situation-specific waivers by the Compliance Officer).
- *Personal Trading.* We require disclosure of all accounts that hold “covered securities,” quarterly transaction reports, business and compliance pre-approvals to trade any covered securities (other than ETFs, municipal or other state and local bonds, and dividend reinvestment programs). We also impose a minimum holding period for any transactions.
- *Insider Trading.* We prohibit trading on material, insider information and conduct training specifically on this topic.
- *Conflicts Disclosure.* We require disclosure of conflicts by firm personnel for themselves and for their spouses and dependents.

All firm personnel must acknowledge the terms of our Code of Ethics annually. In addition, all firm personnel receive training on the Code.

We will provide a copy of our Code of Ethics to any client or prospective client upon request.

**B. Securities That You or a Related Person Has a Material Financial Interest.**

We have no disclosures to make under Item 11.B.

**C. Investing in Securities That You or a Related Person Recommends to Clients.**

Other than a prohibition on trading securities on our restricted list, we do not have a blanket prohibition on what instruments may be traded. Much of our current activity involves OTC derivatives (*e.g.*, swaps) and futures, neither of which are generally traded by individuals. However, we do recognize (1) that we do at times trade individual securities, (2) that individuals may trade futures and (3) that certain high-net worth individuals can at times enter into swaps. Therefore, we require pre-clearance of all transactions in covered securities (with certain exceptions, such as registered mutual funds and municipal securities). We also mandate a minimum 30-day holding period for any transactions in covered securities.

**D. Conflicts of Interest Created by Contemporaneous Trading.**

In general, we expect that our pre-approval process will operate to reduce the risk of contemporaneous trading. In addition, we have a centralized trading desk that handles trading for client accounts, so the ability of non-trading desk personnel to effect a contemporaneous trade is reduced. We also review personal trading records and would expect to identify situations where personal account trading resembles or mirrors client trading. Also, as described in C., above, we require pre-clearance of all transactions in covered securities (with certain exceptions) and mandate a minimum 30-day holding period for transactions in covered securities.

## ITEM 12 BROKERAGE PRACTICES

### A. Factors Considered in Selecting or Recommending Broker-Dealers for Client Transactions.

#### 1. *Research and Other Soft Dollar Benefits.*

We do not utilize so-called "soft dollars" (*i.e.*, commission dollars and transaction fees generated through agency and certain riskless principal transactions) to pay for our research-related expenses. However, (1) we do intend to cause or allow our clients to take advantage of certain services offered directly to them by brokers and dealers (*e.g.*, exchange connectivity and certain execution applications), which we will review under an overall "best execution" analysis and (2) we do receive periodic client updates, "market color" reports, seminar invitations, and similar services from service providers (including prime brokers, counterparties, law firms, and auditors) by virtue of being a client or prospective client of such providers (and/or by virtue of being an advisor to a client or prospective client of such providers).

#### 2. *Brokerage for Client Referrals*

We do not direct brokerage activity to specific broker-dealers in exchange for client referrals. We do, however, utilize certain capital introduction services offered by a number of our prime brokers, pursuant to which we receive introductions to qualified prospective investors in our pooled investment vehicle clients. We will review the performance and costs of the brokerage services provided by these prime brokers as part of a broader "best execution" analysis.

#### 3. *Directed Brokerage.*

Currently, we do not permit our clients, or the investors in pooled investment vehicle clients, to recommend, request or require us to execute transactions through a specified broker-dealer.

### B. Order Aggregation.

We will aggregate orders only when aggregation is consistent with our duty to obtain best execution and the terms of the investment guidelines and restrictions of each client for which trades are being aggregated. However, given our small number of clients (all of which are currently pooled investment vehicles) and our trading strategy, we expect that order aggregation will be consistent with these requirements in most or all cases.

**ITEM 13**  
**REVIEW OF ACCOUNTS**

**A. Frequency and Nature of Review of Client Accounts or Financial Plans.**

Our senior personnel, including our Chief Investment Officer and our individual portfolio managers and researchers, conduct periodic reviews of our clients' portfolios. A review of a client portfolio may be triggered by any activity or unusual circumstances. We provide investors with monthly, unaudited reports containing performance information and certain risk metrics and with annual audited financial statements within 120 days of the applicable collective investment vehicle client's fiscal year end.

**B. Factors Prompting Review of Client Accounts Other than a Periodic Review.**

Item 13.B. is not applicable as we do not provide these services to clients.

**C. Content and Frequency of Account Reports to Clients.**

We do not have any set schedule for account reporting to our clients that are commingled investment funds, other than arranging for audited financial statements to be provided on an annual basis. We do arrange for written monthly statements to be provided to investors in our clients that are commingled investment funds by the administrator of those funds.

To the extent we have clients that are not commingled investment funds, the reporting obligations would be specified in the relevant investment management agreement.

**ITEM 14**  
**CLIENT REFERRALS AND OTHER COMPENSATION**

**A. Economic Benefits for Providing Services to Clients.**

We have no disclosures to make under Item 14.A.

**B. Compensation to Non-Supervised Persons for Client Referrals.**

We have no disclosures to make under Item 14.B. However, clients and prospective clients are advised to review Item 12.A.2. (“Brokerage for Client Referrals”).



**ITEM 15**  
**CUSTODY**

Account statements related to our pooled investment vehicle clients are sent by qualified custodians to us (including statements provided to us electronically).

## **ITEM 16**

### **INVESTMENT DISCRETION**

We accept discretionary authority to manage securities accounts on behalf of our clients. In general we are granted this power through investment management agreements that grant us very broad authority to buy and sell securities for client accounts, including the ability to sell short and to enter into derivative and other transactions for our clients' accounts. In some cases we obtain additional resolutions, powers of attorney, or other authorizations from a client (including from the board of directors or general partner of a client) specifically granting us these powers.

We also generally have the ability to leverage and otherwise encumber the assets in such accounts, to transfer assets between a client's accounts, and to withdraw cash or securities from client accounts for a number of purposes, including to satisfy obligations to us or third parties in respect of management fees, incentive fees or allocations, for payments of expenses, or for expense reimbursement.

## ITEM 17 VOTING CLIENT SECURITIES

### A. **Policies and Procedures Relating to Voting Client Securities.**

Under our existing investment management agreements, we have been delegated all responsibilities with respect to proxy voting for our pooled investment vehicle clients; investors in these clients do not have any right to direct proxy voting. To the extent that we manage specific separate accounts, the allocation of responsibilities for the proxy voting function would be subject to the relevant investment management agreement (and therefore some or all of the disclosures in the remainder of this Item 17 could be inapplicable to those clients).

While our investment strategies do not generally take positions or views on corporate governance matters, we have nevertheless designed and adopted a proxy voting policy to assist us in fulfilling any duties or obligations that we may have with respect to voting proxies.

*Engagement of Institutional Shareholder Services, Inc.* In order to facilitate the proxy voting process, we have arranged for Institutional Shareholder Services, Inc., an independent proxy voting service, to provide our pooled investment vehicle clients with proxy analysis and voting recommendations, vote execution, and periodic reports indicating how individual votes have been cast; accordingly, we have adopted ISS' voting guidelines. However, we may, from time to time, determine that it is in the best interests of our clients to depart from ISS' voting recommendations, in which case we can override their voting guidelines and provide specific voting instructions.

*Conflicts.* We believe that it is unlikely that we will be faced with any direct or indirect conflicts of interest with respect to the voting of any particular proxy, in part because we have engaged ISS to handle all proxy votes and adopted their voting guidelines.

*Information.* Clients may obtain information from us on how we voted their proxies upon request and may obtain a copy of our proxy voting policy and procedures upon request. In addition, summaries of ISS' voting guidelines are available at the following website: <http://www.issgovernance.com/policy>.

### B. **No Authority to Vote Client Securities and Client Receipt of Proxies.**

Item 17.B. currently does not apply to us.

**ITEM 18**  
**FINANCIAL INFORMATION**

**A. Balance Sheet.**

Item 18.A. is inapplicable as we do not require or solicit prepayment of fees six months or more in advance.

**B. Financial Conditions Likely to Impair Ability to Meet Contractual Commitments to Clients.**

We have no disclosures to make under Item 18.B.

**C. Bankruptcy Filings.**

We have no disclosures to make under Item 18.C.

**ITEM 19**  
**REQUIREMENTS FOR STATE-REGISTERED ADVISERS**

We are not registered with any state securities authorities.