

**Item 1.       Cover Page**

**Brochure of**  
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This brochure provides information about the qualifications and business practices of Valiant Capital Management, L.P. (“VCM”). If you have any questions about the contents of this brochure, please contact us at (415) 659-7201. 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 VCM also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Item 2.       Material Changes**

Not applicable.

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

VCM is a Delaware limited partnership that has been in business since 2008. VCM's President, controlling owner and portfolio manager is Christopher R. Hansen.

Although VCM may manage additional client accounts in the future, currently it serves as the investment adviser to two investment funds that have substantially the same investment strategy: Valiant Capital Partners, L.P., a Delaware limited partnership (the "U.S. Fund"), and Valiant Capital Master Fund, L.P., a Cayman Islands exempted limited partnership (the "Master Fund"). VCM also manages Valiant Employee Investment Fund, LLC, a fund created for employee investments that VCM determines are not appropriate for the U.S. Fund and the Master Fund.

The U.S. Fund is available only to "qualified purchasers" so that it can be excluded from the definition of an "investment company" (a so-called mutual fund) under section 3(c)(7) of the Investment Company Act of 1940, as amended (the "ICA"). The U.S. Fund may admit more than 100 investors under that exclusion.

The Master Fund is a "master fund" whose primary, unaffiliated limited partner is Valiant Capital Partners Offshore, Ltd., a Cayman Islands exempted company (the "Offshore Feeder"). The Offshore Feeder is available for investment by non-U.S. investors and U.S. tax-exempt investors that are "qualified purchasers" so that it also can be excluded from the definition of an "investment company" under section 3(c)(7) of the ICA.

For convenience, references in this Part 2A to a "Fund" or the "Funds" mean the U.S. Fund and either or both of the Offshore Feeder and the Master Fund, as the case may be.

Although the Funds have substantially the same investment strategy, their performance is expected to differ over time due principally to tax related differences in trading, the different timing of subscriptions to and redemptions or withdrawals from each Fund, and various legal or regulatory restrictions that may apply to one or more of the Funds.

As of December 31, 2014, VCM had total discretionary assets under management of approximately \$2,442,167,706. This number differs from VCM's "regulatory assets under management" shown on Part 1A of the Form ADV because it reflects the net value of the assets under management. "Regulatory assets under management" is a gross assets measurement approach adopted by the SEC that does not allow deduction for liabilities associated with borrowing securities to effect a short sale. VCM did not adopt this convention for purposes of this Item 4 because it believes that its approach better reflects the amount of assets that it actually manages. VCM only manages assets on a discretionary basis.

VCM invests on behalf of the Funds in securities consisting principally, but not solely, of equity and equity-related securities that are traded publicly and privately in U.S. and non U.S. markets, but is authorized to enter into any type of investment transaction that it deems appropriate under the terms of the Funds' constituent documents.

Fund investors have no opportunity to select or evaluate any Fund investments or strategies. VCM selects all Fund investments and strategies.

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

Fees and Allocations. VCM's clients (the Funds) and each U.S. Fund investor and Offshore Feeder U.S. investor are qualified purchasers as defined in section 2(a)(51)(A) of the Investment Company Act of 1940, as amended. Therefore, information on how VCM is compensated for its advisory services and its fee schedule are not included here. VCM's compensation is negotiable and varies, but is set forth generally in each Fund's confidential offering circular or private offering memorandum.

VCM deducts management fees, management allocations and performance allocations directly from the U.S. Fund and the Master Fund. Offshore Feeder investors pay fees and allocations indirectly, through the Offshore Feeder's investment in the Master Fund

If a Fund terminates or an investor withdraws or redeems, the investor bears expenses, the pro rata portion of the management fee, management allocations and performance allocations through the date of termination or withdrawal/redemption, except that if an investor withdraws or redeems from a Fund on a date other than the last day of a quarter, the Funds do not refund to that investor any management fee that it previously paid.

VCM may provide certain investors special fee and allocation arrangements that it does not provide to other investors. In particular, some investors may have the opportunity to invest in certain illiquid or "side pocket" investments with a lower fee structure than that of a typical investment in the Funds. VCM may waive all or any portion of the management fees, management allocations or performance allocations with respect to any investor.

VCM complies with Rule 205-3 under the Investment Advisers Act of 1940, if required. Performance allocations may create an incentive for VCM to make more risky and speculative investments than it would otherwise make.

VCM believes that its fees are competitive with fees charged by other investment advisers for comparable services. Comparable services may be available, however, from other sources for lower fees.

Expenses. Each Fund is responsible for its own costs and expenses, including trading costs and expenses (such as brokerage commissions, expenses related to short sales, and clearing and settlement charges), ongoing legal, accounting and bookkeeping fees and expenses, and the fees and expenses charged by the Fund's administrator for its accounting, bookkeeping and other services. VCM bears its own operating, general, administrative and overhead costs and expenses, other than the expenses described above. Securities brokerage firms and futures commission merchants that execute Fund securities and commodities trades, however, may pay all or part of these costs and expenses, as discussed in Item 12 below.

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

VCM currently manages only the Funds, which pay performance-based compensation, and Valiant Employee Investment Fund, LLC, which, as a VCM employee-focused fund, pays no management fees or performance-based compensation. VCM does not manage client accounts that do not pay performance-based compensation.

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

VCM provides investment advice to the Funds, which are investment funds. Investors in the Funds generally are required to invest a minimum of \$10,000,000, but VCM (or, in the case of the Offshore Feeder, the directors) may waive this minimum.

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

### Investment Strategy

*Investment Objective.* The Funds invest in and trade securities consisting principally, but not solely, of equity and equity-related securities that are traded publicly and privately in U.S. and non-U.S. markets. VCM invests a portion of the Funds' assets in illiquid securities, which generally are restricted securities of public and private companies. The Funds also invest in preferred stocks, convertible securities, warrants, rights, options (including covered and uncovered puts and calls and over-the-counter options), swaps and other derivative instruments, bonds and other fixed income securities, non-U.S. currencies, futures, options on futures, other commodity interests and money market instruments. The Funds also engage in short-selling, margin trading, hedging and other investment strategies.

The Funds' investment objective is to generate superior risk-adjusted returns by employing a flexible mandate that allows VCM to search the world for the best investment opportunities. While VCM plans to dedicate the majority of its efforts to publicly traded equities, the Funds may invest across the capital structure as compelling opportunities present themselves – both long and short. This investment strategy is likely to result in a fairly high degree of volatility and risk.

*Investment Philosophy and Strategy.* VCM's investment philosophy can be briefly summarized as follows:

- Invest in great businesses run by great managers.
- Research extensively, focusing on gaining variant perception.
- Pay reasonable valuations and invest for the long term.
- Be patient and opportunistic; focus on best ideas.
- Invest and think globally.
- Invest across the capital structure.
- Focus on preserving capital (although VCM does not anticipate running the Funds in a "market neutral" manner).

VCM does not plan to use excess leverage and often will maintain cash to be opportunistic.

The investment strategy summarized above represents VCM's current intentions, is general in nature and is not exhaustive. There are no limits on the types of securities or commodities in which VCM may take positions on behalf of the Funds, the types of positions that it may take, the concentration of its investments or the amount of leverage that it may use. VCM may use any trading or investment techniques, whether or not contemplated by the expected investment strategy described above. In addition, there are limitations in describing any investment strategy due to its complexity, confidentiality and indefinite nature. Depending on conditions and trends in securities and commodities markets and the economy generally, VCM may pursue any objectives or use any techniques that it considers appropriate and in Funds' interests.

### Risk Factors

Investing in securities and commodities involves risk of loss that investors should be prepared to bear. Below are brief summaries of some of the risks that investors should consider before investing in a Fund. Any or all of such risks could materially and adversely affect investment performance, the value of a Fund or any security or commodity held by a Fund, and could cause investors to lose substantial amounts of money. Potential Fund investors should review the Fund's offering circular or private offering memorandum carefully and in its entirety, and consult with their professional advisers before deciding whether to invest. A potential investor should discuss with VCM's representatives any questions that such person may have before investing in a Fund.

#### *Risks Associated with the Funds' Investment Strategies*

- The Funds may not achieve their investment objectives. A strategy may not be successful and investors may lose some or all of their investments.
- Investor sentiment on the market, an industry or an individual stock, fixed income or other security is unpredictable and can adversely affect a Fund's investments.
- A Fund may hold stocks that disappoint earnings expectations and decline, and may short stocks that beat earnings expectations and rise.
- VCM may not be able to obtain complete or accurate information about an investment and may misinterpret the information that it does receive. VCM also may receive material, non-public information about an issuer that prevents it from trading securities of that issuer for a Fund when the Fund could make a profit or avoid losses.
- VCM may take positions in securities of small, unseasoned companies that are less actively traded and more volatile than those of larger companies.
- VCM may engage in hedging, which may reduce profits, increase expenses and cause losses. Price movement in a hedging instrument and the security hedged do not always correlate, resulting in losses on both the hedged security and the hedging instrument. VCM is not obligated to hedge a Fund's portfolio positions, and it frequently may not do so.

- The Funds may have higher portfolio turnover and transaction costs than a similar account managed by another investment adviser. These costs reduce investments and potential profit or increase loss.
- VCM sells securities short, resulting in a theoretically unlimited risk of loss if the prices of the securities sold short increase.
- Management and stockholders of an issuer may sue short sellers to deter short sales of the issuer's securities. VCM could be subject to such actions, even if they are baseless, and a Fund could incur substantial costs defending them.
- To make a short sale, a Fund must borrow the securities being sold short. It may be impossible to borrow securities at the most desirable time to make a short sale, particularly in illiquid securities markets.
- Special rules, which differ from jurisdiction to jurisdiction, apply to short sales. For example, temporary or permanent governmental orders may from time to time prevent the Funds from executing short sales of these securities at the most desirable time.
- If the prices of securities sold short increase, a Fund may need to provide additional funds or collateral to maintain the short positions. This could require the Fund to liquidate other investments to provide additional collateral. Such liquidations might not be at favorable prices.
- VCM may use leverage by borrowing on margin, selling securities short and trading futures, other commodity interests and derivatives, which increases volatility and risk of loss. These instruments can be difficult to value. An incorrect valuation could result in losses.
- VCM may sell covered and uncovered options on securities. The sale of uncovered options could result in unlimited losses.
- The Funds may invest in fixed income securities that are subject to interest rate risk, inflation rate risk, limited liquidity risk and other risks.
- VCM may cause a Fund to enter into repurchase agreements or reverse repurchase agreements. These instruments can have effects similar to margin trading and leveraging strategies.
- VCM may cause Funds to invest in securities of non-U.S., private and government issuers. The risks of these investments include political risks; economic conditions of the country in which the issuer is located; limitations on foreign investment in any such country; currency exchange risks; withholding taxes; limited information about the issuer; limited liquidity; and limited regulatory oversight.
- Changes in economic conditions can adversely affect investment performance. At times, economic conditions in the U.S. and elsewhere have deteriorated significantly, resulting

in volatile securities markets and large investment losses. Government actions responding to these conditions could lead to inflation and other negative consequences to investors.

- VCM may acquire for a Fund a large position in an issuer's securities but the Fund nevertheless is unlikely to have any control over the issuer's management. In addition, if VCM holds a large position in an issuer's securities, VCM's subsequent sale of all or any part of that position could depress the market for those securities.
- Some of the Funds' positions may be or become illiquid, in which case VCM may not be able to sell those positions.
- A Fund may invest in restricted securities that are subject to long holding periods or that are not traded in public markets. These securities are difficult or impossible to sell at prices comparable to the market prices of similar publicly-traded securities and may never become publicly traded.
- Many private companies in which the Funds invest may be operating at a loss or with substantial variations in operating results from period to period. Any such private company may fail.
- The Funds' investments in illiquid securities and securities of companies with small or mid-sized market capitalizations may involve significant business and financial risk and can result in substantial or complete loss. Even if the securities of such companies are sold publicly, the public trading markets for those securities may be extremely volatile from day to day or from period to period.
- After a Fund makes an initial investment in a private company, that company may require additional funding, or the Fund may have the opportunity to increase its investment in a successful company (if any are successful). The Fund may not make follow-up investments. If so, the company or the Fund's investment in that company may be adversely affected.
- Because of competition for desirable investment opportunities, a Fund might not be able to participate in attractive investments that would otherwise be available to it.
- It is unlikely that distributions of profits, if any, will be generated from the operations of non-public companies
- A Fund's investments may not be diversified. Therefore, a loss in any one position, industry or sector in which a Fund has invested may cause significant losses.
- A Fund may invest in other investment entities, which may cause investors to pay two levels of advisory fees and allocations.



### *Fund Structure Risk*

- VCM determines the value of securities and commodities held in Fund accounts, whether or not a public market exists for such instruments. If VCM's valuation is inaccurate, it might receive more compensation than that to which it is entitled, a new Fund investor might receive an interest that is worth less than the investor paid and an investor that is withdrawing or redeeming from a Fund might receive more than the amount to which the investor is entitled, to the detriment of other investors.
- The Funds generally allocate illiquid security investments only among investors in the Funds at the time of such investments. In addition, a Fund may offer an illiquid security investment opportunity only to certain investors. As a result, investors may have highly disproportionate returns during any time period.
- The Funds and not VCM are responsible for any trade errors that VCM makes in Fund accounts, even when the error hurts the Funds.
- VCM and its affiliates and agents generally are not responsible to any Fund investor for losses incurred in the Fund unless the conduct resulting in such loss breached VCM's fiduciary duty to the investor.
- There is not and will not be an active market for Fund interests. It may be impossible to transfer any such interests, even in an emergency.
- A Fund may not be able to generate cash necessary to satisfy investor withdrawals and redemptions. Substantial withdrawals and redemptions in a short period could force VCM to liquidate investments too rapidly, and may so reduce the size of a Fund that it cannot generate returns or reduce losses.
- A Fund may limit or suspend withdrawals or redemptions of an investor's assets from the Fund.
- A Fund may establish a reserve for contingencies if VCM considers it appropriate. Investors may not withdraw or redeem assets covered by that reserve until it is lifted.
- If the assets that VCM and its affiliates manage grow too large, it may adversely affect performance, because it is more difficult for VCM to find attractive investments as the amount of assets that it must invest increases.
- No Fund investor has been represented by separate counsel. The attorneys who represent VCM or its President do not represent Fund investors. Fund investors must hire their own counsel for legal advice and representation.
- A Fund may dissolve or expel any investor at any time, even if such actions adversely affect one or more investors.

- VCM, an administrator or any government agency may freeze assets that any of them believes an investor holds in violation of anti-money laundering laws or rules or on behalf of a suspected terrorist, and may transfer such assets to a government agency. None of VCM, a Fund or an administrator will be liable for losses related to actions taken in an effort to comply with anti-money laundering regulations.
- The Funds do not intend to make distributions, but intend instead to reinvest substantially all income and gain. Therefore, an investor may have taxable income from a Fund without a cash distribution to pay the related taxes.
- Counterparties such as brokers, dealers, futures commission merchants, custodians and administrators with which VCM does business on behalf of the Funds may default on their obligations. For example, a Fund may lose its assets on deposit with a broker if the broker, its clearing broker or an exchange clearing house becomes bankrupt.
- If a Fund becomes insolvent, investors may be required to return with interest any distributions and forfeit any undistributed profits.
- VCM and its affiliates may spend time on activities that compete with a Fund or distract them from managing a Fund without accountability to Fund investors, including investing for other clients and their own accounts. If VCM receives better compensation and other benefits from these activities compared to managing a Fund, it has incentive to allocate more time to those other activities. These factors could influence VCM not to make investments on a Fund's behalf even if such investments would benefit the Fund, or otherwise reduce the time VCM or its affiliates spend managing the Funds.
- VCM may provide certain investors more frequent or detailed reports, special compensation arrangements and withdrawal or redemption rights that it does not provide to other investors or clients. Some investors may be given the opportunity to invest in certain illiquid security investments at a lower fee structure.

### *General Risks*

- Federal, state and international governments may increase regulation of investment advisers, private investment funds and derivative securities, which may increase the time and resources that VCM must devote to regulatory compliance, to the detriment of investment activities.
- VCM is not registered with the SEC as a broker-dealer or with the Commodity Futures Trading Commission as a commodity pool operator. The equity interests in the Funds are not registered under the Securities Act of 1933, and the Funds are not registered investment companies under the Investment Company Act of 1940. VCM believes that none of these registrations is required because exemptions are available under applicable law. If a regulatory authority deems that any of these registrations is required, VCM and the Funds could be subject to expensive and distracting legal action and potential termination. In addition, Fund investors do not have certain regulatory protection that they would have if these registrations were in place.

- VCM's activities could cause adverse tax consequences to investors, including liability for interest and penalties.
- VCM's activities may cause a Fund that is subject to the Employee Retirement Income Security Act of 1974 to engage in a prohibited transaction under that Act.

The above is only a brief summary of some of the risks that a Fund investor may encounter. Before deciding to invest in a Fund, prospective investors should consider carefully all of the risk factors and other information in the Fund's offering circular or private offering memorandum.

**Item 9. Disciplinary Information**

Not applicable.

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

Not applicable.

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

VCM has adopted a Code of Ethics in compliance with Rule 204A-1 under the Investment Advisers Act of 1940, that establishes standards of conduct for VCM's supervised persons. The Code of Ethics includes general requirements that VCM's supervised persons comply with their fiduciary obligations to clients and applicable securities laws, and specific requirements relating to, among other things, personal trading, insider trading, conflicts of interest and confidentiality of client information. It requires supervised persons to comply with the personal trading restrictions described below and periodically to report their personal securities transactions and holdings to VCM's Chief Compliance Officer, and requires the Chief Compliance Officer to review those reports. It also requires supervised persons to report any violations of the Code of Ethics promptly to the Chief Compliance Officer. Each supervised person of VCM receives a copy of the Code of Ethics and any amendments to it and must acknowledge in writing having received those materials. Annually, each supervised person must certify that he or she complied with the Code of Ethics during the preceding year. Current and prospective investors may obtain a copy of VCM's Code of Ethics by contacting Ruby G. Sekhon at (415) 659-7201.

If VCM and its partners, officers and employees personally invest in the same securities that VCM trades for the Funds, there is a conflict of interest in that any of such persons can use his or her knowledge about actual or proposed securities transactions and recommendations for the Funds to profit personally by the market effect of such transactions and recommendations. To address this conflict, VCM and its partners, officers and employees must obtain pre-approval before engaging in most securities transactions and usually will not be permitted to trade for their own accounts except to liquidate previously existing positions or to invest in mutual funds and cash equivalents. In addition, VCM and its partners, officers and employees may buy or sell specific securities through Valiant Employee Investment Fund, LLC, the VCM employee focused fund, or for their own accounts based on personal investment considerations aside from company or industry fundamentals, which VCM does not believe appropriate to buy or sell for the Funds.

Because VCM manages more than one account, there may be conflicts of interest over its time devoted to managing any one account and allocating investment opportunities among all accounts that it manages. For example, VCM selects investments for each client (namely, the Funds) based solely on investment considerations for that client. Different clients may have differing investment strategies and expected levels of trading. VCM may buy or sell a security or commodity for one type of client but not for another, or may buy (or sell) a security or commodity for one type of client while simultaneously selling (or buying) the same security for another type of client. VCM may give advice to, and take action on behalf of, any of its clients that differs from the advice that it gives or the timing or nature of action that it takes on behalf of any other client. VCM is not obligated to acquire for any account any security or commodity that VCM or its partners, officers or employees may acquire for its or their own accounts or for any other client, if in VCM's absolute discretion, it is not practical or desirable to acquire a position in such security or commodity for that account.

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

VCM has complete discretion in selecting the broker or futures commission merchant that it uses for client transactions and the commission rates that the Funds pay such brokers and futures commission merchants. In selecting a broker or futures commission merchant for any transaction or series of transactions, VCM may consider a number of factors, including, for example:

- net price, clearance, settlement and reputation;
- confidentiality;
- financial strength and stability;
- efficiency of execution and error resolution;
- block trading and block positioning capabilities;
- willingness to execute related or unrelated difficult transactions in the future;
- special execution capabilities;
- order of call;
- offering to VCM on-line access to computerized data regarding Fund accounts;
- computer trading systems;
- the availability of stocks to borrow for short trades;
- economic and market information;
- portfolio strategy advice;
- industry and company comments;
- technical data;
- performance measurement data; and
- on-line pricing.

VCM may also purchase from a broker or futures commission merchant or allow a broker or futures commission merchant to pay for the following (each a "soft dollar" relationship):

- research reports, services and conferences, including third-party research fees;
- consultations;
- on-line pricing;

- news wire and data processing charges;
- quotation services;
- custody, recordkeeping and similar services;
- proxy voting services;
- supplies;
- accounting and administrative fees; and
- legal fees.

VCM may receive soft dollar credits based on principal, as well as agency, securities and commodities transactions with brokers and futures commission merchants or direct a broker or futures commission merchant that executes transactions to share some of its commissions with a broker or futures commission merchant that provides soft dollar benefits to VCM.

During VCM's last fiscal year, it acquired only research with Fund brokerage commissions or markups.

Section 28(e) of the Securities Exchange Act of 1934 provides a "safe harbor" to investment advisers who use commission dollars of their advised accounts to obtain investment research and brokerage services that provide lawful and appropriate assistance to the adviser in performing investment decision-making responsibilities. Conduct outside of the safe harbor of section 28(e) is subject to the traditional standards of fiduciary duty under state and federal law. If VCM uses commission dollars to pay for products or services that provide administrative or other nonresearch assistance to itself or its affiliates, such payments may not fall within the section 28(e) safe harbor.

VCM has retained Morgan Stanley & Co. Incorporated ("Morgan Stanley"), Goldman Sachs & Co. ("Goldman Sachs"), Bank of America Merrill Lynch ("BofA"), Credit-Suisse Group AG ("Credit Suisse"), Deutsche Bank Securities, Inc. ("Deutsche Bank") and Fidelity Prime Services ("Fidelity") to serve as the Funds' prime brokers and custodians. VCM may replace any such firm or appoint additional prime brokers and custodians at any time. The services that these firms currently provide as prime brokers may include custody, margin financing, clearing, settlement and stock borrowing in accordance with the terms of the prime brokerage agreement entered into between each Fund and each such firm. Morgan Stanley's address is 1221 Avenue of the Americas, New York, New York 10020. Goldman Sachs' address is One New York Plaza, New York, New York 10004. BofA's address is 2 King Edward Street, London EC1A 1HQ, United Kingdom. Credit Suisse's address is 11 Madison Avenue, New York, NY 10010-3629. Deutsche Bank's address is 60 Wall Street, 4th Floor, New York, New York 10005. Deutsche Bank also maintains custody of Fund assets that are used to invest in Indian securities, which assets are maintained at Deutsche Bank AG, 222, Kodak House, Dr.D.N.Road Fort Mumbai - 400 001, India, and at Deutsche Bank (Mauritius) Limited, Banking, 4th Floor, Barkly Wharf East, Le Caudan Waterfront, P.O. Box 615, Port Louis, Mauritius. Fidelity's address is 82 Devonshire Street, Boston, Massachusetts 02109. Apex Fund Services (Mauritius) Limited, located at 4th Floor, Raffles Tower, 19 Cybercity, Ebene, Mauritius, also holds certificates relating to special purpose vehicles wholly owned by the Funds.

These firms have custody of the Funds' assets and provide VCM with other services. These services may include: technology services (such as internet access, IT support, Bloomberg

connections, wireless networking, email archiving and disaster recovery systems), portfolio reporting and access to electronic communications networks. These firms also may, at their discretion, provide capital introduction services. VCM expects to use a substantial portion of these services for research and trading on behalf of the Funds, but some may be used for administrative purposes, which would not be within the safe harbor of section 28(e). Although many prime brokers provide similar services to investment advisers in exchange for brokerage, custody and clearance fees and other charges, if VCM did not receive these services from these firms, VCM would be required to pay for all or some portion of them. VCM is not required to direct a particular number of trades to any of these firms or to continue to use them as the Funds' custodians, but it has an incentive to do so based on their prior and continued services.

VCM may pay to a broker or futures commission merchant commissions and mark-ups that exceed those that another broker or futures commission merchant might charge for effecting the same transaction because of the value of the brokerage, research, other services and soft dollar relationships that such broker or futures commission merchant provides. VCM determines in good faith that such compensation is reasonable in relation to the value of such brokerage, research, other services and soft dollar relationships, in terms of either the specific transaction or VCM's overall fiduciary duty to Fund investors. The Funds may, however, pay higher commissions and mark-ups than are otherwise available or may pay more commissions or mark-ups based on account trading activity. The research and other benefits resulting from VCM's brokerage relationships benefit VCM's operations as a whole and all accounts that it manages, including those that do not generate the soft dollars that pay for such research and other benefits. VCM does not allocate soft dollar benefits to client accounts proportionately to the soft dollar credits that the accounts generate.

VCM's relationships with brokers and futures commission merchants that provide soft dollar services influence VCM's judgment and create conflicts of interest in allocating brokerage business between firms that provide soft dollar services and firms that do not. VCM has an incentive to select or recommend a broker or futures commission merchant based on VCM's interest in receiving soft dollar services rather than the Funds' interest in receiving the most favorable execution. These conflicts of interest are particularly influential to the extent that VCM uses soft dollars to pay expenses it would otherwise be required to pay itself.

VCM addresses these conflicts of interest by annually evaluating the trade execution services that VCM receives from the brokers and futures commission merchants that it uses to execute trades for the Funds. Such evaluation includes comparing those services to the services available from other brokers and futures commission merchants. VCM considers, among other things, alternative market makers and market centers, the quality of execution services, the value of continuing with various soft dollar services and adding or removing brokers or futures commission merchants, increasing or decreasing targets for each broker or futures commission merchant and the appropriate level of commission rates.

VCM may aggregate securities sale and purchase orders for a Fund with similar orders being made contemporaneously for other accounts that VCM manages or with accounts of its affiliates. In such event, VCM may charge or credit a client the average transaction price of all securities purchased or sold in such transactions. As a result, however, the price may be less favorable to the Fund than it would be if VCM were not executing similar transactions concurrently for other

accounts. VCM may also cause a Fund to buy or sell securities directly from or to another account, if such a cross-transaction is in the interests of both accounts.

VCM may direct a certain amount of brokerage to a broker or futures commission merchant in return for the broker's or futures commission merchant's referral of prospective investors. Directing brokerage in exchange for investor referrals creates a conflict of interest in that VCM has an incentive to refer the Funds' brokerage business to brokers and futures commission merchants to which it might not otherwise direct transactions. During its last fiscal year, VCM did not direct Fund transactions to a particular broker or futures commission merchant in return for investor referrals.

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

VCM's President, Christopher R. Hansen, generally reviews all accounts daily. Those reviews take into account such matters as asset allocation, cash management, the prospects of individual securities, changes in issuer earnings, industry outlook, market outlook and price levels. Each Fund investor receives a monthly report stating performance for the month and a quarterly letter discussing annual performance and investment outlook. VCM's Chief Financial Officer, Brian Miller, monitors the Funds' books and records and assets and liabilities, generally on a daily basis.

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

VCM may engage solicitors to whom it pays cash or a portion of the advisory fees paid by clients referred to it by those solicitors. In such cases, this practice is disclosed in writing to the client and VCM complies with the other requirements of Rule 206(4)-3 under the Investment Advisers Act of 1940, if applicable.

### **Item 15. Custody**

Not applicable.

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

VCM has discretionary authority to manage the Funds pursuant to a grant of authority in each Fund's limited partnership agreement or a limited power of attorney in the Fund's account agreement.

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

VCM votes all proxies on behalf of each Fund based on VCM's determination of the Fund's best interests, unless it abstains, as noted below. In determining whether a proposal serves a Fund's best interests, VCM considers a number of factors, including:

- the proposal's economic effect on shareholder value;
- the threat that the proposal poses to existing rights of shareholders;
- the dilution of existing shares that would result from the proposal;
- the effect of the proposal on management or director accountability to shareholders; and

- if the proposal is a shareholder initiative, whether it wastes time and resources of the company or reflects the grievance of one individual.

VCM abstains from voting proxies when VCM believes that it is appropriate to do so.

If a material conflict of interest over proxy voting arises between VCM and a Fund, VCM will vote all proxies in accordance with the policy described above.

A Fund investor can obtain a copy of VCM's proxy voting policy and a record of votes cast by VCM on behalf of that Fund by contacting VCM.

**Item 18. Financial Information**

Not applicable.

**Item 19. Requirements for State-Registered Advisers**

Not applicable.

**Privacy Policy**

VCM and the Funds:

- collect non-public personal information about their clients and investors from the following sources:
  - information received from clients or investors on applications or other forms, and
  - information about clients' or investors' transactions with VCM, its affiliates or others;
- do not disclose any non-public personal information about their clients or investors or former clients or investors to anyone, except as permitted by law;
- restrict access to non-public personal information about their clients and investors to their employees who need to know that information to provide services to clients; and
- maintain physical, electronic and procedural safeguards that comply with federal standards to guard clients' and investors' personal information.