

BROCHURE OF

Blau Capital Ltd.

An Israel domiciled limited company registered with the Securities and Exchange Commission as an Investment Adviser (CRD #158295)

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THIS BROCHURE PROVIDES INFORMATION ABOUT THE QUALIFICATIONS AND BUSINESS PRACTICES OF BLAU CAPITAL LTD. IF YOU HAVE ANY QUESTIONS ABOUT THE CONTENTS OF THIS BROCHURE, PLEASE CONTACT US AT +972-2-566-0311 OR OFFICE@BLAUCAPITAL.COM.

NEITHER THE U.S. SECURITIES AND EXCHANGE COMMISSION ("SEC") NOR ANY STATE SECURITIES AUTHORITY HAS PASSED UPON THE ADEQUACY OR ACCURACY OF THIS BROCHURE. REGISTRATION AS AN INVESTMENT ADVISER DOES NOT IMPLY A CERTAIN LEVEL OF SKILL OR TRAINING. ADDITIONAL INFORMATION ABOUT BLAU CAPITAL LTD. ALSO IS AVAILABLE ON THE SEC'S WEBSITE AT WWW.ADVISERINFO.SEC.GOV.

The date of this brochure (the "Brochure") is

September 26, 2011

The delivery of this Brochure at any time does not imply that the information contained herein is correct as of any time subsequent to the date shown above. This Brochure will supersede all other documents containing information about our firm.

There are no material changes to report regarding our advisory business.

Item 3. TABLE OF CONTENTS

Part 2A – Firm Brochure

Item number	Page number
Item 1 – Cover Page	1
Item 2 – Material Changes.....	2
Item 3 – Table of Contents.....	3
Item 4 – Advisory Business.....	4
Item 5 – Fees and Compensation.....	5
Item 6 – Performance-Based Fees and Side-by-Side Management.....	8
Item 7 – Types of Clients.....	9
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss...	10
Item 9 – Disciplinary Information.....	12
Item 10 – Other Financial Industry Activities and Affiliations.....	13
Item 11 – Code of Ethics, Participation or Interest in Client Transactions, Personal Trading, and Privacy Policy.....	14
Item 12 – Brokerage Practices.....	18
Item 13 – Review of Accounts.....	23
Item 14 – Client Referrals and Other Compensation.....	24
Item 15 – Custody.....	24
Item 16 – Investment Discretion.....	24
Item 17 – Voting Client Securities.....	25
Item 18 – Financial Information	26
Item 19 – Requirements for State-Registered Advisers.....	26

I. Part 2A – FIRM BROCHURE

Item 4. Advisory Business:

- (A) **Operational and Organizational Information:** Blau Capital Ltd. (the “Firm”) is an Israeli limited company and a U.S. Securities and Exchange Commission (“SEC”) registered investment adviser. As stated on the cover page of this brochure, registration as an investment adviser does not imply a level of skill or training. The Firm has been in business since the 29th of December 2003. The principal owner of the Firm is Shai Blau.
- (B) **Types of Advisory Services Offered:** The Firm provides portfolio management for pooled investment vehicles (each a “Fund” and collectively the “Funds”) and separately managed accounts. Currently, the Funds to which the Firm provides advisory services are Blau Capital 1, an Israel-domiciled limited partnership and Blau (S.B.) Investments 2010, LP, an Israel-domiciled limited partnership.

Note: For purposes of this Brochure, “Client” may include a pooled investment vehicle, investors in such a vehicle (also called “Limited Partners” or “Shareholders”), and separate account Clients.

The Firm does not hold itself out as specializing in a particular type of advisory service. Please review the Firm’s investment guidelines, specified below under “Client Investment Guidelines and Parameters.”

- (C) **Client Investment Guidelines and Parameters:** Advisory services include among other things, providing advice regarding asset allocation and the selection of investments. Decisions relating to investment advice are based on an analysis of the merits of the investment involved and on the investment guidelines and restrictions of the Client. The Firm provides discretionary investment advisory services to all fee paying Client accounts. Lower fees for comparable services may be available from other sources.

The following is a general description of the principal types of trades and investments which the Firm currently contemplates engaging in, certain techniques that it may employ, the investment criteria that it plans to apply, and the guidelines that it has established regarding the composition of its investment portfolios.

The following description is merely a summary and you should not assume that any descriptions of specific activities are intended in any way to limit the types of investment activities the Firm may undertake. The Firm seeks to maximize total returns through capital appreciation and current income from a diversified portfolio of investments. The Funds seek to achieve their investment objectives by investing in various long and short positions, primarily in equity securities, while attempting to hedge risk and limit correlation to the overall market. The Firm currently invests in US and Canadian equities, including stocks and exchange traded funds (“ETFs”). The Firm does not utilize options or derivatives.

For separately managed accounts, the Firm will obtain a full, clear and complete understanding of each such Client’s current financial situation, financial holdings, investment objectives, risk tolerance, and investment needs and wants. The Client is responsible for the accuracy and adequacy of information, records, and data provided to the Firm. In connection with managing the investments of its separate account Clients, the applicable investment management agreements provide investment guidelines and parameters that provide the context within which the Firm renders its investment management services.

- (D) **Wrap Fee Programs:** The Firm does not participate in wrap fee programs.
- (E) **Client Assets Under Management:** *(rounded to the nearest \$100,000)*

Discretionary: \$81,000,000 as of August 15th, 2011.

Non-discretionary: \$0.00 as of August 15th 2011.

Item 5. Fees and Compensation:

- (A) **Generally:** All fees are individually negotiated. Circumstances considered when negotiating fees may include, without limitation, customary market rates, specialized guidelines, and other performance/incentive fee/allocation arrangements with the Client.

Management fees for separately managed or pooled investment accounts are calculated based on a periodic percentage of the value of the assets under management (the “Management Fee”).

In addition, the Firm may collect incentive fees/allocations based on the performance of investments. Please refer to Item 6, below,

for a more detailed description of incentive fees/allocations, and related conflicts of interest.

- (B) **Payment of Fees:** Management Fees are billed periodically, generally quarterly in arrears, as specified in the relevant investment management agreement or applicable pooled vehicle transaction document. For the Funds, the Firm shall receive a management fee (“Management Fee”) calculated at 1.5% annually (0.375% per quarter) of the net assets of the applicable entity.

The Firm also receives a performance based fee or incentive fee/allocation (the “Performance Fee”) which is tied to the capital appreciation within the Client account as evaluated at the end of each calendar year. The Performance Fee will be payable quarterly, in arrears, for the Funds, and annually, in arrears, for separately managed accounts.

- (C) **Additional Fees and Expenses:** In addition, Clients will incur brokerage and other transaction costs. Clients should review carefully Item 12, which discusses conflicts of interest related to brokerage practices. Brokerage commissions and/or transaction ticket fees charged by the custodian will be billed directly to the Client. The Firm will not receive any portion of such commissions or fees from the custodian or Client. In addition, Clients may incur certain charges imposed by third parties other than the Firm in connection with investments made through the account, including but not limited to, mutual fund sales loads, 12(b)-1 fees, and surrender charges, and IRA and qualified retirement plan fees. Management fees and/or performance allocations charged by the Firm are separate and distinct from the fees and expenses charged by investment company securities that may be recommended to Clients. A description of these fees and expenses are available in each investment company security’s prospectus.

- **Organizational Expenses:** A Fund may, at the Firm’s discretion, pay or reimburse the Firm and/or its affiliates for all expenses related to the organization and initial offering expenses of a Fund, including, but not limited to, legal and accounting fees, printing and mailing expenses and government filing fees (including blue sky filing fees).
- **Operating Expenses:** A Fund may pay or reimburse the Firm and its affiliates for: (i) all expenses incurred in connection with the ongoing offer and sale of Interests, including, but not limited to, marketing expenses, documentation of performance and the admission of

investors; (ii) all operating expenses of a Fund such as tax preparation fees, governmental fees and taxes, administrator fees, communications with investors, and ongoing legal, accounting, auditing, bookkeeping, consulting and other professional fees and expenses; and (iii) all fees and other expenses incurred in connection with the investigation, prosecution or defense of any claims, assertion of rights or pursuit of remedies, by or against a Fund, including, without limitation, professional and other advisory and consulting expenses and travel expenses, and whether or not pursuant to bankruptcy or other legal proceedings, or participation in informal committees of creditors or other security holders of an issuer. A Fund shall pay or reimburse the Firm and its affiliates for all Fund trading and investment related costs and expenses (e.g., brokerage commissions, margin interest, expenses related to short sales, custodial fees, clearing and settlement charges).

Any separately managed account Clients will also bear any agreed upon expenses as set forth in the relevant investment management agreement.

- (D) **Fees Paid in Advance:** The Firm does not permit Clients to pay any fees in advance.

Termination of Services: Termination terms are specified in the relevant Fund offering documents and separately managed account investment management agreement. Generally, services may be terminated effective as of the close of business on the last day of any fiscal year by giving the Firm not less than 30 days' written notice, or otherwise as the Firm may determine in its sole discretion.

Withdrawal from Funds: Withdrawals can be made from the Funds at the end of each month by notifying the Firm in writing 5 business days prior to the end of the month. Withdrawals from a separately managed account can be made daily, upon 5 days' prior written notice.

- (E) **Additional Compensation of Supervised Persons:** No supervised person accepts compensation for the sale of securities or other investment products.

Item 6. Performance Based Fees and Side-by-Side Management:

Funds: In addition to the Management Fee, the Firm is compensated for its investment management services through a Performance Fee. Under this arrangement, the Client will be charged a fee contingent upon the performance within the Client's account. The Performance Fee will be tied to the capital appreciation within the account as evaluated at the end of each calendar quarter. The Performance Fee is payable quarterly, in arrears. The Firm shall also receive the Performance Fee upon any withdrawal by an investor, whether voluntary or involuntary, and upon dissolution of a Fund. The Performance Fee shall be in addition to the proportionate allocations of income and profits, or losses, to the Firm and/or its affiliates based upon their capital accounts relative to the capital accounts of all investors. The Performance Fee will be calculated as 20% of net capital appreciation attained within the Client's account (net of all expenses, including any commissions, etc.). The Firm, in its sole discretion, may waive or reduce the Performance Fee with respect to any investor for any period of time, or agree to modify the Performance Fee for that investor. The Firm may, in its discretion, reallocate a portion of the Performance Fee to certain investors.

Separate Accounts: The Firm receives from Clients a mutually agreed upon annual Performance Fee, which typically is 20% of such Clients' net income for the year in excess of any previously recovered net losses, although the Firm reserves the right to modify such fees on a case by case basis.

Generally: In order for the Firm to receive a Performance Fee, the Firm must achieve capital appreciation within the account. The Firm will charge Performance Fees in adherence with a high water mark, which means that no Performance Fee will be earned unless the performance exceeds the previously achieved high water mark where Performance Fees were charged. The high water mark will be used in order to prevent a scenario whereby the Firm could receive a Performance Fee merely for recouping prior losses. A full description of the entire fee arrangement will be disclosed to the Client in such Client's investment management agreement or the applicable offering documents. Fees generally are deducted directly from the Client's account, as specified in the relevant investment management agreement or the applicable offering documents. The Firm's receipt of Performance Fees is intended to align the Firm's interests with those of its Clients, and, to provide the Firm with a greater incentive to manage assets well. The nature of the Performance Fee, however, creates potential conflicts of interest among the Firm, its associated persons, and Clients.

Such fees will be structured and charged in a manner consistent with the requirements of applicable law. An incentive fee arrangement may create an incentive for the Firm to make investments that are riskier or more speculative than would be the case in the absence of a Performance Fee. To the extent the Firm values any such securities or instruments it has a conflict of interest as the Firm will receive higher management fees and Performance Fees if it gives such securities and instruments a higher valuation. The Firm does not represent that the amount of the Performance Fees or the manner of calculating the Performance Fees is consistent with other performance related fees charged by other investment advisers under the same or similar circumstances. The Performance Fees charged by the Firm may be higher or lower than the Performance Fees charged by other investment advisers for the same or similar services.

The Firm may receive increased compensation with regard to unrealized appreciation as well as realized gains in the Client's account, depending on the specific time periods and the nature of any preferred returns. Where any part of the Firm's compensation is based in part on the unrealized appreciation of securities or instruments for which market quotations are not readily available, the Firm shall disclose how such securities or instruments will be valued and the extent to which the valuation will be determined independently.

In addition, in the event that the Firm manages an account from which it collects Performance Fees and also manages at the same time an account from which it does not collect Performance Fees, the Firm has an incentive to favor accounts for which it receives the Performance Fees because it will receive a greater profit from the accounts which are charged Performance Fees. Therefore, the Firm has an incentive to allocate investments that are expected to be more profitable to accounts from which it collects Performance Fees, on the one hand, and that are riskier on the other hand, since in both scenarios, the Firm may receive greater fees if the investment generates a positive return. Notwithstanding the foregoing, the Firm does not favor accounts that pay Performance Fees.

Item 7. Types of Clients:

The Firm's Clients are separately managed accounts and private investment funds that operate as pooled investment vehicles whose investors are individuals and institutions. In general, the minimum initial investment in a Fund is \$500,000, and the minimum additional contribution is \$100,000. The minimum initial investment in a separately managed account is \$ 2,500,000. These minimum amounts may change from time to time at the Firm's discretion.

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

- (A) **Methods of Analysis and Investment Strategies:** The Firm uses proprietary tools for analyzing securities and making short-term investment decisions involving US and Canadian equity securities. Specifically, the Firm takes long and short positions in stocks and exchange traded funds (“ETFs”). Each potential stock must meet specified parameters involving price, market volume and market capitalization. The Firm does not trade ultra, inverse or leveraged ETFs, nor does it trade derivatives. The Firm has developed over 200 computer models that take into account price and volume and manipulate recent and historical data to generate buy and sell signals. Most of these models are mean reversion, measuring when a specific equity is overbought or oversold and the rest of the models are trend following, measuring when we expect a trend to continue. Different models have different time frames, generally ranging from 5 hours to 17 business days. The average holding time is about 2.5 days. The portfolio turnover is approximately 50 times per year, or every 5 business days on average.

Investing in securities involves risk of loss that Clients and investors should be prepared to bear.

- (B) **Risks Associated with the Firm’s Investment Strategies:**

Trading Frequency: The frequency of trading (typical portfolio turnover is once a week) creates high brokerage and transaction fees. This could have a negative impact on performance.

Market Volatility: The profitability of the investments chosen by the Firm substantially depend upon correctly assessing the future price movements of stocks, bonds, options on stocks, and other securities. The Firm cannot guarantee that it will be successful in accurately predicting price movements.

Short Selling: When deemed appropriate, the Firm will sell securities short on behalf of Client accounts. Short selling involves the sale of a security that the Client account does not own and must borrow in order to make delivery in the hope of purchasing the same security at a later date at a lower price. In order to make delivery to its purchaser, the Client account must borrow securities from a third party lender. The Client account subsequently returns the borrowed securities to the lender by delivering to the lender the securities it receives in the transaction or by purchasing securities in the open market. The Client account

must generally pledge cash with the lender equal to the market price of the borrowed securities. This deposit may be increased or decreased in accordance with changes in the market price of the borrowed securities. During the period in which the securities are borrowed, the lender typically retains its right to receive interest and dividends accruing to the securities.

Risks Associated with Leverage: On average, the Firm does not use leverage. However, in the event that the Firm determines that leverage is appropriate in its investment program, the Firm may use borrowed funds and/or investments in certain types of, which may be purchased for a fraction of the price of the underlying securities while giving the purchaser the full benefit of movement in the market of those underlying securities. While such strategies and techniques increase the opportunity to achieve higher returns on the amounts invested, they also increase the risk of loss. To the extent the Firm purchases securities for a Client account with borrowed funds, its net assets will tend to increase or decrease at a greater rate than if borrowed funds are not used. The level of interest rates generally, and the rates at which such funds may be borrowed in particular, could affect the operating results of an account. If the interest expense on borrowings were to exceed the net return on the investments made with borrowed funds, the Firm's use of leverage would result in a lower rate of return than if an account was not leveraged.

If the amount of borrowings outstanding for a Client account at any one time is large in relation to such account's capital, fluctuations in the market value of the account will have disproportionately large effects in relation to the account's capital and the possibilities for profit and the risk of loss will therefore be increased. Any investment gains made with the additional monies borrowed will generally cause the net asset value of a Client account to rise more rapidly than would otherwise be the case. Conversely, if the investment performance of the additional monies borrowed fails to cover their cost to a Client account, the net asset value of the account will generally decline faster than would otherwise be the case.

Certain of the Firm's trading and investment activities may be subject to U.S. Federal Reserve Board (the "FRB") margin requirements, which are computed daily by a self-clearing broker-dealer. At present, the FRB's Regulation T permits a broker to lend no more than 50% of the purchase price of "margin stock" bought by a Client. When the market value of a particular open position changes to a point where the margin on deposit does not

satisfy maintenance margin requirements, a “margin call” on the Client is made. If the Client does not deposit additional funds with the broker to meet the margin call within a reasonable time, the Client’s position may be closed out. In the event of a precipitous drop in the value of the assets managed by the Firm, the Firm might not be able to liquidate assets quickly enough to pay off the margin debt and might suffer mandatory liquidation of positions in a declining market at relatively low prices, incurring substantial losses. With respect to the Firm’s trading activities on behalf of a Client account, the account, and not the Firm, will be subject to margin calls.

Overall, the use of leverage, while providing the opportunity for a higher return on investments, also increases the volatility of such investments and the risk of loss. Clients should be aware that an investment program utilizing leverage is inherently more speculative, with a greater potential for losses, than a program that does not utilize leverage.

Risks Associated with Non-Diversification: The Firm intends to hold diversified positions, however, the Firm is not subject to any formal policies regarding diversification. The Firm may sometimes concentrate holdings in industries, geographic regions or companies which, in light of investment considerations, market risks and other factors, the Firm believes will provide the best opportunity for attractive risk-adjusted returns. The concentration of assets in a small number of issuers, in any one industry or a small number of industries, or in a single industry would subject Clients to a greater degree of risk with respect to the failure of one or a few investments or with respect to economic variations in relation to such industry or industries.

(C) **Security-Specific Risks:** Please see the response to Item 8(B), above.

Item 9. Disciplinary Information:

There are no legal or disciplinary events in which the Firm or any supervised persons have been involved that are material to a Client’s or prospective Client’s evaluation of the Firm’s advisory business or management.

Item 10. Other Financial Industry Activities and Affiliations:

- (A) Neither the Firm nor its management persons has any existing or pending affiliations with a broker-dealer or registered representative of a broker-dealer.
- (B) Neither the Firm nor its management persons has any existing or pending financial industry affiliations, such as with a broker-dealer, Futures Commission Merchant (FCM), Commodity Pool Operator (CPO), Commodity Trading Advisor (CTA) or other investment adviser.
- (C) The Firm and/or its management persons have a relationship or arrangement that is material to its advisory business or to its Clients with the related persons as discussed below:
 - 1. Investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or “hedge fund,” and offshore fund). *In addition to the information discussed at Item 4(A) and 4(B), the Firm has an agreement with KCPS Capital Management Ltd. (“KCPS”), an Israeli corporation, whereby the Firm acts solely as the portfolio manager for certain KCPS investment accounts. The Firm has no other responsibilities to KCPS.*
 - 2. Other investment adviser or financial planner. *Please refer to Item 10(C)1. above.*
 - 3. Futures commission merchant, commodity pool operator, or commodity trading advisor. **N/A**
 - 4. Banking or thrift institution. **N/A**
 - 5. Accountant or accounting firm. **N/A**
 - 6. Lawyer or law firm. **N/A**
 - 7. Insurance company or agency. **N/A**
 - 8. Pension consultant. **N/A**
 - 9. Real estate broker or dealer. **N/A**
 - 10. Sponsor or syndicator of limited partnerships. **N/A**

- (D) The Firm does not recommend or select other investment advisers for clients.

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

A copy of the code of ethics (“Code of Ethics”) is available upon request to Clients, Limited Partners and prospective Clients and Limited Partners.

- (A) The Code of Ethics is based upon the premise that all of the Firm’s personnel have a fiduciary responsibility to render professional, continuous and unbiased investment advisory service. The Code of Ethics requires all personnel to (1) comply with all applicable laws and regulations; (2) observe all fiduciary duties and put Client interests ahead of those of the Firm; (3) observe the Firm’s personal trading policies so as to avoid conflicts of interests between the Firm and its Clients; (4) ensure that all personnel have read the Code of Ethics, agreed to adhere to the Code of Ethics, and are aware that a record of all violations of the Code of Ethics will be maintained by the Firm’s Chief Compliance Officer and that personnel who violate the Code of Ethics are subject to sanctions by the Firm, up to and including termination.

Participation or Interest in Client Transactions, and Personal Trading: The Firm recognizes that the personal securities transactions of its employees demand the application of a high code of ethics, and the Firm requires that all such transactions be carried out in a way that does not endanger the interest of any Client. At the same time, the Firm believes that if investment goals are similar for Clients and for employees of the Firm, it is logical and even desirable that there be common ownership of some securities. The Firm and its related persons may invest their personal funds in the Funds. Therefore, in order to address conflicts of interest, the Firm has adopted a set of procedures, included in its Code of Ethics, with respect to transactions effected by its officers, directors, partners, members and employees (hereafter in this Item 11, “Employees”) for their personal accounts. In order to monitor compliance with its personal trading policy, the Firm has adopted a quarterly securities transaction reporting system for all of its Employees. For purposes of the policy, an Employee’s “personal account” generally includes any account (a) in the name of the Employee, his/her spouse, his/her minor children or other dependents residing in the same household, (b) for which the Employee is a trustee or executor, or (c) which the Employee controls, including the Firm’s Client accounts which

the Employee controls and in which the Employee or a member of his/her household has a direct or indirect beneficial interest.

Associated persons of the Firm may recommend to Clients the purchase or sale of investment products in which it or a related person may have some financial interest, including but not limited to, the receipt of compensation by the Firm. Records will be maintained of all securities bought and sold by associated persons and related persons.

Additionally, the Code of Ethics sets forth the Firm's policies and procedures with respect to material, non-public information and other confidential information, and the fiduciary duties that the Firm and each of its Employees has to each of its Clients. The Code of Ethics is circulated at least annually to all Employees, and each Employee, at least annually, must certify in writing that he or she has received and followed the Code of Ethics and any amendments thereto.

Other Activities of the Firm and its Affiliates: Neither the Firm, nor any affiliate or employee, is required to manage Client accounts as its sole and exclusive function. Each of them may engage in other business activities, including competing ventures and/or other unrelated employment. In addition to managing Client accounts, the Firm, and its respective affiliates or employees may provide investment advice to other parties and may manage other accounts in the future.

Trade Error Policy: The Firm has internal controls in place to prevent trade errors from occurring. On those occasions when such an error nonetheless occurs, the Firm will use reasonable efforts to correct the error. If the error cannot be corrected, the Firm will use reasonable efforts to make an adjustment in a manner it considers reasonable under the circumstances in its sole discretion. The Firm will endeavor to maintain a record of each trade error, including information about the trade and how such error was corrected or attempted to be corrected.

Privacy Policy: The Firm has adopted a privacy policy that explains the manner in which the Firm collects, utilizes and maintains nonpublic personal information about Clients, as required under federal legislation.

Collection of Information and Disclosure of Nonpublic Personal Information: To provide Clients with superior service, the Firm

may collect several types of nonpublic personal information about Clients, including:

- Information from forms that Clients may fill out, such as subscription forms, questionnaires and other information provided by Clients in writing, in person, by telephone, electronically or by any other means. This information includes name, address, nationality, tax identification number, and financial and investment qualifications;
- Information Clients may give orally;
- Information about transactions within the Firm, including account balances, investments and withdrawals;
- Information about the amount Clients have invested, such as initial investment and any additions to and withdrawals from an investment in the Funds; and
- Information about any bank accounts Clients may use for transfers to or from separately managed accounts.

The Firm does not sell or rent Client information. The Firm uses this information to conduct business with its Clients: to develop or enhance its products and services; to understand the financial needs of its Clients so that the Firm can provide such Clients with quality products and superior service; and to protect and administer its Clients' records, accounts and funds. The Firm does not disclose nonpublic personal information about its Clients to nonaffiliated third parties or to affiliated entities, except as permitted or required by law. For example, the Firm may share nonpublic personal information in the following situations:

- To service providers in connection with the administration and servicing of the Firm; this may include attorneys, accountants, auditors and other professionals. The Firm may also share information in connection with the servicing or processing of Fund transactions;
- To affiliated companies in order to provide Clients with ongoing personal advice and assistance with respect to the products and services Clients have purchased through the Firm and to introduce Clients to other products and services that may be of value to such Clients;

- To respond to a subpoena or court order, judicial process or regulatory authorities;
- To protect against fraud, unauthorized transactions (such as money laundering), claims or other liabilities; and
- Upon consent of a Client to release such information, including authorization to disclose such information to persons acting in a fiduciary or representative capacity on behalf of the Client.

Protection of Information: The Firm's policy is to require that all employees, financial professionals and companies providing services on its behalf keep Client information confidential.

The Firm maintains safeguards that comply with federal standards to protect Client information. The Firm restricts access to the personal and account information of Clients to those employees who need to know that information in the course of their job responsibilities. Third parties with whom the Firm shares Client information must agree to follow appropriate standards of security and confidentiality. The Firm's privacy policy applies to both current and former Clients. The Firm may disclose nonpublic personal information about a former Client to the same extent as for a current Client. Please be advised that Clients have the right to "opt out" of the information sharing as set forth above.

Changes to Privacy Policy: The Firm may make changes to its privacy policy in the future. The Firm will not make any change affecting an individual without first sending that individual a revised privacy policy describing the change.

- (B) If the Firm or a related person recommends to Clients, or buys or sells for Client accounts, securities in which the Firm or a related person has a material financial interest, describe the Firm's practice and discuss the conflicts of interest it presents. Describe generally how the Firm addresses conflicts that arise. *Please refer to Item 11.(A).*
- (C) If the Firm or a related person invests in the same securities (or related securities, e.g., warrants, options or futures) that the Firm or a related person recommends to Clients, describe the Firm's practice and discuss the conflicts of interest this presents and generally how the Firm addresses the conflicts that arise in connection with personal trading. *Please refer to Item 11.(A).*

- (D) If the Firm or a related person recommends securities to Clients, or buys or sells securities for Client accounts, at or about the same time that the Firm or a related person buys or sells the same securities for the Firm's own (or the related person's own) account, describe the Firm's practice and discuss the conflicts of interest it presents. Describe generally how the Firm addresses conflicts that arise. *Please refer to Item 11.(A).*

Item 12. Brokerage Practices:

The factors that the Firm considers in selecting or recommending broker-dealers for Client transactions and determining the reasonableness of their compensation are described below:

- (A) **Factors Considered in Selecting or Recommending Broker-Dealers:** Securities transactions for Clients are executed through brokers selected by the Firm in its sole discretion and without the consent of Clients, unless, if specified in the applicable investment management agreement, a particular separately managed account Client is authorized to instruct the Firm to execute some or all securities transactions for its account with or through one or more brokers designated by such Client (please see Item 12.(A)3.(b) below). In placing portfolio transactions, the Firm will seek to obtain best execution, taking into account the following factors: the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any); the operational efficiency with which transactions are effected and the efficiency of error resolution, taking into account the size of order and difficulty of execution; the financial strength, integrity and stability of the broker; special execution capabilities; clearance; settlement; reputation; on-line pricing; block trading and block positioning capabilities; willingness to execute related or unrelated difficult transactions in the future; order of call; on-line access to computerized data regarding Clients' accounts; performance measurement data; the quality, comprehensiveness and frequency of available research and related services considered to be of value; the availability of stocks to borrow for short trades; and the competitiveness of commission rates in comparison with other brokers satisfying the Firm's other selection criteria.

Any separately managed account Clients shall bear brokerage costs as set forth in the relevant investment management agreement.

1. **"Soft Dollar" Policy:** 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. Except for services that would be a Partnership expense or as otherwise described below, the Firm will limit the use of “soft dollars” to obtain research and brokerage services to services which 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 thereto (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.

The use of commissions arising from the Funds’ investment transactions for services other than research and brokerage will be limited to services that would otherwise be a Fund expense. The use of commissions to obtain such other services would be outside the parameters of Section 28(e).

In some instances, the Firm may receive a product or service that may be used only partially for functions within Section 28(e) (e.g., an order management system, trade

analytical software or proxy services). In such instances, the Firm will make a good faith effort to determine the relative proportion of the product or service used to assist the Firm in carrying out its investment decision-making responsibilities and the relative proportion used for administrative or other purposes outside Section 28(e). The proportion of the product or service attributable to assisting the Firm in carrying out its investment decision-making responsibilities will be paid through brokerage commissions generated by Client transactions and the proportion attributable to administrative or other purposes outside Section 28(e) will be paid for by the Firm or its affiliates from their own resources.

Research and brokerage services obtained by the use of commissions arising from the Funds' portfolio transactions may be used by the Firm in its other investment activities and thus the Partnership may not necessarily, in any particular instance, be the direct or indirect beneficiary of the research or brokerage services provided. Services, other than research and brokerage services, obtained by the use of commissions arising from the Funds' portfolio transactions will only be used for the benefit of the Funds.

Although the Firm 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 create a potential conflict of interest between the Firm and its Clients.

- (a) When the Firm uses Client brokerage commissions (or markups or markdowns) to obtain research or other products or services, the Firm receives a benefit because the Firm does not have to produce or pay for the research, products or services. *Please refer to Item 12.(A)1.*
- (b) The Firm may have an incentive to select or recommend a broker-dealer based on the Firm's interest in receiving the research or other products

or services, rather than on Clients' interest in receiving most favorable execution. *Please refer to Item 12.(A)1.*

- (c) The Firm may cause Clients to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for soft dollar benefits (known as paying-up). *Please refer to Item 12.(A)1.*
- (d) The Firm may use soft dollar benefits to service all Clients or only those Clients that paid for the benefits. The Firm may or may not seek to allocate soft dollar benefits to Clients proportionately to the soft dollar credits the accounts generate. *Please refer to Item 12.(A)1.*
- (e) The types of products and services the Firm or any related persons acquired with Client brokerage commissions (or markups or markdowns) within the Firm's last fiscal year were: *Please refer to Item 12.(A)1.*
- (f) The procedures the Firm used during its last fiscal year to direct transactions to a particular broker-dealer in return for soft dollar benefits the Firm received were: *Please refer to Item 12.(A)1.*

2. Brokerage for Client Referrals:

- (a) The Firm reserves the right to pay a fee or commission, in its sole discretion, to brokers or other persons who introduce Clients to the Firm, provided that any such fee or commission will be paid solely by the Firm or its affiliates and no portion thereof will be paid by Clients. As a result, the Firm may have an incentive to select or recommend a broker based on the Firm's interest in receiving Client referrals rather than on Clients' interest in receiving most favorable execution. Because such referrals, if any, are likely to benefit the Firm but will provide an insignificant (if any) benefit to Clients, the Firm will have a conflict of interest with Clients when allocating Client brokerage business to a broker who has referred a Client. To prevent Client brokerage commissions

from being used to pay referral fees, the Firm will not allocate Client brokerage business to a referring broker unless the Firm determines in good faith that the commissions payable to such broker are not materially higher than those available from non-referring brokers offering services of substantially equal value to Clients.

- (b) The procedures used during the last fiscal year to direct Client transactions to a particular broker-dealer in return to Client referrals were: *Please refer to Item 12.(A)2.(a).*

3. Directed Brokerage:

- (a) The Firm does not recommend, request, or require a Client to direct the Firm to execute transactions through a specified broker-dealer.
- (b) The Firm does not permit a Client to direct the Firm to execute transactions through a specified broker-dealer except, for a separately managed account Client, if agreed to in the relevant investment management agreement.

- (B) **Aggregation of Orders:** Transactions implemented by the Firm for accounts may be effected independently or on an aggregated basis. The Firm anticipates that frequently it will decide to purchase or sell the same securities for several Clients at approximately the same time. The Firm will aggregate orders when it believes aggregation may prove advantageous to Clients. Typically, the process of aggregating Client orders is done in order to achieve better execution, to negotiate more favorable commission rates or to allocate orders among Clients on a more equitable basis in order to avoid differences in prices and transaction fees or other transaction costs that might be obtained when orders are placed independently. Under this procedure, transactions will be averaged as to price and execution cost and will be allocated among the Firm's Clients in proportion to the purchase and sale orders placed for each Client account on any given day. When the Firm aggregates Client orders for the purchase or sale of securities, including securities in which its associated person(s) may invest, the Firm will do so in a fair and equitable manner. It should be noted that the Firm does not receive any additional compensation or remuneration as a result of aggregation.

Allocation of Trades: The Firm may at times determine that certain securities will be suitable for acquisition by Clients and by other accounts managed by the Firm, possibly including the Firm's own accounts or accounts of an affiliate. If that occurs, and the Firm is not able to acquire the desired aggregate amount of such securities on terms and conditions which the Firm deems advisable, the Firm will endeavor in good faith to allocate the limited amount of such securities acquired among the various accounts for which the Firm considers them suitable. The Firm may make such allocations among the accounts in any manner which it considers to be fair under the circumstances, including but not limited to allocations based on relative account sizes, the degree of risk involved in the securities acquired, and the extent to which a position in such securities is consistent with the investment policies and strategies of the various accounts involved.

Item 13. Review of Accounts:

- (A) All Client accounts managed by the Firm are reviewed on a daily basis by the Firm's Chief Compliance Officer, to assure conformity with Client objectives and guidelines. In addition, all accounts are reviewed in light of emerging trends and developments as well as market volatility. Separate account Clients are responsible for keeping the Firm informed as to any changes in their personal financial condition. The Firm cannot make any material changes to a Client's portfolio if it is not informed of the Client's particular developments.
- (B) The calendar is the main triggering factor of a review of an account, although more frequent reviews may be also be triggered by changes in a Client's circumstances, by Client request, or by unusual market activity. Clients may be contacted periodically by the Firm to discuss the management and performance of their account. All accounts are monitored by the risk manager during trading hours. If any unusual activity is detected, the risk manager is responsible for bringing it to the attention of the Chief Investment Officer and the Chief Compliance Officer. If a material error occurs, then the Client will be notified.
- (C) Reports showing performance are sent quarterly to the Funds by the independent auditing firm, and to investors in the Funds by the Firm. Separately managed account Clients may have access to monthly statements and/or trade confirmations from independent custodians. In addition, the Firm offers monthly portfolio statements. From time to time, the Firm may also provide

additional information upon a Client's request. In addition, realized gains/losses, interest and dividends earned are reported to Clients annually. Each investor in a Fund also will receive the following: (i) annual financial statements of such Fund, audited by an independent certified public accounting firm; (ii) in the discretion of the Firm or an affiliate of the Firm, a periodic letter and/or report discussing the results of the accounts; (iii) copies of such investor's Schedule K-1 to such Fund's tax returns (US investors only); and (iv) other reports as determined by the Firm or an affiliate of the Firm in its sole discretion.

Item 14. Client Referrals and Other Compensation:

- (A) The Firm does not receive, from any non-Client, any economic benefit associated with advising Clients.
- (B) The Firm may use independent third party solicitors to refer Clients and/or investors to the Funds and pay a portion of its advisory fees to such solicitors, in accordance with the Investment Advisers Act of 1940. The Firm may engage underwriters, brokers, dealers or finders to assist in the offering of interests in the Funds. Except for commissions on brokerage transactions (which will be paid by Clients), the Firm will pay (and will not charge Clients) fees and commissions that may be payable to any such brokers or finders for assisting in the offering or sale of interests in the Funds.

Item 15. Custody:

The Firm maintains Client funds and securities at a qualified custodian. As stated above in Item 13, Review of Accounts, the independent auditing firm will send quarterly account statements directly to the Funds, and such account statements should be carefully reviewed. Clients are urged to compare statements that are received from the independent auditing firm to statements received directly from the Firm. The Funds' independent auditing firm sends annual audited financial statements to investors in the Funds.

Item 16. Investment Discretion:

The Firm has discretionary investment authority over Client assets that are managed by the Firm.

Item 17. Voting Client Securities – Proxy Policy:

- (A) **Funds:** The Firm monitors corporate actions of those securities it has purchased on behalf of its Clients. Receipt of proxy materials is logged into a proxy control sheet. Proxy votes will generally be submitted electronically but may be submitted by mail. A record of the proxy votes cast will be made and retained by the Firm. Clients can obtain information on how the proxies were voted and a detailed description of the Firm's policies and procedures regarding proxy voting by requesting such information from the chief compliance officer.

The Firm understands and appreciates the importance of proxy voting. To the extent that the Firm has discretion to vote the proxies of its Clients, the Firm will vote any such proxies in the best interests of Clients and in accordance with the policies of its proxy voting provider and the procedures outlined below.

In evaluating how to vote a proxy, the Firm will first determine whether there is a conflict of interest related to the proxy in question between the Firm and its Clients. This examination will include (but will not be limited to) an evaluation of whether the Firm (or any affiliate of the Firm) has any relationship with the company (or an affiliate of the company) to which the proxy relates outside an investment in such company by a Client of the Firm. If a conflict is identified and deemed "material" by the Firm, on a Proxy Voting Committee organized by the Firm, the Firm will determine whether voting in accordance with these proxy voting guidelines is in the best interests of affected Clients (which may include utilizing an independent third party to vote such proxies). With respect to material conflicts, the Firm will determine whether it is appropriate to disclose the conflict to affected Clients and investors and give Clients the opportunity to vote the proxies in question themselves, if applicable.

It is the Firm's general policy not to vote proxies for securities that are not held in a Client's account at the time such proxy is received by the Firm. The Firm will determine whether a proposal is in the best interests of its Clients and may take into account the following factors, among others: (i) whether the proposal was recommended by management and the Firm's opinion of management; (ii) whether the proposal acts to entrench existing management; and (iii) whether the proposal fairly compensates management for past and future performance.

- (B) **Separately Managed Accounts:** The Firm's general policy is to not vote proxies on behalf of separately managed accounts, unless specifically negotiated and set forth in the individual Client agreement. In the absence of such an agreement whereby the Firm does vote proxies, it is the responsibility of each such Client to vote all proxies for securities held in the separately managed account. Separately managed account Clients will receive proxies directly via their preferred delivery method, which is established at the time that the Client opens the account with the Firm. In the presence of an agreement by which the Firm is assigned proxy voting authority for a separately managed account, the Firm will notify the custodian that the Firm is authorized to vote all proxies for securities in such Client's portfolio and instruct the custodian to forward to the Firm a copy of all proxies relating to shares held in the account. The Firm will vote all proxies in a prudent manner and solely in the interest of such Client. In addition, the Firm will not act upon notices pertaining to class actions, but will forward such notices to the Client. If a proxy is received after the termination of the advisory services by a Client, then the proxy will not be voted, but will be forwarded directly to the former client.

Item 18. Financial Information:

- (A) The Firm does not solicit prepayment of more than \$1200 in fees per Client six months or more in advance, and thus has not provided a balance sheet according to the specifications of 17 CFR Parts 275 and 279.
- (B) Because the Firm has discretionary authority over and/or custody of Client funds or securities, the Firm has disclosed, as follows, any financial condition that is reasonably likely to impair its ability to meet contractual commitments to Clients: **None**.
- (C) Firm has not been the subject of a bankruptcy petition during the past ten years.

Item 19. Requirements for State-Registered Advisers: N/A