



CELLO CAPITAL MANAGEMENT, LP

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This brochure provides information about the qualifications and business practices of Cello Capital Management, LP and its affiliates (collectively “Cello Capital Management” or “Advisor”). For more information on the disclosure requirements required for Part 2A see the “General Instructions for Part 2 of Form ADV” by visiting www.sec.gov/rules/final/2010/ia-3060.pdf. If you have any questions about the contents of this Brochure, please contact our Chief Compliance Officer at (212) 624-0305 or email elizabeth.styron@cellocapital.com.

Additional information about Cello Capital Management is also available on the SEC’s website at: www.adviserinfo.sec.gov.

Cello Capital Management is registered as an investment adviser with the United States Securities and Exchange Commission (the “SEC”) under the Investment Advisers Act of 1940 (the “Advisers Act”). Registration as an investment adviser with the SEC does not imply a certain level of skill or training. In addition, the information in this Brochure has not been approved or verified by the SEC or by any state securities authority.

Item 2: Material Changes

Please be aware that effective April 28, 2014, Cello Capital Management converted from a Delaware limited liability company into a Delaware limited partnership. Its new name is Cello Capital Management, LP, and its new general partner is Cello Capital Management GP, LLC. Antoine Schettritt is the Managing Member of this new general partner. In accordance with Delaware law, this conversion has no impact on Cello Capital Management's assets or liabilities.

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Item 4: Advisory Business

Cello Capital Management, LP (“Cello Capital Management” or “Advisor”) is an investment advisory firm organized as a limited partnership under the laws of the State of Delaware. Antoine Schetritt, Managing Partner of Cello Capital Management (the “Managing Partner”) founded Cello Capital Management in 2009 and is its primary controlling partner. The investment activities of Cello Capital Management are led by the Managing Partner. A number of other investment professionals work with Cello Capital Management to execute its investment strategy.

Cello Capital Management serves as an investment manager and provides discretionary advisory services to several related collective investment vehicles, including private limited partnerships and foreign investment companies; together with any respective parallel funds, special purpose and/or subsidiary investment vehicles (Cello Fixed Income Domestic Fund, LP, Cello Fixed Income Fund, Ltd, collectively “the Funds”). Each Fund invests substantially all of its capital in a “master-feeder” structure, conducting its investment and trading activities indirectly through an investment in the Cello Fixed Income Master Fund, LP (the “Master Fund”), an exempted company organized to conduct trading activities on behalf of the Funds. The purpose of the Master Fund is to achieve trading and administrative efficiencies. Thus, an investment in the Funds is the functional and economic equivalent of an investment in the Master Fund. Each Fund is responsible, as an investor in the Master Fund, for its *pro rata* share of the Master Fund’s operating and overhead expenses.

Additionally, Cello Capital Management provides similar services to one or more separately managed accounts that follow the same investment mandate as the Funds. Collectively, the Funds and the separately managed accounts are Cello Capital Management’s “Clients.” As of December 31, 2014 Cello Capital Management managed \$534,140,872 of assets on a discretionary basis on behalf of its Clients.

Each Client invests in the mortgage-backed securities (“MBS”) sector, concentrating in U.S. Government credit quality MBS (Ginnie Mae MBS), implied U.S. government credit quality MBS (Fannie Mae or Freddie Mac MBS), or AAA credit quality MBS (as determined by various rating agencies). In providing services to its Clients, Cello Capital Management formulates each Client’s investment objective, directs and manages the investment and reinvestment of Client assets, and provides reports to investors. Investment advice is provided directly to its Clients. Advice is not provided directly to the investors in the Funds. Cello Capital Management manages assets in accordance with the terms of each Client’s private offering and/or private placement memoranda, individual partnership or shareholder agreements, investment management agreements, and other governing documents applicable to each Client. All terms are generally established at the time of the formation of an investment relationship. Fund investors may not restrict investments by the Funds in any capacity.

Shares or partnership interests in the Funds are not registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”), and the Funds are not registered under the Investment Company Act of 1940, as amended (the “Investment Company Act”). Accordingly, interests or shares in the Funds are offered and sold exclusively to investors satisfying the applicable eligibility and suitability requirements, either in private transactions within the United States or in offshore transactions.

Item 5: Fees and Compensation

Management Fee

Management fees charged to the Funds, which are ultimately borne by the Funds’ investors, are based on a percentage of the Funds’ assets under management. The management fees assessed to the Funds range

between 1.5% - 2%, on an annualized basis. Detailed information regarding the fees charged to the Funds is provided in the Funds' offering memorandum and other governing documents. Fees are deducted from an investor's capital account(s) in the applicable Fund. Cello Capital Management or the general partner of the U.S. Client Fund may, in its sole discretion, waive or reduce all or any portion of the above stated fees with respect to an investor.

Fees charged to separately managed account(s) are negotiated and are based on the value of the account(s) at the close of the applicable billing period. Fees may include a combination of management and/or incentive fees. The management fee for separate accounts typically ranges between 1% and 2%.

Performance Allocation

Generally, on the last day of a Fiscal Year or the date of a redemption, distribution or transfer of an investor's shares/interest, a portion of each Fund's new net income may be allocated to the capital account of the General Partner as a "performance allocation". The manner of calculation of such performance allocation is disclosed in the governing investment management documents, and may vary by Client. Generally, the performance allocation ranges from 10% to 25% but may, in some instances, be tied to a performance hurdle or high-water mark.

As is the case with Management Fees, Cello Capital Management and its affiliates reserve the right to waive or reduce the performance allocation for certain investors, including Employees, strategic partners, advisors, consultants and others as may be determined in Cello Capital Management's sole discretion.

Other Expenses Charged to the Funds

In addition to management fees and performance allocations, the Funds' investors will bear indirectly the fees and expenses charged to the Funds. The Master Fund will bear its own and the Funds' costs and expenses including (but not limited to) expenses related to organizational fees and expenses, investment transactions and positions for the Master Fund's account, including brokerage commissions and custody charges, interest and commitment fees on loans and debit balances, costs of borrowing securities to be sold short, blue sky fees, research fees, expenses and materials (including online news and quotation services, computer hardware and software used for research, Bloomberg service, etc. and research related travel expenses), costs of any outside appraisers, accountants, attorneys or other experts or consultants engaged by Cello Capital Management or its affiliates, fees and expenses of the Funds' and the Master Fund's administrator, investor reporting costs, bank charges, legal fees and costs (including settlement costs) arising in connection with any litigation or regulatory investigation instituted against Cello Capital Management, its affiliates, the Funds or the Master Fund, the General Partner and/or the Directors in connection with the affairs of the Funds or the Master Fund, insurance for the benefit of Cello Capital Management, its affiliates, the Funds or the Master Fund, the General Partner and/or the Directors, withholding and transfer taxes, administration costs, including portfolio and investor accounting, tax and investor servicing costs, audit expenses and the annual financial statements reporting expenses of the Funds and the Master Fund and other similar fees and expenses.

Investors should carefully review the Funds' governing documents for all fees charged by Cello Capital Management, its affiliates, and others to fully understand the total amount of fees to be paid by the Funds and, indirectly, their investors.

Organizational Expenses

The Funds will pay, often through reimbursements to Cello Capital Management and/or its affiliates, the expenses of organizing the Funds and the initial offering of shares and interests in the Funds.

Termination

The Funds may terminate their relationship with Cello Capital Management upon the dissolution and liquidation of the partnership or company pursuant to the terms of their partnership agreement or articles of association, as the case may be. Separate account clients may dissolve their relationship with Cello Capital Management by terminating the related investment management agreement.

With regard to withdrawals and redemptions, investors in the Funds are generally permitted to redeem or withdraw (as applicable) in accordance with the applicable redemption or withdrawal terms for each Fund as set forth in the applicable governing document. In limited circumstances, Cello Capital Management, in its sole discretion, may waive certain of the redemption or withdrawal terms.

In each case, expenses incurred and management fees and performance allocation earned through the date of termination are charged to the relevant Client.

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

Performance based fees or allocations (together “performance fees”) or incentive fees are fees based on a share of capital gains on or capital appreciation of the assets of a client. An adviser receiving performance based fees to some accounts faces a variety of conflicts because the adviser can potentially receive greater fees from its accounts having a performance-based compensation structure versus those accounts it charges a fee unrelated to performance (e.g., an asset-based fee). As a result, the adviser may have an incentive to direct the best investment ideas to, or to allocate or sequence trades in favor of, the account that pays a performance based fee.

Cello Capital Management receives performance based fees from all of its Clients, and although certain clients may pay higher fees than others, it generally believes that one type of client is not likely to represent disproportionate opportunity for income generation. Cello Capital Management, therefore, does not have an incentive to favor any one account or type of account over any other.

The fact that Cello Capital Management is compensated based on the trading profits, however, may create an incentive for Cello Capital Management to make investments on behalf of its Clients that are riskier or more speculative than would be the case in the absence of such compensation. Any performance based fees reflect the net changes in both realized and unrealized appreciation or depreciation in the value of an account’s assets as of the close of each fiscal year.

Item 7: Types of Clients

Cello Capital Management provides discretionary management and advisory services to its Clients directly, subject to the direction and control of the General Partner or Board of Directors of each Fund, and not individually to the investors in each Fund. Investors in the Funds may include, but are not limited to, high net worth individuals, pension plans (corporate, state and foreign), sovereign wealth funds, endowments, foundations, banks, pooled investment vehicles (e.g., funds-of-funds), trusts, estates or charitable organizations, and corporate or business entities.

The minimum commitment for an investor is \$3 million; however, Cello Capital Management maintains discretion to accept less than the minimum investment threshold. Investors will be required to meet certain suitability qualifications, such as being an “accredited investor” within the meaning set forth in Rule 501(a) of Regulation D under the Securities Act and “qualified purchasers” as defined in Section 2(a)(51)(A) of the U.S. Investment Company Act of 1940 (the “Company Act”) and the rules

promulgated thereunder. Details concerning applicable investor suitability criteria are set forth in the respective Governing Fund Documents and subscription materials, which are furnished to each investor.

The Funds may enter into separate agreements, commonly referred to as “side letters,” or other similar agreements with a particular investor in connection with its admission to the Funds without the approval of any other investor, which would have the effect of establishing rights under or supplementing the terms of the applicable Fund’s subscription documents and agreements with respect to such investor in a manner more favorable to such investor than those applicable to other investors. Such terms may provide more frequent and/or more detailed information regarding the Funds or the Master Fund’s securities positions, performance and finances. Certain investors, through side letters or issuance of separate sub-Classes, may receive the right to withdraw capital from the Funds on shorter notice and/or with more frequency than other investors. As a result, certain investors may be better able to assess the prospects and performance of the Funds than other investors and may be able to withdraw capital from the Funds at times when other investors may not. The Funds are not required to disclose the terms of any side letter agreement.

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

The investment criteria of Cello Capital Management are designed to identify fundamentally attractive opportunities in the mortgage-backed securities sector. Cello Capital Management invests in U.S. government credit quality MBS (Ginnie Mae MBS), implied U.S. government credit quality MBS (Fannie Mae and Freddie Mac MBS) and in AAA-rated MBS, as determined by various rating agencies.

Associated Risks

All investing involves a risk of loss that clients should be prepared to bear. The investment strategy offered by the Advisor could lose money over short or long periods. No guarantee or representation is made that a client will achieve its investment objective or will receive a return of their capital.

The descriptions contained below are a brief overview of different risks related to the Advisor’s investment strategy; however, it is not intended to serve as an exhaustive list or a comprehensive description of all risks and conflicts that may arise in connection with the management and operations of the Advisor.

Potential Loss of Investment. There is no assurance that the Advisor will be able to generate returns for its clients or that the returns will be commensurate with the risks of investing in the types of securities described herein. There can be no assurance that a client’s investment objectives will be achieved or that there will be any return of capital. The past investment performance of the entities with which officers and employees of the Advisor have been associated cannot be taken to guarantee future results of any client.

Business Dependent on Key Individual. Investors will have no authority to make decisions or to exercise business discretion on behalf of the Funds or the Master Fund. The authority for all such decisions is delegated to Cello Capital Management and its affiliates. The success of the Funds and the Master Fund are expected to be significantly dependent upon the expertise and efforts of Cello Capital Management and particularly of the Managing Partner.

Investments in Mortgages or MBS. A mortgage comes equipped with a repayment schedule which establishes a sequence of monthly payments through which homeowners can pay off their debt. A “prepayment” is any activity by the homeowner that accelerates this schedule and extinguishes the

mortgage before its final payment date. In the U.S., homeowners have the right to prepay their mortgage at any point in time. There are transaction costs for the homeowner associated with this activity.

The homeowner's right to prepay a mortgage through voluntary means such as home sales, refinancing or curtailment can be thought of as equivalent to the homeowner purchasing a "call" option when entering into a mortgage contract. The homeowner's right to default on a mortgage is equivalent to purchasing a "put" option when entering into a mortgage contract. Therefore an investor in an MBS has a short position in a call and put option (usually referred to jointly as a prepayment option) and a long position in a non-callable bond with the same payment schedule as the MBS. The implication is that the risks associated with investing in an MBS are a combination of the risks that are present in all fixed-income cash flows along with some risks that are specific to MBS. Many of the complexities of MBS valuation arise from the fact that the value of the prepayment option of the homeowner is a complex function of many variables including the actual path of interest rates, the average age of the mortgage pool, the borrower's credit profile, home price appreciation, and the slope of the yield curve, among other factors.

Various attributes of the loan and the homeowner also contribute to the propensity of the homeowner to prepay a mortgage. These attributes include the mortgage loan amount, whether the mortgage interest rate is fixed or floating, the ratio of the loan amount to the value of the home, the geographical location of the house and the FICO score of the homeowner, among others.

Structural Prepayment Risk. Structural repayment risk arises when the relationship between the prepayment response of a pool of mortgages and various factors such as mortgage rates, loan attributes, and borrower attributes changes over time. For example, homeowners may become more or less efficient in terms of refinancing as the cost structure of the mortgage industry becomes lower or greater. MBS valuation and pricing typically makes use of prepayment models and, since models are "backward looking", structural change in the mortgage industry can create systematic sources of error in prepayment model forecasts. Certain investments such as IOs are particularly sensitive to prepayments and could lose most or all of their value if realized payments differ dramatically from expectations for a given trading environment.

Interest Rate Risk. MBS depend on the level of interest rate and the shape of the yield curve. Thus most MBS decrease/increase in value as interest rates rise/drop. However, some MBS such as Interest-Only MBS ("IOs") increase/decrease in value as interest rates rise/drop. The impact of changes in the shape of the yield curve will vary depending on the individual characteristics of an MBS. For example, a steepening of the yield curve generally benefits certain IO-based securities such as Strip IOs and Inverse IOs while a flattening of the yield curve typically benefits bonds with a Principal-Only ("PO") security characteristics such as Super POs and Inverse Floaters trading at a deep discount to par. A significant portion of the interest rate risk associated with an MBS comes from the fact that prepayment rates show a direct relationship to interest rate levels. Prepayment rates decrease as rates increase and increase as rates decrease. A mortgage holder is more likely to prepay when rates are low forcing the investor to reinvest into lower yielding securities. If interest rates rise, the borrower is less likely to prepay and the MBS investor is unable to reinvest in higher yielding securities.

A comprehensive description of the different risk factors associated with investing in mortgages or MBS is available upon request and can also be found within the Fund's offering documents.

Item 9: Disciplinary Information

On March 25, 2014, the Federal Housing Agency's suit against Bank of America was settled with no admission or finding of liability and with no financial contribution by Mr. Schettritt. In September 2011, the Federal Housing Finance Agency, as Conservator for the Federal National Mortgage Association and

the Federal Home Loan Mortgage Corporation, sued 18 financial institutions and their subsidiaries, as well as number former employees, in connection with the offer and sale of certain residential mortgage-backed securities.

Item 10: Other Financial Industry Activities and Affiliations

Cello Capital Management organizes and sponsors the Funds, which are private investment companies. These pooled investment vehicles managed by Cello Capital Management are controlled by affiliated entities (“Affiliated Entities”). Cello Capital Management or the Affiliated Entities will be responsible for all decisions regarding portfolio transactions of the Funds and have full discretion over the management of the Funds’ investment activities. While the Affiliated Entities are not separately registered as investment advisers with the SEC, all of their investment advisory activities are subject to the Investment Advisers Act of 1940, as amended (the “Advisers Act”) and the rules thereunder. In addition, employees and persons acting on behalf of the Affiliated Entities are subject to the supervision and control of Cello Capital Management. Thus, the Affiliated Entities, all of its employees and the persons acting on its behalf would be “persons associated with” the registered investment adviser so that the SEC could enforce the requirements of the Advisers Act on the Affiliated Entities.

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

Pursuant to Rule 204A-1 under the Advisers Act, Cello Capital Management has adopted a written Code of Ethics (the “Code”) predicated on the principle that the Advisor owes a fiduciary duty to its Clients. The Code is designed to address and avoid potential conflicts of interest and is applicable to all officers, directors, partners, or employees of Cello Capital Management (the “Employees”). The Advisor requires its Employees to act in its Clients’ best interests, abide by all applicable regulations and avoid any action that is, or could even appear to be, legally or ethically improper.

With respect to its Employees, the Advisor generally prohibits the purchase of Agency MBS; requires pre-clearance before purchasing an IPO or limited offering (i.e., private placement) or selling an Agency MBS; requires periodic reporting of certain personal securities transactions and holdings; and requires internal reporting of Code violations. Cello Capital Management endeavors to maintain current and accurate records of all personal securities accounts of its Employees in an effort to monitor such activity. A copy of Cello Capital Management’s Code is available upon request.

The Advisor, its Employees or a related entity may have an investment in each Fund. The General Partner for each Fund that is a Limited Partnership is controlled by Cello Capital Management’s Managing Partner. Therefore, Cello Capital Management, its Employees or a related entity may participate in transactions effected for Clients.

Item 12: Brokerage Practices

In selecting brokers to effect portfolio transactions, Cello Capital Management considers factors such as prices, the ability of the brokers to effect the transactions, the broker’s facilities, reliability and financial responsibility and the provision or payment (or the rebate to the Master Fund for payment) of the costs of property or services (e.g. short-term custodial services, research services and publications). If the Advisor determines in good faith that the amount of commissions charged by a broker is reasonable in relation to the value of the brokerage and products or services provided by such broker, the Master Fund may pay

commissions to such broker in an amount greater than the amount another broker might charge. Brokers sometimes suggest a level of business they would like to receive in return for the various services they provide. Actual brokerage business received by any broker may be less than the suggested allocations, but can and often does exceed the suggestions because total brokerage is allocated on the basis of all the considerations listed above. A broker is not excluded from receiving business because it has not been identified as providing research services. The information and brokerage services received from various brokers may be used by Cello Capital Management in servicing all of its Clients and not all such information may be used by the Advisor in connection with the specific account that generated the commissions to attain such information.

Item 13: Review of Accounts

All investments are carefully reviewed and approved by Cello Capital Management's investment team, which includes the Managing Partner and other investment personnel. Its Clients' investments are reviewed on a continuous basis and the investment personnel meet regularly to discuss investment ideas, economic developments, industry outlook and other issues related to current portfolio holdings and potential investment opportunities.

Investors generally will be provided with monthly unaudited account statements and audited annual financial statements prepared in accordance with GAAP.

Item 14: Client Referrals and Other Compensation

Cello Capital Management will compensate placement agents who introduce new investors that commit capital to the Funds. The amount paid to placement agents ranges up to 20% of all compensation received by the Advisor from Investors referred by a placement agent. All placement fees will be fully disclosed to investors referred by placement agents.

Item 15: Custody

Cello Capital Management has access to client accounts (i.e., the Funds) since it or an affiliate serves as the General Partner, or on the Board of Directors, of the Funds and therefore is deemed to have custody under Rule 206(4)-2 even though Cello Capital Management does not physically hold the securities and other assets of the Funds. Investors will not receive statements from any custodians. Instead, the Funds are subject to an annual audit by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, and the audited financial statements are distributed to each Investor. The audited financial statements will be prepared in accordance with generally accepted accounting principles and distributed within 120 days of each Fund's fiscal year end.

Cello Capital Management does not have custody over the assets of separately managed accounts as each account will establish its own custodial relationship with a qualified custodian that is not affiliated with Cello Capital Management.

Item 16: Investment Discretion

In accordance with the terms and conditions of the Governing Fund Documents, and subject to the direction and control of the General Partner/Board of Directors of each Fund, the Advisor generally has

discretionary authority to determine, without obtaining specific consent from its Clients or its Investors, the securities and the amounts to be bought or sold on behalf of its Clients, and to perform the day-to-day investment operations of its Clients.

If Cello Capital Management makes an error while placing a trade for a client, the Advisor will seek to correct the error promptly in a way that mitigates any losses. Any economic impact of errors that are not the result of gross negligence, willful misconduct, or bad faith will be borne by the affected Clients.

Item 17: Voting Client Securities

Cello Capital Management's Funds are primarily invested in debt instruments which typically do not issue proxies.

Item 18: Financial Information

A balance sheet is not required to be provided as Cello Capital Management (i) does not solicit fees more than six months in advance, (ii) does not have a financial condition that is likely to impair its ability to meet contractual commitments to clients or (iii) has not been subject to any bankruptcy proceeding during the past 10 years.