
Karya Capital Management LP

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This Brochure provides information about the qualifications and business practices of Karya Capital Management LP (“Karya”). If you have any questions about the contents of this Brochure, please contact us at (212) 201-1970. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Karya is an investment adviser registered with the SEC. Registration with the SEC does not imply any level of skill or training.

Additional information about Karya is available on the SEC’s website at www.adviserinfo.sec.gov.

ITEM 2 – MATERIAL CHANGES

This Brochure is part of the annual updating amendment to Form ADV. The date of Karya's last annual Brochure was March 23, 2015. This revised Brochure contains updates regarding the following items:

- We have clarified the strategy language in Item 4.
- We have clarified the Risk Factors in Item 8 to be consistent with the Funds' PPM disclosures, and added a Data Security Risk disclosure.
- We have clarified in Item 12 that proprietary and Employee accounts generally will be aggregated with Client accounts with respect to particular securities or commodities transactions.

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ITEM 4 – ADVISORY BUSINESS

On October 16, 2012 Karya became a registered investment adviser with the SEC. Karya provides discretionary investment management services regarding securities and other financial instruments to U.S. and non-U.S. institutional clients, including private investment funds managed by Karya (“Funds”) and separately managed accounts (“Separate Account Clients,” and together with the Funds, “Advisory Clients”). Currently, Karya’s only “investment advisory clients” are the Advisory Clients. Karya also advises commodity pools, U.S. registered investment companies and separately managed accounts that invest exclusively in futures contracts (collectively, “Futures Clients”). However, these Futures Clients are not “investment advisory clients” for purposes of the Investment Advisers Act of 1940, as amended (the “Advisers Act”). Therefore, the Futures Clients are generally not discussed in this Form ADV, Part 2A, except in the context of conflicts of interest that are likely to arise between Karya’s management of the Advisory Clients and the Futures Clients (collectively, “Clients”).

Karya invests directly on behalf of Advisory Clients primarily in liquid instruments in global rates, credit, securitized products, equity indices, currencies and volatility and related derivatives based on global macro and relative value analyses and a focus on G-7 currency countries and other Organisation for Economic Co-operation and Development countries. Karya also seeks to maintain exposure to equities, sovereign debt, certain currencies and commodities through the use of futures and option contracts. Karya is responsible for all of the investment and trading activities of its Advisory Clients. Karya provides advisory services to its Advisory Clients based on their respective investment objectives and guidelines. The investment objectives, strategies, fees and risks of each Fund and other material information, are set forth more fully in each Fund’s confidential offering document (“Memorandum”), which is available to current investors and qualified prospective investors with whom Karya has a pre-existing substantive relationship. The investment objectives, strategies and fees related to each Separate Account Client are set forth more fully in an advisory agreement with such Separate Account Client.

Karya, a Delaware limited partnership formed in 2011, is principally owned by Rajiv Sobti. Rajiv Sobti is also the Chief Investment Officer and Managing Partner.

Karya had approximately \$580,385,598 of Advisory Clients assets under management on a discretionary basis as of December 31, 2015. Karya, overall, manages on a discretionary basis approximately \$910,850,640 of assets for its Clients. Karya does not manage assets on a non-discretionary basis.

ITEM 5 – FEES AND COMPENSATION

In connection with Karya’s management of Fund assets, it generally receives a management fee of 2% per annum of assets under management as stated in the Memorandum. The management fee is calculated and paid monthly in arrears based on the net asset value of a Fund on the last day of the month. Fees may be reduced or waived in certain circumstances or with respect to certain investors (e.g., principals and employees of Karya). Investors redeeming intra-month

will be charged management fees only for the portion of the month that they were invested in a Fund.

An affiliate of Karya, Karya Managing Member LLC (“Karya MM”) receives performance-based compensation of 20% of the increase in net asset value of a Fund investor’s account above a “high water mark” (i.e., the previous highest net asset value at which performance-based compensation was paid). Performance-based compensation generally is charged in arrears at year-end and upon an intra-year redemption by an investor in a Fund. Karya MM’s performance-based compensation is calculated taking into account both realized and unrealized gains. Prior period losses must be recouped before Karya MM will be entitled to performance-based compensation.

Fees for Separate Account Clients, all of which meet the definition of “qualified purchaser” in Section 2(a)(51) of the Investment Company Act of 1940, as amended, are negotiated on a case-by-case basis between Karya and the Separate Account Client.

Fees for Fund investors are generally deducted from Fund assets, not billed separately. Fees for Separate Account Clients are billed separately. The specific manner in which fees are charged by Karya is set forth in each Advisory Client’s written agreement with Karya or, in the case of the Funds, the applicable Memorandum. Fees charged with respect to Karya’s Separate Account Clients may be similar or different to those charged to its Funds. Please see Item 6 for more information.

Funds generally have the right to terminate Karya’s advisory services at any time without penalty upon thirty days’ prior written notice. Investment management agreements with Separate Account Clients are terminable following a notice period generally of no more than 5 days, as negotiated between Karya and the Separate Account Client. Upon termination of any Advisory Client account, any earned, unpaid fees will be due and payable.

Funds are also responsible for ongoing expenses, including, without limitation, (i) investment related expenses, including, but not limited to, brokerage commissions and other charges and interest expense, (ii) third party legal, bookkeeping, accounting, auditing, record keeping, administration, corporate secretarial, clerical and directors’ expenses, (iii) printing, duplication, telephone and mailing expenses, (iv) the cost of maintaining a Fund’s corporate existence and expenses, filing fees and government fees, (v) expenses related to investor communication and support, (vi) expenses of the continuing offering by the Funds, and (vii) the costs of any corporate liability insurance. Separate Account Clients are also responsible for investment related expenses, including, but not limited to, brokerage commissions and other charges and interest expense.

Item 12 describes the factors that Karya considers in selecting broker-dealers for Advisory Client transactions and determining the reasonableness of their compensation.

Redemptions by investors in a Fund are governed by the terms set forth in each Fund’s Memorandum.

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

Karya MM receives performance-based compensation of 20% of the increase in net asset value of a Fund investor's account above a "high water mark" (i.e., the previous highest net asset value at which performance-based compensation was paid). In certain circumstances, Karya receives performance-based compensation from Separate Account Clients as agreed to between Karya and the relevant Separate Account Client from time to time. Performance-based compensation will be in conformity with Rule 205-3 under the Advisers Act. Please see Item 5 for more information.

Clients should be aware that Karya's or Karya MM's receipt of performance-based compensation could under certain circumstances create an incentive for Karya to make investments that are riskier or more speculative than those which would be made under a different fee arrangement.

Karya and its related persons have entered into revenue sharing agreements with investor(s) in the Funds pursuant to which Karya and its related persons will share a portion of the management fees and performance-based compensation they receive with respect to the Funds. While the Funds generally have the same fee structure, and therefore there is no incentive to favor any one Fund over another as a result of fee structures, the revenue sharing by Karya or its related persons and thus the differing participation in fees by third parties could create an incentive for Karya to favor an Advisory Client over another. In addition, fees for Separate Account Clients vary as negotiated between Karya and each Separate Account Client, and could be higher or lower than fees paid by the Funds, which creates an incentive for Karya to favor an Advisory Client over another.

Karya has procedures designed and implemented to monitor that all Advisory Clients are treated equitably in the allocation of investment opportunities and trades. Please see Item 12 for more information.

ITEM 7 – TYPES OF CLIENTS

Karya provides investment management services to U.S. and non-U.S. Funds. Investors in the Funds include institutional clients and high net worth qualified individual investors. The Funds have a minimum investment requirement of \$1 million for investors as set forth in each Fund's Memorandum, which may be waived or modified at Karya MM's discretion in the case of U.S. Funds or the board of directors' discretion in the case of non-U.S. Funds. Investors are also required to meet certain eligibility standards as set forth in each Fund's Memorandum.

From time to time Karya provides investment management services for a limited number of Separate Account Clients, which include institutional clients, registered investment companies, and high net worth qualified individual investors and which are accepted on a case-by-case basis. Separate Account Clients have a minimum investment requirement that may be waived or modified at Karya's discretion.

ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Karya utilizes a multi-disciplined investment approach that relies on both fundamental analysis and technical analysis to take advantage of market opportunities and mispricings and to realize gains when Karya's price targets are reached. Karya's main sources of information include industry analysts and economists, specialized research groups, industry databases, financial newspapers and general sources of news and analyses.

Karya primarily invests in liquid instruments in global rates, credit, securitized products, equity indices, currencies and volatility and related derivatives based on global macro and relative value analyses and a focus on G-7 currency countries and other Organisation for Economic Co-operation and Development countries. Karya also seeks to maintain exposure to equities, sovereign debt, certain currencies and commodities entirely through the use of futures and option contracts.

Karya intends to be bound by certain fixed guidelines concerning the percentage of assets that are invested in any particular investment or counterparty. These guidelines are described in a Fund's Memorandum.

Certain Risk Factors

There can be no assurances that an Advisory Client will achieve its investment objective or that the strategies pursued and methods utilized by Karya will be successful under all or any market conditions. Past performance is no guarantee of future performance.

Investing in financial instruments involves the risk of loss of principal that Advisory Clients should be prepared to bear. A brief explanation of the material risks associated with Karya's principal investment strategies and methods of analysis follows. Additional risk factors are set forth in the Memorandum of each Fund.

- **Relative Value Trading Strategies.** The success of relative value strategies is dependent on a Fund's ability to exploit relative mispricings among interrelated instruments. Although relative value positions are considered to have a lower risk profile than directional trades as the former attempt to exploit price differentials not overall price movements, relative value strategies are by no means without risk. Mispricings, even if correctly identified, may not converge within the time frame within which a Fund maintains its positions. Even true "riskless" arbitrage - which is rare - can result in significant losses if the arbitrage is not able to be sustained (e.g., due to margin calls) until expiration, and few, if any, of a Fund's positions will constitute true arbitrage as opposed to relative value trades. A Fund's relative value strategies are subject to the risks of disruptions in historical price relationships, the restricted availability of credit and the obsolescence or inaccuracy of its or third-party valuation models. Market disruptions and/or counterparty defaults may also force the Fund to prematurely close out one or more positions. Such disruptions have in the past resulted in substantial losses for funds employing relative value strategies. A major component of

relative value trading involves spreads between two or more positions. To the extent the price relationships between such positions remain constant, no gain or loss is likely to occur. Such positions do, however, entail a substantial risk that the price differential could change unfavorably and, due to the leveraged nature of the Fund's trading, result in increased losses.

- Sovereign Debt Risk. Investments in sovereign debt securities involve special risks. The governmental authority that controls the repayment of the debt may be unwilling or unable to repay the principal and/or interest when due in accordance with the terms of such securities due to: the extent of its foreign reserves; the availability of sufficient foreign exchange on the date a payment is due; the relative size of the debt service burden to the economy as a whole; or the government debtor's policy towards the International Monetary Fund and the political constraints to which a government debtor may be subject. If an issuer of sovereign debt defaults on payments of principal and/or interest, a Fund may have limited legal recourse against the issuer and/or guarantor. In certain cases, remedies must be pursued in the courts of the defaulting party itself, and the Fund's ability to obtain recourse may be limited.

Certain issuers of sovereign debt may be dependent on disbursements from foreign governments, multilateral agencies and others abroad to reduce principal and interest arrearages on their debt. Such disbursements may be conditioned upon a debtor's implementation of economic reforms and/or economic performance and the timely service of such debtor's obligations. A failure on the part of the debtor to implement such reforms, achieve such levels of economic performance or repay principal or interest when due may result in the cancellation of such third parties' commitments to lend funds to the government debtor, which would likely impair the debtor's ability to service its debts on a timely basis. As a holder of government debt, a Fund may be requested to participate in the rescheduling of such debt and to extend further loans to government debtors.

- U.S. Government Securities. U.S. government securities are debt securities (including bills, notes, and bonds) issued by the U.S. Treasury or issued by an agency or instrumentality of the U.S. government which is established under the authority of an Act of U.S. Congress. Such agencies or instrumentalities include, but are not limited to, the Federal National Mortgage Association, also known as Fannie Mae, the Government National Mortgage Association, also known as Ginnie Mae, the Federal Farm Credit Bank, and the Federal Home Loan Banks. Although all obligations of agencies and instrumentalities are not direct obligations of the U.S. Treasury, payment of the interest and principal on these obligations may be backed directly or indirectly by the U.S. government. This support can range from the backing of the full faith and credit of the United States to U.S. Treasury guarantees, or to the backing solely of the issuing instrumentality itself. In the case of securities not backed by the full faith and credit of the United States, the investor must look principally to the agency issuing or guaranteeing the obligation for ultimate repayment, and may not be able to assert a claim against the United States itself in the event the agency or instrumentality does not meet its commitments.

A Fund is subject to interest rate and market risks. The prices of government securities tend to fall as interest rates rise. Securities that have longer maturities tend to fluctuate more in price in response to changes in market interest rates than do securities with shorter maturities. This risk is usually greater when inverse floaters are held by a Fund. If interest rates fall, it is possible that issuers of callable bonds with high interest coupons will prepay their bonds before their maturity date. If a bond was prepaid during a period of declining interest rates, a Fund would likely replace the security with a lower yielding security.

- Supranational Debt Obligations. A Fund may invest in debt issued by supranational entities. Supranational entities are entities constituted by the national governments of several countries to promote economic development, such as the World Bank, the International Monetary Fund, the European Investment Bank and the Asian Development Bank. Obligations of these entities are supported by appropriated but unpaid commitments of their member countries, and there can be no assurances that these commitments will be undertaken or met in the future.
- Risks Associated With Municipal Securities. A Fund's investment in municipal securities will generally consist of general obligations for which the taxing power of the issuer is the source of repayment and pre-refunded municipal obligations and certain essential purpose obligation bonds. Revenue or essential purpose obligation bonds are not direct obligations of any government and the payment of such obligations is generally dependent on the collection of anticipated revenues from a particular facility or special excise tax. In the event that special revenues backing such obligations are not received, the Fund will have no recourse against the issuer or any other party for repayment of such obligations. In the case of general obligations, there is the risk that an issuer of such obligations could become insolvent and default on the obligations. In such case, the Fund would be a creditor of the issuer and would likely not receive full payment of principal and interest on the obligations.
- Credit Risk. A Fund is subject to credit risk whereby investments in fixed income securities are subject to the risk of an issuer's inability to meet principal and interest payments on the obligation. Any such failure or refusal whether due to insolvency, bankruptcy or other causes, could subject the Fund to substantial losses. A Fund is also subject to the credit risk of counterparties with which, or the brokers and dealers and exchanges through which, it deals, whether it engages in exchange-traded or OTC transactions. In the case of any insolvency or failure of any such party, a Fund could recover, even in respect of property specifically traceable to it, only a pro rata share of all property available for distribution to all of such party's creditors and/or customers. Such an amount could be less than the amounts owed to a Fund. Municipal securities are subject to the risk that litigation, legislation or other political events, local business or economic conditions, or the bankruptcy of the issuer could have a significant effect on an issuer's ability to make payments of principal and/or interest.
- Risks Related to Mortgage-Backed and Asset-Backed Securities. Most mortgage-backed and asset-backed securities are subject to early repayment of principal, which can be expected to accelerate during periods of declining interest rates and decelerate during periods of rising interest rates. For certain types of asset pools, such as collateralized

mortgage obligations, prepayments may be allocated to one tranche of securities ahead of other tranches, in order to reduce the risk of prepayment for the other tranches. Such repayments can usually be reinvested only at the lower yields then prevailing in the market. Therefore, during periods of declining interest rates, these securities are less likely than other fixed income obligations to appreciate in value and less effective at locking in a particular yield. On the other hand, mortgage-backed and asset-backed securities are subject to substantially the same risk of depreciation during periods of rising interest rates as other fixed income securities.

- Derivative Mortgage-Backed Securities. A Fund may invest in derivative mortgage-backed securities such as principal only (“**POs**”) and interest only (“**IOs**”) mortgage backed securities or inverse floating-rate securities, which are more exposed to mortgage repayments, and which therefore generally involve a greater amount of risk. Small changes in repayments can significantly impact the cash flow and the market value of these securities. The risk of faster than anticipated prepayments can significantly impact the cash flow and the market value of these securities. The risk of faster than anticipated prepayments generally adversely affects IOs, super floaters and premium priced mortgage-backed securities. The risk of slower than anticipated prepayments generally adversely affects POs, floating-rate securities subject to interest rate caps, support tranches and discount priced mortgage-backed securities. In addition, some derivative securities are leveraged such that their exposure (i.e., price sensitivity) to interest rate and/or prepayment risk is magnified. Many derivative instruments are traded not on exchanges but rather through an informal network of banks and dealers that have no obligation to make markets in such instruments. The trading of over-the-counter derivatives subjects a Fund to a variety of risks, including counterparty risk.
- When-Issued, Delayed Delivery and Forward Commitment Transactions. A Fund may purchase or sell securities on a when-issued, delayed delivery, or forward commitment basis. Typically, no income will accrue on securities a Fund has committed to purchase prior to the time delivery of the securities is made, although a Fund may earn income on securities it has segregated or "earmarked." When purchasing a security on a when-issued, delayed delivery, or forward commitment basis, a Fund assumes the rights and risks of ownership of the security, including the risk of price and yield fluctuations, and takes such fluctuations into account when determining its net asset value. Because a Fund is not required to pay for the security until the delivery date, these risks are in addition to the risks associated with a Fund's other investments. If the other party to a transaction fails to deliver the securities, a Fund could miss a favorable price or yield opportunity. If a Fund remains substantially fully invested at a time when when-issued, delayed delivery, or forward commitment purchases are outstanding, the purchases represent a form of leverage.
- Derivative Transactions Generally. A Fund may engage in derivative transactions both for hedging purposes and as an alternative to direct investments in the underlying securities. The risks associated with derivative transactions are potentially greater than those associated with the direct purchase or sale of the underlying securities because of the additional complexity and potential for leverage. In addition, derivatives, in general, create credit risk (the risk that a counterparty on a derivative transaction will not fulfill its

contractual obligations), as well as legal, operations, reputation and other risks beyond those associated with the direct purchase or sale of the underlying securities to which their values are related.

- Corporate Debt Securities. The market values of corporate debt securities are sensitive to individual corporate developments and changes in economic conditions. Investments by a Fund in debt securities will focus on issuers with high credit ratings. Such investments are nonetheless subject to the risk of an issuer's inability to meet principal and interest payment obligations. Any such failure or refusal, whether due to insolvency, bankruptcy or other causes, could subject a Fund to substantial losses. A Fund is also exposed to the credit risk of the counterparties with which, or the brokers and dealers and exchanges through which, they deal, whether they engage in exchange-traded or OTC transactions. In the case of any insolvency or failure of any such party, a Fund might recover, even in respect of property specifically traceable to it, only a pro rata share of all property available for distribution to all of such party's creditors and/or customers. Such an amount is likely to be less than the amounts owed to a Fund.
- Special Risks Associated with Futures Trading
 - *Price Volatility.* Futures contracts have a high degree of price variability and are subject to periodic rapid and substantial changes. Price movements for futures contracts which a Fund will trade are likely to be influenced by, among other things, changing supply and demand relationships, government, trade, fiscal and economic events and changes in interest rates. Governments from time to time intervene, directly and through regulation, in certain markets, often with the intent to influence prices directly. Consequently, substantial losses could occur.
 - *Futures Markets are Leveraged and Speculative.* The markets in which a Fund will trade are speculative, highly leveraged and involve a high degree of risk. Volatility increases risk, particularly when trading with leverage. Trading on a leveraged basis even in stable markets involves risk; doing so in volatile markets necessarily involves a substantial risk of sudden, significant losses. Market volatility and leverage mean that a Fund could incur substantial losses, potentially impairing its equity base and ability to achieve its long-term profit objectives even if favorable market conditions subsequently develop.
 - *Illiquidity of Markets.* Futures positions cannot always be liquidated at the desired price. It is difficult to execute a trade at a specific price when there is a relatively small volume of buy and sell orders in a market. A market disruption, such as when governments take or are subject to political actions which disrupt the markets in their currency or major exports, can also affect the liquidity of the futures markets thereby making it difficult to liquidate a position.
 - *Trading in Currencies.* A Fund is exposed in the interbank market to risks associated with any government or market action that might suspend or restrict trading or otherwise render illiquid, in whole or in part, a Fund's position. A Fund will trade

currencies and financial instruments only in interbank and forward contract markets which Karya believes to be well-established and of recognized standing. Karya will only trade with banks, brokers, dealers, financial institutions and other market participants that Karya believes to be creditworthy.

- *Speculative Position Limits.* Certain regulatory agencies and exchanges have established limits referred to as “speculative position limits” on the maximum net long or net short positions that any person holds or controls in particular commodities. All commodity accounts owned, held, controlled or managed by Karya and its principals and affiliates, including accounts of other clients for which Karya acts as commodity trading advisor, will be combined for position limit purposes with a Fund’s positions. While Karya presently believes that established position limits would not adversely affect the Karya’s trading decisions, it is possible that trading decisions of Karya may have to be modified and that positions held by a Fund could have to be liquidated to avoid exceeding such limits.
- *No Intrinsic Value of Positions.* Futures trading is a risk transfer economic activity. For every gain there is an equal and offsetting loss rather than an opportunity to participate over time in general economic growth. Unlike most alternative investments, an investment in a Fund does not involve acquiring any asset with intrinsic value. Overall stock and bond prices could rise or fall significantly and the economy as a whole could prosper or falter without regard to whether a Fund trades profitably or unprofitably.
- *Daily Price Fluctuation Limits.* U.S. commodity exchanges may limit fluctuations in futures contracts prices during a single day by regulations referred to as “daily price fluctuation limits” or “daily limits.” During a single trading day, no trades can be executed at prices beyond the daily limit. Once the price of a particular commodity futures contract has increased or decreased to the limit point, positions in the commodity futures contract can be neither established nor liquidated unless traders are willing to effect trades at or within the limit. Futures prices have occasionally moved the daily limit for several consecutive days with little or no trading. Similar occurrences could prevent a Fund from promptly liquidating unfavorable positions and subject it to substantial losses which could exceed the margin initially committed to such trades.
- Repurchase Agreements and Reverse Repurchase Agreements. A Fund may enter into repurchase and reverse repurchase agreements. Repurchase agreements entail the purchase of a security from a bank or broker-dealer that agrees to repurchase the security at a Fund’s cost plus interest within a specified time. If the party agreeing to repurchase should default, as a result of bankruptcy or otherwise, a Fund may seek to sell the securities which it holds, which action could involve costs or delays in addition to a loss on the securities if their value should fall below their repurchase price. If the seller becomes insolvent and subject to liquidation or reorganization under applicable bankruptcy or other laws, Karya’s ability to dispose of the underlying securities may be restricted. Similarly, the entering into of reverse repurchase agreements involves certain risks. A reverse repurchase agreement involves the sale of a security by a Fund and its agreement to repurchase the security at a specified time

and price. Under a reverse repurchase agreement, a Fund continues to receive any principal and interest payments on the underlying financial instrument during the term of the Agreement.

- Options Trading. A Fund's trading will include the trading of options contracts. An option gives the purchaser of the option the right but not the obligation to take a position at a specified price (the "striking," "strike" or "exercise" price) in a financial instrument. A "call" option gives the purchaser the right to buy the underlying financial instrument, and the purchaser of a "put" option acquires the right to take a sell position in the underlying financial instrument. Both the purchasing and selling of call and put options entail risks. Although an option buyer's risk is limited to the amount of the original investment for the purchase of the option, an investment in an option may be subject to greater fluctuation than is an investment in the underlying financial instruments. In theory, an uncovered call writer's loss is potentially unlimited, but in practice the loss is limited by the term of existence of the call. The risk for a writer of a put option is that the price of the underlying financial instrument may fall below the exercise price.
- Interest Rate Risk. A Fund is subject to interest rate risk. Generally, the value of fixed income securities will change inversely with changes in interest rates. As interest rates rise, the market value of fixed income securities tends to decrease. Conversely, as interest rates fall, the market value of fixed income securities tends to increase. This risk will be greater for long-term securities than for short-term securities in which a Fund invests.
- Currency and Exchange Rate Risks. A Fund is exposed in the interbank market to risks associated with any government or market action that might suspend or restrict trading or otherwise render illiquid, in whole or in part, its position. As a Fund invests in financial instruments denominated or quoted in currencies other than the U.S. Dollar, changes in currency exchange rates will affect the value of the Fund's investments and the unrealized appreciation or depreciation of such investments. The value of the assets of the Fund as measured in U.S. Dollars would be adversely affected by devaluations in foreign currencies. Further, to the extent income from the Fund's financial instruments is received or realized in currencies other than the U.S. Dollar, the Fund will incur higher brokerage commissions in connection with conversions between currencies as brokers are subject to risks during the conversion process. The Fund will trade currencies and financial instruments only in interbank and forward contract markets which Karya believes to be well-established and of recognized standing, and Karya effects such trades only with banks, brokers, dealers, financial institutions and other market participants which Karya believes to be creditworthy. A Fund may seek to protect the value of some portion or all of its portfolio holdings against currency risks by engaging in hedging transactions, if available, cost-effective and practicable. A Fund may enter into forward contracts on currencies as well as purchase put and call options on currencies. There is no certainty that instruments suitable for hedging currency shifts will be available at the time the Fund wishes to use them or that, even if available, the Fund will elect to utilize a hedging strategy as these transactions involve certain special risks.

- Use of Swap Agreements. A Fund may use swap agreements. The use of swaps is a highly specialized activity that involves investment techniques and risks different from those associated with ordinary investment transactions. Interest rate swaps, for example, do not typically involve the delivery of financial instruments, other underlying assets or principal. Accordingly, the market risk of loss with respect to an interest rate swap is often limited to the amount of interest payments that a Fund is contractually obligated to make on a net basis. If the other party to an interest rate swap defaults, a Fund's risk of loss is the amount of interest payments that it is contractually entitled to receive on a net basis. However, where swap agreements require one party's payments to be "up-front" and timed differently than the other party's payments (such as is often the case with currency swaps), the entire principal value of the swap is subject to the risk that the other party to the swap will default on its contractual delivery obligations. If there is a default by the counterparty, a Fund may have contractual remedies pursuant to the agreements related to the transaction. The investment performance of a Fund, however, would be adversely affected by the use of swaps if Karya's forecasts of market values, interest rates or currency exchange rates are inaccurate.
- Leverage. A Fund, from time to time, employs leverage, both for speculative and hedging purposes, in a wide variety of ways, including but not limited to purchasing instruments with borrowed funds, investing and trading in futures contracts, options on futures, options on securities, forward contracts, swaps and other derivative instruments, as well as short selling. A Fund may borrow funds from brokerage firms, including the prime brokers and banks, in order to increase the amount of capital available for investment. Consequently, the level of interest rates, generally, and the rates at which a Fund can borrow, in particular, will affect the operating results of a Fund. In addition, a Fund may in effect borrow funds through entering into repurchase agreements, mortgage dollar rolls, and sale-buybacks, and may "leverage" investment returns with options, commodity interests, total return swaps, forwards and other derivative instruments.
- Equity Index Futures. The price of equity index futures contracts may not correlate perfectly with the movement in the underlying equity index because of certain market distortions. First, all participants in the futures market are subject to margin deposit and maintenance requirements. Rather than meeting additional margin deposit requirements, investors may close futures contracts through offsetting transactions that would distort the normal relationship between the index and futures markets. Second, from the point of view of speculators, the deposit requirements in the futures market are less onerous than margin requirements in the securities market. Therefore, increased participation by speculators in the futures market also may cause temporary price distortions. Successful use of equity index futures contracts by Karya also is subject to Karya's ability to correctly predict movements in the direction of the market.
- Equity Securities; Security Futures. For hedging purposes, a Fund may invest in equity securities and futures on equity securities. Security futures contracts include both futures contracts on single stocks and futures contracts on narrow-based securities indices. They are treated as both futures and securities and, therefore, are subject to the joint jurisdiction of the SEC and the CFTC. Security futures contracts are subject to the same risks as other equity

securities (which include company, industry and general economic risks), as well as to the greater volatility and risks of futures trading.

- Data Security and Disaster Recovery. Karya relies on information technology and data management systems, which can fail or be subject to interruption or destruction caused by natural or man-made occurrences such as earthquakes, floods, fire, extreme weather, power loss, telecommunications failures, terrorist attacks, hacking, break-ins, sabotage, intentional acts of destruction, vandalism, or similar events or misconduct. In order to mitigate those risks Karya maintains information security and disaster recovery procedures that outline steps Karya will take to prevent or mitigate damage if such event occurs. However, such measures cannot provide absolute security and any failure, interruption, or destruction of the information technology systems or data could materially and adversely impact a Fund. In addition, a breach in the security of the systems could result in the theft, disclosure, or loss of investor, proprietary, and other sensitive information relating to Karya and/or a Fund, which in turn could lead to litigation in which the Fund could incur liability. Furthermore, the ever-changing methods and technologies used to obtain unauthorized access to systems often are not known until used against a potential target. Therefore, Karya may be unable to anticipate the destructive or invasive methods and technologies that could be used against its systems or to implement adequate protections.

The foregoing is a summary of the material risks involved in Karya's investment strategies. Further discussion of risk factors related to the Funds is presented in each Fund's Memorandum, which is available to current investors in such Fund and prospective investors with whom Karya or its agents have a pre-existing substantive relationship.

ITEM 9 – DISCIPLINARY INFORMATION

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to an investor's evaluation of the investment adviser or the integrity of the investment adviser's management. Karya has no disclosures to make in this regard about any of its management persons or employees. With respect to Karya, on October 24, 2013, the Chicago Mercantile Exchange Inc.'s ("CME") Business Conduct Committee found that on (i) February 1, 2013 Karya violated CME Rule 562 (Position Limit Violations) by exceeding by 5% the position limits on an aggregate intraday basis with respect to the March 2013 Nikkei futures contracts held by Karya, (ii) on April 8, 2013 Karya violated Rule 562 by exceeding by approximately 1% the position limits with respect to June 2013 Nikkei futures contracts held by Karya and (iii) on April 9, 2013 Karya violated Rule 562 by exceeding by approximately 5% the position limits on an aggregate intraday basis with respect to June 2013 Nikkei futures contracts held by Karya. A Notice of Disciplinary Action was issued by the CME on October 24, 2013 in which Karya, without admitting nor denying the violations, accepted the CME's settlement offer. Karya paid in full a combined fine of \$40,000 in connection with all violations and disgorgement of \$166,325 in connection with the February 1, 2013 intraday violation.

ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Karya is a registered commodity pool operator and commodity trading advisor with the Commodity Futures Trading Commission, and a member of the National Futures Association. In addition, one or more of Karya's Employees are registered as associated persons with the National Futures Association.

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

Karya has adopted a Code of Ethics (the "Code") which sets forth the ethical and fiduciary principles and related compliance requirements under which Karya operates and the procedures for implementing those principles. The Code includes provisions that govern fiduciary duty, client opportunities, insider trading, personal trading, gifts and entertainment, political contributions, outside business activities and confidentiality.

The principals and employees (collectively, "Employees") of Karya and their related accounts are permitted to maintain personal securities accounts provided that such accounts are disclosed to Karya and that any personal trading is consistent with applicable law and with the Code.

Under the Code, Employees are only permitted to invest in certain financial instruments subject to prior written pre-clearance by the Chief Compliance Officer. Subject to compliance with the Code, Employees can buy, sell or hold, for their own respective personal or proprietary trading accounts, all other securities and commodities that Karya can also buy, sell or hold for Clients. However, due to the liquid nature and availability of such securities and commodities, Employee trading in such securities should not present material conflicts of interest.

The Code also contains policies and procedures that, among other things:

- prohibit Employees from taking personal advantage of opportunities belonging to Clients,
- prohibit trading on the basis of material nonpublic information, and
- place limitations on personal trading by Employees and impose preclearance and reporting obligations with respect to trading.

Karya's Code is available to any Client or prospective client upon request by contacting Laura Pentimone, Karya's Chief Compliance Officer, at (212) 201-1966.

From time to time, Karya, consistent with Clients' investment objectives and in accordance with applicable law, causes accounts it manages to effect, and will recommend to Advisory Clients or prospective clients, the purchase or sale of securities or commodities in which Karya or its related persons, directly or indirectly, have a position or interest. The liquid nature and availability of such securities or commodities does not present any potential material conflict of interest. Please see Item 12.

Karya and its related persons do not engage in principal transactions with Advisory Client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account, buys from or sells any security to any advisory client.

ITEM 12 – BROKERAGE PRACTICES

Karya has complete discretion in deciding what brokers and dealers (collectively, the “Brokers”) a Client will use and in negotiating rates of brokerage compensation. The exact amount of brokerage and related transaction costs that will be incurred by a Client will depend upon a number of factors, including the nature and frequency of the market opportunities presented, the size of the transactions, and the transaction rates in effect from time to time.

Best Execution

In choosing Brokers, Karya is not required to consider any particular criteria. For the most part, Karya will seek the best combination of brokerage expenses and execution quality but, as discussed below, Karya is not required to select the Broker that charges the lowest transaction cost. While trade price is often a significant quantitative factor in best execution, Karya also evaluates qualitative execution factors, such as research capabilities, success of prior research recommendations, ability to execute trades, nature and frequency of sales coverage, depth of services provided, including back office and processing capabilities, financial stability and responsibility, reputation, commission rates, markups and markdowns, responsiveness to the Firm and the value of research and brokerage products and services provided by such brokers. The determinative factor is not the lowest possible commission cost alone.

Karya maintains a list of approved brokers (the “Approved Broker List”) that are used to execute trades on behalf of Clients. Karya’s Best Execution Committee periodically reviews the execution quality of the brokers on the Approved Broker List and, based upon such review, will add or delete brokers at any time as it deems appropriate. All trades for Clients will be executed through a broker on such list. Prior to executing a trade through a broker that is not on the Approved Broker List, the trader must obtain approval from the Chief Compliance Officer. If a trader would like to add a broker to the Approved Broker List, he or she must contact the Chief Compliance Officer, who will undertake such due diligence as he or she deems appropriate on the broker prior to adding the broker to the list.

Soft Dollars

Karya does not receive any “soft dollar” services or products provided by the Brokers or paid for by the Brokers (either by direct payment or reimbursement or by commissions, mark-ups or credits or by any other means) and provided by others.

Aggregation and Allocation of Orders

From time to time, it will be appropriate for more than one of Karya’s Clients to trade in the same securities or commodities at the same time. Karya will aggregate sale and purchase orders of securities or commodities held by a Client with similar orders being made simultaneously for

other accounts or entities, if, in Karya's reasonable judgment, such aggregation is reasonably likely to result in an overall economic benefit to a Client based on an evaluation that a Client is benefited by relatively better purchase or sale prices, lower commission expenses or beneficial timing of transactions, or a combination of these and other factors. Proprietary and Employee accounts, including a managed account owned by Karya's CIO, will also be aggregated with Client transactions when particular securities or commodities are bought and sold. Allocations to Client, proprietary or Employee accounts are made on a trade-by-trade basis pursuant to a pre-determined pro-rata allocation methodology based on the amount of assets in each account. Exceptions to the pre-determined allocation methodology are made based on the following factors, among others: investment objectives and restrictions; risk-management requirements; adherence to any limits as defined in a particular account's investment guidelines; capital availability in each account for trades of the type under consideration; liquidity/availability of securities or commodities (typically there is sufficient liquidity and depth in the market); and eligibility to participate in the transaction. Transaction costs are borne in proportion to the amount of securities or commodities purchased or sold.

If an order for securities or commodities is only partially filled on the date of placement, that portion of the order that has been filled will be allocated to all participating accounts in the same manner that the entire order would have been allocated. Exceptions may be made to allocation of partially filled orders for transactions in securities or commodities in a situation in which pro rata allocation would result in de minimis positions that would not be meaningful, such as an odd lot.

Although Karya's goal is to be fundamentally fair on an overall basis with respect to all Clients, there can be no assurance that on a trade-by-trade basis that one Client will not be treated differently from another. If Karya did not manage multiple Client accounts each Client individually may be able to receive or sell a greater percentage of all securities or commodities purchased or sold. Consequently, when multiple Clients participate in limited opportunity trades, each participating account reduces the opportunity available to other participating accounts. Furthermore, if proprietary and Employee accounts, including a managed account owned by Karya's CIO, participate in limited opportunity trades, they will reduce the opportunity available to Clients. Consequently, if proprietary or Employee accounts, including a managed account owned by Karya's CIO, were not to participate in such limited opportunities, Clients would be able to receive or sell a greater percentage of such opportunities. Karya expects these conflicts of interest to arise infrequently because generally the securities and commodities that Karya invests in for Client account are liquid and readily available instruments.

ITEM 13 – REVIEW OF ACCOUNTS

Client accounts are generally reviewed on a daily basis by the Chief Investment Officer of Karya to ensure that investment objectives are adhered to and portfolios are rebalanced as necessary.

Investors in the Funds generally are provided with written unaudited monthly statements of their account from the administrator to the Fund and annually receive audited financial statements.

ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION

From time to time Karya pays brokers, finders or other third parties fees or similar compensation in connection with the referral of investors to the Funds. Investors in the Funds do not pay higher advisory fees based on these relationships.

Karya does not receive any economic benefit for providing advice to its Clients from anyone other than its Clients.

ITEM 15 – CUSTODY

Karya does not have actual custody of any Advisory Client assets under Rule 206(4)-2 of the Advisers Act. Nonetheless, Karya is deemed to have custody of the assets of the Funds. In accordance with Rule 206(4)-2 of the Advisers Act, Karya maintains the assets of the Funds with qualified custodians and audited financial statements are furnished annually to all investors in the Funds. Investors are urged to carefully review all account statements and contact Karya if they have any questions. With respect to Separate Account Clients, Karya maintains Separate Account Client assets with a qualified custodian that sends quarterly account statements to the Separate Account Clients. Karya is subject to an annual surprise examination and sends to Separate Account Clients copies of any invoices it sends to the qualified custodian for deduction of fees from a Separate Account Client account. Separate Account Clients are urged to carefully review all statements and contact Karya if they have any questions.

ITEM 16 – INVESTMENT DISCRETION

Consistent with an Advisory Client's investment objectives, Karya has authority, without obtaining specific Client consent, to determine the types and amounts of securities to be bought and sold. Limitations on Karya's authority are imposed by the investment strategies and objectives of its Advisory Clients. See Item 4.

ITEM 17 – VOTING CLIENT SECURITIES

Karya does not assume proxy voting authority on behalf of Advisory Clients.

ITEM 18 – FINANCIAL INFORMATION

Karya has no financial condition that impairs its ability to meet contractual commitments to Clients, and has not been the subject of a bankruptcy proceeding.