

# HARBOR BRIDGE CAPITAL MANAGEMENT LP

## FORM ADV PART 2A: FIRM BROCHURE

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This brochure provides information about the qualifications and business practices of Harbor Bridge Capital Management LP or If you have any questions regarding the contents of this brochure, please contact us at: (212) 583-8405 or via email, [mike@harborbridgeem.com](mailto:mike@harborbridgeem.com).

The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority. Registration with the SEC or any state securities authority does not imply a certain level of skill or training.

Additional information about Harbor Bridge can also be found on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 – Material Changes**

This amendment is made in connection with Harbor Bridge’s annual updating requirement for 2014. Harbor Bridge’s business has not materially changed since its last annual amendment, and, therefore, this brochure contains no material changes.

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#### **Item 4 – Advisory Business**

Harbor Bridge Capital Management LP (“Harbor Bridge” or “the Adviser” ) is a Delaware limited partnership formed in December 2010 for the purpose of acting as Adviser for Harbor Bridge Master Fund L.P. (the “Master Fund”), Harbor Bridge Emerging Markets LP (the “Onshore Fund”) and Harbor Bridge Emerging Markets Ltd. (the “Offshore Fund”), (collectively, “the Funds”). The Funds began investing on May 1, 2011 (the “Launch Date”). Harbor Bridge only provides investment management services to sophisticated investors through the Funds or separate accounts (“SMAs”), collectively “the Clients.” SMAs may be structured as pooled vehicles or individual accounts. An affiliate, Harbor Bridge Associates LLC (“HBA”), serves as general partner (“GP”) for the Master Fund and the Onshore Fund. HBCM LLC (“HBCM”) serves as the general partner of the Adviser.

The Adviser was founded by Michael Perl. He is the portfolio manager and principal owner of Harbor Bridge, HBCM and HBA.

Harbor Bridge may tailor its advisory services to the individual needs of separate account clients as requested. SMAs may impose investment restrictions with regard to investing in certain types of securities. Generally, Harbor Bridge aims to manage accounts *pari-passu*. With respect to the Funds, Harbor Bridge does not typically tailor its advisory services to the individual needs of investors in the Funds; accordingly, it typically does not accept material investment restrictions imposed by such Fund investors.

The Funds are neither registered under the Securities Act of 1933, as amended (the “Securities Act”), nor registered under the Investment Company Act of 1940, as amended. Accordingly, interests in the funds are offered exclusively to investors satisfying the applicable eligibility and suitability requirements either in private placement transactions within the United States or in offshore transactions. No offer to sell interests in these Funds is made by the descriptions in this Brochure. Please see Item 7 of this Brochure for more information with respect to Harbor Bridge’s clients.

As of December 31, 2013, Harbor Bridge managed \$300,590,650 in regulatory assets on a discretionary basis. Harbor Bridge does not manage assets on a non-discretionary basis.

#### **Item 5 – Fees and Compensation**

The Funds and SMAs pay Harbor Bridge management fees (the “Asset-Based Charges and Payments”) monthly in advance. For the Funds, the fees are generally 1.75% annually based on the value of each limited partner’s capital account plus an annual performance allocation of 20% of the net profits (including net unrealized gains) as of the end of a fiscal year (after deducting all expenses) allocated to an investor, subject to a loss carryforward provision. If an investor withdraws (in whole or in part) at any time other than at the end of the fiscal year, a performance-based fee will be charged, if earned, with respect to such withdrawal.

SMAs pay Asset-Based Charges and Payments monthly in advance (or during that month) and incentive fees annually or upon withdrawals.

Lower Asset-Based Charges and Payments were offered to initial investors when the Adviser first launched and referred to herein as the “Founder’s Class”.

Harbor Bridge's fees are generally deducted from the Funds by the administrator or the SMA upon Harbor Bridge's instructions.

Harbor Bridge may waive or reduce the fixed fee and/or performance-based compensation for investors that are members, principals, or employees or affiliates of Harbor Bridge or relatives of such persons.

As more fully described in the Funds' Offering Documents, the Funds are responsible for various expenses including, but not limited to, legal expenses, premiums for GP and Adviser liability insurance, audit and tax fees, administration and accounting expenses (including third party accounting services), organizational expenses, investment expenses such as commissions, research fees and related travel expenses, custodial fees, bank service fees, fees and expenses relating to software tools and programs or other technology used in managing the Funds, and any other expenses related to the purchase, sale or transmittal of Fund assets.

See Item 12, Brokerage Practices for a detailed discussion of Harbor Bridge's brokerage practices.

Neither Harbor Bridge nor its officers or employees accept compensation for the sale of securities or other investment products.

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

HBA receives performance-based compensation of 20% of annual net profits of the Funds. Harbor Bridge is not faced with the potential conflict of interest that may arise when an investment adviser receives differing performance-based compensation from clients given that the performance fees are the same for all Clients.

A performance-based fee may create an incentive for Harbor Bridge to make investments on behalf of the Funds that are riskier or more speculative than would be the case in the absence of such compensation. In addition, the performance based compensation received by Harbor Bridge is based primarily on realized and unrealized gains and losses. As a result, Harbor Bridge may receive a performance allocation reflecting unrealized gains at the end of a year that is not subsequently recognized by the Funds.

#### **Item 7 – Types of Clients**

As noted in Item 4, Advisory Business, Harbor Bridge provides investment advisory services to the Funds and SMAs. Currently, there is one SMA where Harbor Bridge serves as the sub-advisor to a private fund.

The underlying investors in the Funds, while not considered clients of Harbor Bridge under the Investment Advisers Act of 1940, as amended, are persons that are both "accredited investors" within the meaning of Regulation D of the Securities Act, and "qualified purchasers" as defined in Section 2(a)(51)(A) of the Investment Company Act of 1940, as amended (the "Investment Company Act").

The minimum investment in the Funds is \$5,000,000/\$1,000,000 subject to waiver at the discretion of the Adviser.

Each underlying investor in the Funds is required to complete subscription agreements and other offering documents, which sets forth the specific provisions relating to the operations of the Funds.

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

### **Strategy**

The Adviser follows a long/short investment strategy in a portfolio comprised primarily of emerging market equity securities. In addition, the Adviser views currency as having an influential role on equity performance and as such, manages this exposure as well as taking outright positions in currencies from time to time. The Adviser generally defines emerging markets as the developing economies of Asia (ex-Japan), Latin America, Eastern Europe and Africa. The Adviser may also invest in other countries, including Canada, France, Germany, Great Britain, Italy, Japan and the United States, where such investments relate, in the view of the Adviser, to the Adviser's emerging market investment strategy. The Adviser will employ a fundamental approach to stock-picking in conjunction with comprehensive macroeconomic analysis. This two-pronged approach is designed to identify attractive investment opportunities and manage portfolio risk amid changes in global macroeconomic conditions and investor appetites for emerging market exposure.

The Adviser is driven by "bottom-up" fundamentals, and believes that there are three distinguishing considerations essential to successful investment in emerging markets. They are: i) the importance of cash as a hedging tool ahead of and during market turmoil. During periods of high correlation, gross exposure is often as important as net exposure; ii) the importance of factors other than company fundamentals (e.g., interest rate markets, currency, flows, etc.) in driving stocks at certain times; and iii) the importance of taking a longer term perspective. The Adviser seeks to look beyond the short term; however, this often requires the ability to withstand security price fluctuation.

Harbor Bridge's investment philosophy is expressed through qualitative assessment of top-down macroeconomic views as well as bottom-up microeconomic fundamentals. The Adviser will evaluate security price deviations from fair value, historical norms and investor sentiment through models as well as on a qualitative basis. When choosing investments, the Adviser intends to focus, among other things, on the market price of a company's securities relative to the Adviser's evaluation of the company's long-term earnings and cash flow potential and the Adviser's macroeconomic view of the particular country, including foreign currency exposure.

Investments are generally liquid with substantially all of the capital invested in instruments that the Adviser believes can be readily liquidated. The Adviser will generally invest in various regions and in different sectors to provide diversification of risk. The strategies employed may be directional or may seek to capture the relative value between two or more securities.

### **Types of Investments**

The Adviser expects to invest primarily in common stocks, preferred stocks, convertible securities and depositary receipts. The Adviser also may invest in derivative instruments and currencies. The capital of the Adviser will be allocated to those assets that the Adviser believes represent the most favorable risk reward profile at the time of allocation.

The Adviser recognizes that corporate disclosure of relevant financial data in many foreign jurisdictions is less comprehensive than in the United States. This fact will require the Adviser to make frequent onsite visits to portfolio companies and candidates for investment, their competitors, local research firms and government agencies, in addition to following industry trends to monitor the progress of each portfolio company and candidate for investment.

Performance should not be expected to track the various market indices (e.g., MSCI, FT) and the Adviser will not attempt to track these indices over any given time period. The Adviser's returns may be more volatile than the indices. However, the Adviser believes that strict adherence to valuation disciplines should mitigate such risks to the Adviser.

## **Risk Management**

Harbor Bridge expects to maintain a disciplined approach to risk management. The Adviser defines risk not as volatility, but as a permanent loss of capital. However, the Adviser acknowledges that there are times of risk aversion where all markets become highly correlated. At such times, managing gross risk is as important as net exposure such that the use of cash is the optimal hedging tool. Harbor Bridge has in-house triggers to prompt reassessment of positions and complete portfolio reassessments during draw downs. In addition, Harbor Bridge expects to continue monitoring sector and country correlations on an ongoing basis.

## **Risks Relating to the Investment Program/Strategy**

### *Risks of Investments in Securities*

All investments made by Harbor Bridge will carry the risk of loss of capital that investors must be prepared to bear. No guarantee or representation is made that Harbor Bridge's program will be successful. Harbor Bridge's investment program will involve, without limitation, risks associated with limited diversification, leverage, interest rates, currencies, volatility, tracking risks in hedged positions, security borrowing risks in short sales, credit deterioration or default risks, systems risks and other risks inherent in the Adviser's activities. In addition, Harbor Bridge's investment may be materially affected by conditions in the financial markets and overall economic conditions occurring globally and in particular countries or markets where Harbor Bridge invests its assets. Harbor Bridge's methods of minimizing such risks may not effectively hedge against future risk exposures. Risk management techniques are based in part on the observation of historical market behavior, which may not predict market divergences that are larger than historical indicators. Also, information used to manage risks may not be accurate, complete or current, and such information may be misinterpreted.

### *Leverage and Borrowing Risks.*

The Adviser has the power to borrow funds and may do so when deemed appropriate to enhance Client returns. The Adviser may borrow funds to cover capital calls or to leverage the portfolio. Leverage will result in interest expense and other costs incurred in connection with such borrowings that may not be covered by the net interest income, dividends and appreciation of Adviser investments. The use of leverage generally magnifies the Adviser's opportunities for gain and risk of loss. In addition, since the income that the Adviser will receive from its investments will primarily be denominated in the local

currency of investment, there is a risk of loss of capital, including risk amounting to default, associated with incurring debt denominated in U.S. dollars.

#### *Investments in Emerging Markets*

Investments in emerging markets involve a greater degree of risk than investing in developed countries. Among other things, emerging market investments may be subject to the following risks: less publicly available information; more volatile markets and unstable market conditions, changes in interest rates, availability of credit; less liquidity or available credit; uncertainty in enforceability of documents; changes in local laws and regulations (including nationalization of industries); political or economic instability (including wars, terrorist acts or security operations); the relatively small size of the securities markets in such countries and the low volume of trading and less strict securities market regulation; price controls and other restrictive governmental actions; changes in or non-approval of tariffs or other fees or rates charged, other serious adverse economic developments; unstable currency; expropriation of property; fluctuations in the rate of exchange between currencies, non-convertibility of currencies which can result in the inability to repatriate funds, costs associated with currency conversion; and certain government policies that may restrict the Client's investment opportunities. The foregoing may result in lack of liquidity and in price volatility. The economies of emerging markets may differ favorably or unfavorably from the economy of developed countries in such respects as growth of gross domestic product, currency depreciation, asset reinvestment, resource self-sufficiency and balance of payments position. In addition, many emerging market countries have their own history of default on external debt when their economies experience a downturn. These risks of sovereign default could adversely affect the value of Client portfolios. Further, emerging markets are generally heavily dependent upon international trade and, accordingly, have been and may continue to be adversely affected by trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which they trade. The economies of certain emerging markets may be based predominantly on only a few industries and may be vulnerable to changes in trade conditions and may have higher levels of debt. Companies in emerging countries are generally subject to less stringent and less uniform accounting, auditing and financial reporting standards, practices and disclosure requirements than those applicable to companies in developed countries. In particular, valuation of assets, depreciation, exchange differences, contingent liabilities and consolidation may be treated differently from accounting standards in more developed countries. Consequently, there is less publicly available information about an emerging country company than about a company in a developed market. Furthermore, the quality and reliability of official data published by the government or securities exchanges in emerging markets may not accurately reflect the statistics being reported.

Certain issuers located in emerging markets, such as banks and other financial institutions, may be subject to less stringent regulations than would be the case for issuers in developed countries and, therefore, investments in these entities potentially carry greater risk. In addition, investment opportunities in certain emerging markets may be restricted by legal limits on foreign investment in local securities or restrictions on the ability to convert currency or to take currencies out of certain countries. In emerging markets, there is often less governmental supervision and regulation of business and industry practices, stock exchanges, over-the-counter markets, brokers, dealers, counterparties and issuers than in other more established markets. Any regulatory supervision which is in place may be subject to manipulation or control. Some emerging market countries do not have mature legal systems



comparable to those of more developed countries. Moreover, the process of legal and regulatory reform may not be proceeding at the same pace as market developments, which could result in investment risk. Legislation to safeguard the rights of private ownership may not yet be in place in certain areas, and there may be the risk of conflict among local, regional and national requirements. In certain cases, the laws and regulations governing investments in securities may not exist or may be subject to inconsistent or arbitrary appreciation or interpretation. Both the independence of judicial systems and their immunity from economic, political or nationalistic influences remain largely untested in many countries. The Adviser may also encounter difficulties in pursuing legal remedies or in obtaining and enforcing judgments in non-U.S. courts.

#### *Taxation in Emerging Market Countries.*

Taxation of interest, dividends, capital gains, gross sales or disposition proceeds and other income received by non-residents varies among emerging countries and, in some cases, tax rates may be high. In addition, emerging market countries may have less well-defined tax laws and procedures. With respect to certain countries, there is a possibility of expropriation, confiscatory taxation and imposition of withholding or other taxes on dividends, interest, capital gains, gross sales or disposition proceeds or other income. Prospective investors should note that a substantial portion of Clients investments are made in emerging market countries.

#### *Emerging Market Inflation.*

Some countries in which the Adviser may invest have experienced substantial rates of inflation in recent years. Inflation and rapid fluctuations in inflation rates have had, and may in the future have, negative effects on the economies and securities markets of certain emerging economies. There can be no assurance that inflation will not become a serious problem in the future and have an adverse impact on the investments in these countries or the returns from such investments.

#### *Hedging Transactions.*

There can be no assurances that a particular hedge is appropriate, or that certain risk is measured properly. Further, while the Adviser may enter into hedging transactions to seek to reduce risk, such transactions may result in poorer overall performance and increased (rather than reduced) risk for Client portfolios than if the Adviser did not engage in any such hedging transactions.

#### *Portfolio Turnover.*

The Adviser's strategy may involve frequent trading, which may result in higher investment costs and charges to Clients.

#### *Short Selling Risk.*

The Adviser may engage in a significant amount of short selling. Short selling transactions expose Clients to the risk of loss in an amount greater than the initial investment, and such losses can increase rapidly and without effective limit. There is the risk that the securities borrowed in connection with a short sale would need to be returned to the securities lender on short notice. If such request for return of securities occurs at a time when other short sellers of the subject security are receiving similar requests, a "short squeeze" can occur, wherein the Adviser might be compelled, at the most disadvantageous time, to replace the borrowed securities previously sold short with purchases on the open market, possibly at prices significantly in excess of the proceeds received earlier.

*Availability of Investments.*

Certain markets in which the Adviser invests are extremely competitive for attractive investment opportunities and, as a result, there can be no assurance that the Adviser will be able to identify or successfully pursue attractive investment opportunities in such environments.

*Limited Diversification.*

While Client portfolios will generally be managed with diversification, significant concentration in one country, issuer, industry, sector, strategy could occur. Such concentration may increase the losses suffered by Clients.

*Liquidity Risks.*

Under certain market conditions, such as during volatile markets or when trading in a security or market is otherwise impaired, the liquidity of Client portfolio positions may be reduced. During such times, the Adviser may be unable to dispose of certain assets, which would adversely affect the Adviser's ability to rebalance its portfolio or to meet withdrawal requests. In addition, such circumstances may force the Adviser to dispose of assets at reduced prices, thereby adversely affecting the performance. If there are other market participants seeking to dispose of similar assets at the same time, the Adviser may be unable to sell such assets or prevent losses relating to such assets. Furthermore, if Clients incurs substantial trading losses, the need for liquidity could rise sharply while its access to liquidity could be impaired.

*Limitations Due to Regulatory Restrictions.*

In the event the stake in an issuer exceeds certain percentage or value limits, the Adviser may be required to file a notification with a governmental agency, seek regulatory approval or comply with other regulatory requirements. These requirements may result in a delay in, or prohibit, the acquisition of an investment. Compliance with regulatory requirements may result in additional costs to Clients. Such restrictions may also restrict or delay the Adviser's ability to liquidate an investment.

*Currency Exchange Exposure.*

Although the Adviser will acquire securities of non-U.S. issuers and other instruments denominated in non -U.S. currencies, the prices of which are determined with reference to currencies other than the U.S. dollar, the Adviser will value its investments in U.S. dollars. The Adviser may or may not seek to hedge its non-U.S. currency exposure by entering into currency hedging transactions, such as forward contracts, futures contracts and cross-currency swaps. No assurance can be given that instruments suitable for hedging currency or market shifts will be available to the Adviser, or that currency hedging techniques employed by the Adviser will be effective. To the extent unhedged, the value of Client positions in non-U.S. investments will fluctuate with U.S. dollar exchange rates as well as the price changes of the investments in the various local markets and currencies. In such cases, an increase in the value of the U.S. dollar compared to the other currencies in which the Adviser makes its investments will reduce the effect of any increases and magnify the effect of any decreases in the prices of Client's securities in their local markets and may result in a loss to Clients. Conversely, a decrease in the value of the U.S. dollar will have the opposite effect on Client non-U.S. dollar investments.

#### *Highly Volatile Markets.*

Equities and derivative instruments, including, without limitation, futures and option prices, can be highly volatile. Price movements of derivative contracts in which the Adviser portfolio's assets may be invested are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies.

#### *Illiquid Investments.*

The Adviser may invest in securities which are subject to legal or other restrictions on transfer or for which no liquid market exists. The sale of restricted and illiquid securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets. Restricted securities may sell at a price lower than similar securities that are not subject to restrictions on resale.

#### *Nature of Certain Investments.*

There is no limitation on the size or operating experience of the companies in which the Adviser may invest. Some small companies in which the Adviser may invest may lack management depth or the ability to generate internally or obtain externally the funds necessary for growth. Companies with new products or services could sustain significant losses if projected markets do not materialize. Further, such companies may have, or may develop, only a regional market for products or services and may be adversely affected by purely local events. Such companies may be small factors in their industries and may face intense competition from larger companies and entail a greater risk than investment in larger companies.

#### *Off-Exchange Transactions.*

The Adviser may enter into off-exchange transactions, including spot, forward and option contracts. The Adviser may also engage in swap transactions, consisting primarily of an exchange of a fixed price for an average floating price of a set quantity of a particular security or commodity or fixed income instrument over an agreed period of time and even purchase cash securities or commodities if market conditions are believed to be warranted. Off-exchange contracts are not regulated and such contracts are not guaranteed by an exchange or clearing house. Consequently, trading in these contracts is subject to more risks than future or options trading on regulated exchanges, including, but not limited to, the risk that a counterparty will default on an obligation. The counterparties will typically not be required to post collateral. Off-exchange transactions are also subject to legal risks, such as the legal incapacity of a counterparty to enter into a particular contract or the declaration of a class of contracts as being illegal or unenforceable.

### **Risks Relating to Investment Instruments**

#### *General Equity Investments.*

The portfolios includes equity and equity-related securities. Equity securities fluctuate in value in response to many factors, including the activities and financial condition of individual companies, the business market in which individual companies compete and industry market conditions and general

economic environments. For example, beginning in September 2008, world financial markets experienced extraordinary market conditions resulting in extreme volatility in the global equity markets.

*Debt Investments.*

The Adviser may invest in private and government debt securities and instruments. Debt instruments in which the Adviser invests may be unrated, and whether or not rated, the debt instrument may have speculative characteristics.

*Preferred Securities.*

The Adviser may invest in preferred stock of certain companies. Preferred securities are generally subordinate to the rights associated with an issuer's debt securities in terms of priority to corporate income and liquidation payments, and therefore are subject to greater credit risk than more senior debt instruments. Preferred securities may be substantially less liquid than many other securities.

*Depository Receipts.*

The Adviser may purchase sponsored or unsponsored American Depositary Receipts, European Depositary Receipts and Global Depositary Receipts (collectively "Depository Receipts") typically issued by a bank or trust company which evidence ownership of underlying securities issued by a corporation. Generally, Depository Receipts in registered form are designed for use in the U.S. securities market and Depository Receipts in bearer form are designed for use in securities markets outside the U.S. Depository Receipts may not necessarily be denominated in the same currency as the underlying securities into which they may be converted. Depository Receipts may be issued pursuant to sponsored or unsponsored programs. In sponsored programs, an issuer has made arrangements to have its securities trade in the form of Depository Receipts. In unsponsored programs, the issuer may not be directly involved in the creation of the program. Although regulatory requirements with respect to sponsored and unsponsored programs are generally similar, in some cases it may be easier to obtain financial information from an issuer that has participated in the creation of a sponsored program. Accordingly, there may be less information available regarding issuers of securities' underlying unsponsored programs and there may not be a correlation between such information and the market value of the Depository Receipts.

*Derivative Instruments.*

The Adviser may use futures, options, swaps and other derivatives for investment purposes, for efficient portfolio management and to enhance investment performance. The Adviser's ability to use these strategies may be limited by market conditions, regulatory limits and tax considerations. Use of these strategies involves certain special risks, including: (i) dependence on the Adviser's ability to predict movements in the price of securities being hedged and movements in interest rates; (ii) imperfect correlation between movements in the securities or currency on which a futures or options contract is based and movements in the securities or currencies; (iii) the absence of a liquid market for any particular instrument at any particular time; (iv) the risk of non-performance by the counterparty, including risks relating to the financial soundness and creditworthiness of the counterparty (see Section 12 below); (v) possible impediments to effective portfolio management or the ability to meet repurchase requests or other short-term obligations because of the percentage of the Adviser's assets segregated to cover its obligations; and (vi) the degree of leverage inherent in futures trading, i.e., the low margin deposits normally required in futures trading means that futures trading may be highly

leveraged. Accordingly, a relatively small price movement in a futures contract may result in an immediate and substantial loss to the Adviser. These instruments may produce an unusually or unexpectedly high amount of losses. In addition, the Adviser may, in the future, take advantage of opportunities with respect to certain other derivative instruments that are not presently contemplated for use or that are currently not available, but that may be developed, to the extent such opportunities are both consistent with the investment objectives and believed by the Adviser to be legally permissible. Special risks may apply in the future that cannot be determined at this time. The regulatory and tax environment for derivative instruments in which the Adviser may participate is evolving, and changes in the regulation or taxation of such securities may have a material adverse effect. Derivatives are highly specialized instruments that require investment techniques and risk analyses that are often different from those associated with the underlying securities to which they relate. The use of a derivative requires an understanding not only of the underlying instrument but also of the derivative itself, without the benefit of observing the performance of the derivative under all possible market conditions. Liquidity risk exists when a particular derivative is difficult to purchase or sell. If a derivative transaction is particularly large or if the relevant market is illiquid (as may be the case with many privately negotiated derivatives), it may not be possible to initiate a transaction or liquidate a position at an advantageous time or price. Because the markets for certain derivatives are relatively new and still developing, suitable derivatives transactions may not be available in all circumstances. Upon the expiration of a particular contract, the Adviser may wish to retain the Adviser's position in the derivative by entering into a similar contract, but may be unable to do so if the counterparty to the original contract is unwilling to enter into the new contract and no other suitable counterparty can be found. The Adviser's ability to use derivatives may also be limited by certain regulatory and tax considerations. When managing exposure to market risks, the Adviser may from time to time use forward contracts, options, swaps, credit default swaps, caps, collars and floors or pursue other strategies or use other forms of derivative instruments to limit exposure to changes in the relative values of investments that may result from market developments, including changes in prevailing interest rates, currency exchange rates and commodity prices. The success of any hedging or other derivative transactions generally will depend on the ability to correctly predict market changes, the degree of correlation between price movements of a derivative instrument, the position being hedged, the creditworthiness of the counterparty and other factors. As a result, while the Adviser may enter into a transaction in order to reduce exposure to market risks, the transaction may result in poorer overall investment performance than if it had not been executed. Such transactions may also limit the opportunity for gain if the value of a hedged position increases.

#### *Stock Index Options.*

The Adviser may purchase and sell call and put options on stock indices listed on securities exchanges or traded in the over-the-counter market. Successful use by the Adviser of options on stock indices will be subject to the Adviser's ability to correctly predict movements in the direction of the stock market generally or of particular industries or market segments.

#### *Stock Index Futures.*

The price of stock index futures contracts may not correlate perfectly with the movement in the underlying stock index because of certain market distortions. Increased participation by speculators in the futures market may cause price distortions. Successful use of stock index futures contracts by the

Adviser also is subject to the Adviser's ability to correctly predict movements in the direction of the market.

#### *Call Options.*

There are risks associated with the sale and purchase of call options. The seller (writer) of a call option which is covered (e.g., the writer holds the underlying security) assumes the risk of a decline in the market price of the underlying security below the purchase price of the underlying security offset by the gain by the premium received if the option expires out of the money, and gives up the opportunity for gain on the underlying security above the exercise price of the option. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security above the exercise price of the option. The buyer of a call option assumes the risk of losing the premium if the option expires out of the money.

#### *Put Options.*

There are risks associated with the sale and purchase of put options. The seller (writer) of a put option which is covered (e.g., the writer has a short position in the underlying security) assumes the risk of an increase in the market price of the underlying security above the sale price of the short position of the underlying security offset by the premium if the option expires out of the money, and thus the gain in the premium, and the option seller gives up the opportunity for gain on the underlying security below the exercise price of the option. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying security to zero. The buyer of a put option assumes the risk of losing the premium if the option expires out of the money.

#### *Swap Agreements.*

The Adviser may enter into swap agreements. These agreements are individually negotiated and can be structured to include exposure to a variety of different types of investments, asset classes or market factors. Depending on their structure, swap agreements may increase or decrease the Adviser's exposure to, for example, equity securities. Swap agreements can take many different forms and are known by a variety of names. The Adviser is not limited to any particular form of swap agreement if consistent with the investment objective. Whether the Adviser's use of swap agreements will be successful will depend on the Adviser's ability to select appropriate transactions for the Adviser. Swap transactions may be highly illiquid and may increase or decrease the volatility of the Client portfolios. Moreover, Clients bears the risk of loss of the amount expected to be received under a swap agreement in the event of the default or insolvency of its counterparty. Clients will also bear the risk of loss related to swap agreements, for example, for breaches of such agreements or the failure of the Adviser to post or maintain required collateral. Many swap markets are relatively new and still developing. It is possible that developments in the swap markets, including potential government regulation, could adversely affect the Adviser's ability to terminate existing swap transactions or to realize amounts to be received under such transactions.

*Commodity Futures and Options.* Commodity futures markets are highly volatile and are influenced by factors such as changing supply and demand relationships, governmental programs and policies, national and international political and economic events and changes in interest rates. In addition, because of the low margin deposits normally required in commodity futures trading, a high degree of leverage may be typical of a pooled investment vehicle engaging in commodity futures trading. As a

result, a relatively small price movement in a commodity futures contract may result in substantial losses to such a pooled investment vehicle. Commodity options, like commodity futures contracts, are speculative, and their use involves risk. Specific market movements of the cash commodity or futures contract underlying an option cannot be predicted, and no assurance can be given that a liquid offset market will exist for any particular futures option at any particular time.

#### *Exchange-Traded Funds.*

The Adviser may invest in exchange-traded funds ("ETFs"). An ETF trades like common stock and represents a fixed portfolio of securities designed to track a particular market index. The risks of owning an ETF generally reflect the risks of owning the underlying securities they are designed to track, although lack of liquidity in an ETF could result in it being more volatile and ETFs have management fees that increase their costs. ETFs are also subject to other risks, including: (a) the risk that their prices may not correlate perfectly with changes in the underlying index; and (b) the risk of possible trading halts due to market conditions or other reasons that, in the view of the exchange upon which an ETF trades, would make trading in the ETF inadvisable. An exchange-traded sector fund may also be adversely affected by the performance of that specific sector or group of industries on which it is based.

#### *Credit Default Swaps.*

The Adviser may enter into credit default swaps. A credit default swap is a contract between two parties which transfers the credit risk of an entity (the "Reference Entity") for a defined period whereby if there is a Credit Event (as defined below) then the seller of protection pays a predetermined amount to the buyer of protection. A "Credit Event" is commonly defined as the Reference Entity (a) failing to pay principal or interest on time, (b) restructuring its debt, (c) accelerating its debt or (d) entering bankruptcy. The buyer of credit protection pays a premium to the seller of credit protection until the earlier of a Credit Event or the scheduled termination date of the credit default swap. Credit default swaps can be used to implement the Adviser's view that a particular credit, or group of credits, will experience credit improvement. In the case of expected credit improvement, the Adviser may sell credit default protection in which it receives a premium to take on the risk. In such an instance, the obligation of Clients to make payments upon the occurrence of a Credit Event creates leveraged exposure to the credit risk of the referenced entity. The Adviser may also buy credit default protection with respect to a Reference Entity if, in the judgment of the Adviser, there is a high likelihood of credit deterioration. In such instance, Clients will pay a premium regardless of whether there is a Credit Event. The credit default swap market in high-yield securities is comparatively new and rapidly evolving compared to the credit default swap market for more seasoned and liquid investment-grade securities creating the risk that the newer markets will be less liquid and it may be difficult to exit or enter into a particular transaction.

### **Item 9 – Disciplinary Information**

Harbor Bridge has no applicable disciplinary information to disclose.

### **Item 10 – Other Financial Industry Activities and Affiliations**

Harbor Bridge may from time to time enter into additional agreements with certain prospective or existing investors in the Funds or SMAs, whereby such Clients/investors may be granted favorable rights not offered to other Clients/investors. Such rights may include, but not limited to, special rights to make future investments in the Funds; special withdrawal rights; rights to receive reports from Harbor Bridge

on a more frequent basis or that include information not provided to other Clients/investors; and rights to receive reduced fixed fees and/or performance-based fees. The modifications are solely at the discretion of the Adviser and may, among other things, be based on the size of the investor's investment, an agreement by an investor/Client to maintain such investment for a significant period of time, or other similar commitment by an investor/Client.

Harbor Bridge has a strategic investor (the "Charter Investor"), whereby the Charter Investor provided a significant investment to the Master Fund on the Launch Date. In consideration for such investment, the Charter Investor has received certain rights that are in addition to, and more favorable than, the rights of other investors. The Charter Investor will have no ownership in the Adviser or the GP. The Charter Investor will pay full Asset-Based Charges and Payments and incentive allocations, but will also receive a portion of the Asset-Based Charges and Payments and the incentive allocation.

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

Harbor Bridge has adopted a comprehensive Code of Ethics designed to promote high ethical standards and reflect Harbor Bridge's fiduciary duty to the Funds. The Code of Ethics establishes standards of business conduct for all employees and is designed to detect and prevent prohibited acts and mitigate potential conflicts of interest between Harbor Bridge, its employees and the Clients. Harbor Bridge provides training at least annually to all employees with regards to its Code of Ethics.

The Code of Ethics permits employees of Harbor Bridge, including their spouses, minor children, and/or any other person or entity over which the employee exercises control or investment discretion, to engage in personal investing. Harbor Bridge believes it has policies and procedures which effectively address the potential conflict of interest that may exist between Harbor Bridge and its Clients as a result of personal trading activities. Harbor Bridge closely monitors the personal trading of employees, prohibits excessive personal trading and generally requires pre-approval from the Harbor Bridge's Chief Compliance Officer for most personal trades.

The Code of Ethics establishes guidelines for employees with identifying instances when they might be exposed to material non-public information and compliance procedures when they believe they are in possession of material non-public information. Other features of Harbor Bridge's Code of Ethics include:

- annual certification by employees that they have read, understand and agree to abide by Harbor Bridge's Code of Ethics and insider trading policies and procedures;
- a gift and entertainment policy which generally prohibits the giving and receipt of gifts greater than a *de minimis* value; and
- submission of securities transactions and annual securities holdings for each personal account of the employee and their spouse, minor children, and any other person or entity over which the employee exercises control or investment discretion.

Clients may obtain information about the Adviser's Code of Ethics by either calling or emailing Michael O'Brien, Chief Compliance Officer at 212-583-8405 or [mike@harborbridgeem.com](mailto:mike@harborbridgeem.com).



## Item 12 – Brokerage Practices

### Broker Selection

The Adviser retains full discretion to determine the broker or dealer to be used for each securities transaction for Clients. In selecting brokers or dealers to execute transactions, the Adviser is not obligated to solicit competitive bids and is not obligated to seek the lowest available brokerage commissions, mark-ups or other compensation (collectively, "Commissions"). In certain cases, Harbor Bridge may be paying more than "execution only" Commissions in which case Funds may be paying for research, brokerage or other services provided by the broker which are included in the Commissions. In these cases, Harbor Bridge will receive a benefit since Harbor Bridge otherwise would have to produce or pay for the research or other services directly. Harbor Bridge may have a conflict of interest in that it may have an incentive to select brokers or dealers because Harbor Bridge receives research, products or services rather than receiving the most favorable execution. Harbor Bridge believes it has procedures in place to control the risk associated with this conflict of interest which includes performing regular reviews of its brokers to determine that commissions paid are reasonable in relation to the value of the brokerage services received.

In selecting brokers and negotiating commission rates, Harbor Bridge will take into account the financial stability and reputation of brokerage firms, their execution quality and the research, brokerage or other services provided by such brokers. Harbor Bridge may place transactions with a broker or dealer that (i) provides Harbor Bridge with the opportunity to participate in capital introduction events sponsored by the broker-dealer or (ii) refers investors to Funds or other products advised by Harbor Bridge (or an affiliate), if otherwise consistent with seeking best execution provided Harbor Bridge is not selecting the broker-dealer in recognition of the opportunity to participate in such capital introduction events or the referral of investors.

### Section 28(e) Safe Harbor

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. It is Harbor Bridge's policy to only use "soft dollars" to obtain research and brokerage services that 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 to those services (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.

In some instances, Harbor Bridge may receive a product or service that may be used only partially for functions within Section 28(e) (e.g. certain Bloomberg terminals). In such instances, Harbor Bridge will make a good faith effort to determine the relative proportion of the product or service used to assist Harbor Bridge 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 Harbor Bridge in carrying out its investment decision-making responsibilities will be paid through brokerage commissions generated by Fund transactions and the proportion attributable to administrative or other purposes outside Section 28(e) will be paid for directly by Harbor Bridge.

Although Harbor Bridge 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 creates a potential conflict of interest between Harbor Bridge and its Funds because a specific Fund may pay for certain products and services that are not exclusively for the benefit of that Fund and instead may be primarily or exclusively for the benefit of Harbor Bridge and its employees. Harbor Bridge believes it has procedures in place to control the risk associated with this conflict of interest such as performing regular reviews of its brokers to determine that commissions paid are reasonable in light of the value of the brokerage services received and that the amount of trading is reasonable within Harbor Bridge’s investment strategy.

Harbor Bridge uses both proprietary and research from various brokers as well as third-party research products which are paid for with soft dollars obtained from commissions paid to certain brokers. During the last fiscal year, soft dollar payments made on behalf of Harbor Bridge were for the following: exchange fees, industry and sector research, market research opinions, real time stock quotes, and market data.

### **Trade Errors**

While Harbor Bridge’s goal is to execute trades seamlessly in the best interests of the Clients it advises, errors can occur for a variety of reasons, and the required corrective measures may differ depending upon the nature of the error. When an error is made on behalf of a Client’s account, Harbor Bridge will use its best efforts to break or otherwise correct the trade as soon as practicable after discovery to ensure that Clients do not incur a loss.

It is the Adviser’s policy that a trade error that results in a gain to a Client will remain in the Client’s account. Trade errors that are due to a good faith mistake by a member or employee of the Client, and result in a loss to a Client, will be assessed to the Client’s account. Trade errors that are due to gross negligence or willful misconduct by a member or employee of Harbor Bridge and result in a loss to a Client will be indemnified by the Adviser.

### **Counterparties**

In addition, in conjunction with a market downturn, the Adviser's counterparties could incur losses of their own, thereby weakening their financial condition and increasing the Adviser's credit risk to them.

The liquidity of a secondary market in derivatives is subject to the risk of trading halts, suspensions, exchange or clearing house equipment failures, government intervention, insolvency of a brokerage firm, clearing house or exchange or other disruptions of normal trading activity, including prime brokers refusing to clear or settle any trade.

The Adviser expects to establish relationships to obtain financing, derivative intermediation and prime brokerage services that permit the Adviser to trade in any variety of markets or asset classes over time; however, there can be no assurance that the Adviser will be able to maintain such relationships or establish such relationships. An inability to establish or maintain such relationships would limit the Adviser's trading activities, and could create losses, preclude the Adviser from engaging in certain transactions, financing, derivative intermediation and prime brokerage services and prevent the Adviser from trading at optimal rates and terms. Moreover, a disruption in the financing, derivative intermediation and prime brokerage services provided by any such relationships before the Adviser establishes additional relationships could have a significant impact on the Adviser's business due to the Adviser's reliance on such counterparties.

Some of the markets in which the Adviser may effect transactions are not "exchanged-based," including "over-the-counter" or "interdealer" markets. The participants in such markets are typically not subject to the credit evaluation and regulatory oversight to which members of "exchange-based" markets are subject. The lack of evaluation and oversight of over-the-counter markets exposes the Adviser to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing the Adviser to suffer a loss. Such "counterparty risk" is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the Adviser has concentrated its transactions with a single or small group of counterparties. Generally, the Adviser will not be restricted from dealing with any particular counterparties. The Adviser's evaluation of the creditworthiness of counterparties may not prove sufficient. The lack of a complete and "foolproof" evaluation of the financial capabilities of the Adviser's counterparties and the absence of a regulated market to facilitate settlement may increase the potential for losses by the Adviser.

#### *Counterparty Insolvency.*

The Adviser's assets may be held in one or more accounts maintained for the Adviser by counterparties, including, without limitation, its prime brokers. There is a risk that any of such counterparties could become insolvent. The insolvency of the Adviser's counterparties is likely to impair the operational capabilities or the assets of the Adviser. If one or more of the Adviser's counterparties were to become insolvent or the subject of liquidation proceedings in the U.S. (either under the Securities Investor Protection Act or the U.S. Bankruptcy Code), there exists the risk that the recovery of the Adviser's securities and other assets from such prime broker or broker-dealer will be delayed or be of a value less than the value of the securities or assets originally entrusted to such prime broker or broker-dealer. In addition, the Adviser may use counterparties located in various jurisdictions outside the U.S. Such local counterparties are subject to various laws and regulations in various jurisdictions that are designed to protect their customers in the event of their insolvency. However, the practical effect of these laws and their application to Client assets are subject to substantial limitations and uncertainties. Because of the large number of entities and jurisdictions involved and the range of possible factual scenarios involving

the insolvency of a counterparty, it is impossible to generalize about the effect of their insolvency on the Adviser and its assets. Investors should assume that the insolvency of any Adviser counterparty would result in a loss to the Adviser, which could be material.

### **Item 13 – Review of Accounts**

Harbor Bridge's Managing Member monitors and reviews the Client positions on a continual basis with a focus on ensuring that the portfolios adhere to their investment objectives and position limits.

There is a daily review of investment levels, position sizes, and country and sector exposures. The Adviser will opportunistically look to add to, trim or exit a position in response to price movements caused by market sentiment or changing market conditions.

The Funds have an independent third-party administrator who reconciles cash and security positions on a daily basis to the Prime Brokers. The SMA provides Harbor Bridge monthly accounting records which Harbor Bridge uses to reconcile its own internal accounting data. Harbor Bridge also reconciles its internal portfolio to the prime brokers' records on a daily basis for all Clients. These functions performed by Harbor Bridge are primarily performed by its Chief Financial Officer or under his supervision.

The Adviser provides a monthly exposure report as well as a quarterly investor letter. Harbor Bridge aims to communicate estimates to investors within 3 business days after month-end. After internal review and reconciliation procedures, the Fund Administrator anticipates issuing month-end returns and capital statements approximately 10 business days after month-end.

Harbor Bridge also shares the following information with investors in the Funds:

- Annual audited financial statements (within 120 days of year- end)
- Annual K-1s for investors in the Onshore Fund and Master
- Interim updates and conference calls, as necessary

In general, the Funds' financial statements will be prepared using generally accepted accounting principles ("GAAP") as a guideline unless the Adviser determines otherwise.

Transparency may vary by client/investor.

### **Item 14 – Advisory Client Referrals and Other Compensation**

The Adviser does not currently make payments to third-party solicitors for referrals. As discussed in Item 12 – Brokerage Practices, Harbor Bridge may execute transactions with a broker or dealer that (i) provides Harbor Bridge with the opportunity to participate in capital introduction events sponsored by the broker-dealer or (ii) refers investors/Clients to Harbor Bridge, if otherwise consistent with seeking best execution provided Harbor Bridge is not selecting the broker-dealer in recognition of the opportunity to participate in such capital introduction events or the referral of investors.

#### **Item 15 – Custody**

It should be noted that Harbor Bridge does have custody of the Funds' assets by virtue of the fact that Harbor Bridge's affiliate is general partner and has the ability to access and control the assets of the Funds. Harbor Bridge satisfies its regulatory obligation with regards to Rule 206(4)-2 by ensuring that the Funds are subject to an audit at least annually by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, and requires that the Funds distribute its audited financial statements to all investors within 120 days of the end of its fiscal year.

#### **Item 16 – Investment Discretion**

Harbor Bridge has full trading authority over all Client accounts. Investment discretion authority is granted to Harbor Bridge contractually. The Funds do not have any ability to limit Harbor Bridge's discretionary authority in any way. SMA clients may have this ability.

#### **Item 17 – Voting Client Securities**

Harbor Bridge has adopted Proxy Voting Policies and Procedures, which it believes are reasonably designed to ensure that proxies are voted in the best interest of its Clients and in accordance with its fiduciary duties and Rule 206(4)-6 under the Advisers Act. Harbor Bridge's policies and procedures contain procedures designed to address potential conflicts of interest that may arise between the Adviser and its Clients. Harbor Bridge has sole and exclusive authority and responsibility to vote all proxies on behalf of its Clients. As such, Clients may not direct how Harbor Bridge should vote on a particular proxy. Clients may obtain information about how Harbor Bridge voted proxies and its Proxy Voting Policies and Procedures by either calling or emailing Michael O'Brien, Chief Compliance Officer at 212-583-8405 or [mike@harborbridgeem.com](mailto:mike@harborbridgeem.com).

#### **Item 18 – Financial Information**

Harbor Bridge is not required to include a balance sheet for its most recent fiscal year, is not aware of any financial condition reasonably likely to impair its ability to meet contractual commitments to Funds, and has not been the subject of a bankruptcy petition at any time during the past ten years.