

**Part 2A of Form ADV: Firm Brochure**

**Item 1 - Cover Page**

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The date of this brochure is November 18, 2014.

**This brochure provides information about the qualifications and business practices of Kylin Management LLC. If you have any questions about the contents of this brochure, please contact us at (212) 323-8100 and/or paul@kylinfund.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.**

**Additional information about Kylin Management LLC also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Any reference to Kylin Management LLC as a “registered investment adviser” or as being “registered,” does not imply a certain level of skill or training.**

**Item 2 - Material Changes**

Since March 31, 2014, the date of the last annual updating amendment to Form ADV, Part 2A made by Kylin Management LLC (“Kylin Management”), one of its affiliates launched new “long” exposure products. Additional information about these products can be found in Items 4 and 6.

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**Item 4 - Advisory Business**

Kylin Management is a Delaware limited liability company that was formed in December 2005. Kylin Management, Kylin Partners LLC, Kylin Partners III LLC, Kylin Capital LLC (“Kylin Capital”) and Kylin Long Partners LLC are principally owned by Ted Kang. Kylin Management and Kylin Capital are together referred to herein as “we” or “us,” unless the context clearly suggests otherwise.

Kylin Management provides discretionary investment advice to private investment funds (collectively, the “Funds”) and separately managed accounts (collectively with the Funds, the “Kylin Accounts”), each of which pursues a “long-short” exposure strategy. In addition, Kylin Capital provides discretionary investment advice to private investment funds that pursue a “long” exposure strategy (the “Long Exposure Funds”). References throughout this document to “clients” refer to the Kylin Accounts and the Long Exposure Funds, unless the context clearly suggests otherwise. We generally invest and trade on behalf of our clients in equities of Asian-based companies.

We do not permit investors in the Funds to impose limitations on the investment activities described in the offering documents or the governing documents of the applicable Kylin Account. Under certain circumstances, we will contract with a separately managed account client to adhere to limited risk and/or operating guidelines imposed by that client. We negotiate such arrangements on a case by case basis. (See *Item 16 “Investment Discretion.”*)

We do not participate in wrap fee programs.

As of November 1, 2014, we managed \$2,457,997,758 of regulatory assets under management and \$2,204,501,818 of net assets under management, all on a discretionary basis. These figures are estimated and unaudited and are subject to change. We do not manage any assets on a non-discretionary basis.

**Item 5 - Fees and Compensation**

Our fees and compensation are described in the advisory contracts we enter into with our clients. All of our clients are “qualified purchasers” (as defined in Section 2(a)(51) of the Investment Company Act of 1940, as amended (the “1940 Act”)).

Generally, we or our affiliates receive performance-based fees or allocations from client accounts on an annual basis in arrears and upon redemptions by investors in the Kylin Accounts.

Each Fund is directly or indirectly generally responsible for its own expenses including, but not limited to: all offering expenses; expenses related to researching and executing investment transactions; brokerage commissions (*see Item 12 “Brokerage Practices” below*) and custody charges; interest expense and commitment fees on loans and debit balances; costs of borrowing securities to be sold short; research fees and materials (including online news and quotation services); travel expenses in conjunction with research; costs of any outside appraisers, accountants, attorneys or other experts or consultants engaged by us or our related persons in connection with specific transactions; bank charges; computer service expenses; insurance costs; any legal fees and costs (including settlement costs) arising in connection with any litigation or regulatory investigation instituted against us, the Funds or our related persons in connection with the affairs of the Funds; any withholding or transfer taxes imposed on the Funds as a result of their earnings, investments or redemptions; government charges and professional fees and expenses incurred in connection with the preparation of offering and governing documents and contract documents; blue sky fees; costs of accounting, including the audit of annual financial statements and the preparation of tax returns; administration fees; costs of preparing and distributing reports to investors;

fees of outside consultants involved with research and/or execution of transactions; and other ordinary operating and out-of-pocket expenses.

Certain investors in the Funds may also be subject to redemption fees, if redemptions are made prior to the satisfaction of agreed-upon holding periods.

The expenses that are charged to the separately managed accounts are determined on a case by case basis.

We may also allocate a portion of certain clients' capital to money market funds or exchange-traded funds. In addition to the fees and expenses discussed above, clients will indirectly incur similar fees and expenses if we invest their capital in such funds, as these funds in turn pay similar fees and expenses to their investment managers and other service providers.

Management fees are generally paid by the Funds monthly in advance, and are not refundable if the advisory contract is cancelled prior to the end of a payment period. Management fees for the other Kylin Accounts are deducted at times agreed upon with the clients and may be refunded if the advisory contract is cancelled prior to the end of a payment period, depending upon the terms of the agreement with the client.

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

We or our affiliates receive annual performance-based fees or allocations from the Kylin Accounts, which are based on a percentage of the capital appreciation of their assets.

The terms of the performance-based fees and allocations may differ among the Kylin Accounts. This may result in a conflict of interest when we allocate opportunities among these accounts because we will have an incentive to favor accounts that have higher performance-based fees and allocations. To avoid such a conflict of interest we generally follow documented procedures in allocating opportunities among such accounts, which does not take into account the performance-based fees and allocations to which such accounts are subject (*see below*).

As the management fees and performance-based fees and allocations are based directly on the net asset value of the client accounts, we have a conflict of interest in valuing the assets held in the accounts. We will follow our documented valuation policies and consult with the third-party administrator to the accounts in order to mitigate this risk.

We may buy or sell securities for one client account at the same time that we or our related persons buy or sell the same security for one or more other client account (including the Funds). This will typically happen when more than one client account is capable of purchasing or selling a particular security based on investment objectives, available cash and other factors. This may create a conflict of interest if one account may benefit from making the trade before or after the other account.

Our general policy is to allocate investment opportunities among the Kylin Accounts on a *pari passu* basis. However, allocations among the Kylin Accounts may be made on a basis other than *pari passu* for a number of reasons, including, but not limited to, a particular Kylin Account's investment and leverage guidelines and restrictions, available cash, liquidity requirements or constraints, tax, legal or regulatory reasons, to avoid odd lots, or in cases in which such an allocation would result in a *de minimis* allocation.

Generally, "long" investment opportunities will be allocated among Kylin Accounts, on the one hand, and the Long Exposure Funds, on the other hand, on a *pari passu* basis. However, allocations among the Kylin Accounts, on the one hand, and the Long Exposure Funds, on the other hand, may be made on a

basis other than *pari passu* for a number of reasons, including, but not limited to, capital available for new positions of the type in question, existing portfolio compositions, available cash, liquidity requirements or constraints, availability of appropriate hedging opportunities, tax, legal or regulatory reasons, to avoid odd lots, or in cases in which such an allocation would result in a *de minimis* allocation.

Since the trading strategy of the Long Exposure Funds is a “long” exposure strategy, the Long Exposure Funds will generally not be allocated investment opportunities that Kylin Capital determines are “short” exposure investments, and such investments will be allocated exclusively to the Kylin Accounts. However, Kylin Capital may cause the Long Exposure Funds to engage in short selling and/or use other financial instruments that establish short positions, in each case, for hedging and/or risk management purposes. Further, it is anticipated that the Long Exposure Funds will generally not be allocated long positions that are used to hedge short positions held by the Kylin Accounts.

New issues (as defined by rule 5130 of the Financial Industry Regulatory Authority, Inc.) are allocated to client accounts in accordance with the criteria set forth above.

### **Item 7 - Types of Clients**

We primarily provide investment advice to clients that are private investment funds (either through a fund-vehicle or a separately managed account). Investors in such private investment funds are generally institutional investors and high net worth individuals that qualify as “accredited investors” (as defined in Rule 501 under the Securities Act of 1933, as amended) and “qualified purchasers” (as defined under the 1940 Act). The minimum initial investment in the Funds is generally \$2 million for individuals and \$5 million for entities, subject to our discretion to accept lesser amounts. We will determine the minimum investment for a separately managed account on a case by case basis, but it is generally expected to be at least \$100 million.

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

#### Investment Strategy

We mainly invest in Asian-based companies. To maximize our experience and contacts, we generally focus on companies that generate a substantial portion of their revenues from domestic sales, such as the telecommunications, internet, media, financial and retail sectors. We may opportunistically make investments in non-Asian-based companies depending on the relative attractiveness of the core industries in other countries and our ability to acquire expertise in other countries.

We actively engage in short sales for the Kylin Accounts. We may also use index options or futures, on occasion, to hedge clients’ overall portfolios. Our underlying discipline, however, will always be bottom-up, value-oriented fundamental analysis for every position. We will generally seek to hedge against currency risk using currency futures contracts.

#### Investment Process

In order to generate investment ideas (both long and short), we will perform frequent and detailed interviews with companies’ management, regulators, competitors, suppliers, customers and other industry experts. We will also utilize our network of contacts to conduct due diligence and investigative studies on the products and services of the companies involved. Based on the information acquired through such activities and due diligence, we will build financial models to attempt to forecast the economics of each business.

When evaluating long investments, we will generally look for companies with low or reasonable valuation and one or more of the following characteristics:

- 1) Companies that we believe have strong and sustainable growth prospects;
- 2) Companies that we believe have disciplined and credible management with clear strategy and proven execution abilities;
- 3) Companies that we believe are best positioned to benefit from changing dynamics of industries (such as changing competitive landscape, growth drivers, consumption patterns, and M&A);
- 4) Companies that are “out of favor” by the Street due to mismanagement in the past, that are expected to go through a major restructuring (typically with new management); and
- 5) Companies that we believe are under-leveraged and highly cash-generative but with limited growth opportunities (where management will use the excess cash to create value for shareholders via stock buybacks or special dividends).

When evaluating short investments for the Kylin Accounts, we will generally look for companies with high or unreasonable valuation and one or more of the following characteristics:

- 1) Companies that we believe have poor or no growth prospects;
- 2) Companies that we believe have low quality management that refuse to adhere to market-based principles and/or that repeatedly inflate or “misguide” the Street in terms of its business prospects without having a clear strategy;
- 3) Companies that we believe are ill-prepared to face declining growth opportunities or a changing business environment due to increasing competition or structural shifts in the industry that is unlikely to be reversed;
- 4) Companies that we believe have questionable and improper accounting practices that are not yet understood by the Street; and
- 5) Companies that are “in favor” and “pushed” by the Street that the valuations have gone to such levels that are not justifiable by the fundamentals of the business.

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

#### Certain Risk Factors

Our investment strategy involves significant risks. A discussion of the material risks is provided below. Prospective investors in the Funds are urged to review each Fund’s private placement memorandum.

***Investment and Trading Risks.*** All securities trading risks the loss of capital. We believe that our investment program and research techniques will moderate this risk through a careful selection of securities and other financial instruments. No guarantee or representation is made that our program will be successful. Our investment program may utilize such techniques as trading in put and call options and other derivatives, limited geographic and sector diversification, short sales and forward contracts, which

practices can, in certain circumstances, increase the adverse impact to which client accounts may be subject.

In certain transactions, clients may not be “hedged” against market fluctuations or, in reorganization or liquidation situations, may not accurately value the assets of the subject company or the degree of legal and regulatory risk. This can result in losses, even if the proposed transaction is consummated.

We will attempt to assess the foregoing risk factors, and others, in determining the extent of the positions they will take in the relevant securities and the prices they are willing to pay for such securities. However, such risks cannot be eliminated.

***Lack of Diversification.*** It is anticipated that client accounts will be fairly concentrated in securities issued by Asian-based companies, and in companies that generate a substantial portion of their revenues in their home countries. Lack of diversification may increase volatility and the risk of losses.

***Foreign Investments.*** We intend to trade in non-U.S. securities and other instruments denominated in non-U.S. currencies and/or traded outside of the U.S. Such transactions require consideration of certain risks not typically associated with trading in United States securities or property. Such risks include unfavorable currency exchange rate developments, restrictions on repatriation of investment income and capital, imposition of exchange control regulation by the United States or foreign governments, confiscatory taxation and economic or political instability in foreign nations. In addition, there may be less publicly available information about certain non-U.S. companies than would be the case for comparable companies in the United States, and certain non-U.S. companies may not be subject to accounting, auditing and financial reporting standards and requirements comparable to or as uniform as those of U.S. companies.

Many countries within the Asian region are considered emerging markets. Investing in emerging markets involves even greater risk than investing in more-developed foreign markets because, among other things, emerging markets often have more political and economic instability. Additionally, certain countries have historically imposed significant restrictions and controls for foreign investors, which may limit our ability to invest in certain companies in such countries.

Further, when we buy or sell securities on a non-U.S. market, the transactions are made in the local currency. The value of client assets denominated in foreign currencies will increase or decrease in response to fluctuations in the value of the foreign currencies relative to the U.S. dollar. Although we may attempt to manage currency exchange rate risks, there is no assurance that we will do so at an appropriate time or that they will be able to predict exchange rates accurately. Some currency prices may be volatile, and there is the possibility of government controls on currency exchange or government intervention in currency markets, which could adversely affect client accounts.

***Short Sales.*** A short sale involves the sale of a security that a client does not own in the expectation of purchasing the same security (or a security exchangeable therefor) at a later date at a lower price. To make delivery to the buyer, the client must borrow the security and the client is obligated to return the security to the lender, which is accomplished by a later purchase of the security by the client. When the client make short sales in the United States, they must leave the proceeds thereof with the broker and they must also deposit with the broker an amount of cash or U.S. government or other securities sufficient under current margin regulations to collateralize their obligations to replace the borrowed securities that have been sold. If short sales are effected on a foreign exchange, such transactions will be governed by local law. A short sale involves the risk of a theoretically unlimited increase in the market price of the security that would result in a theoretically unlimited loss. The extent to which we will engage in short sales will depend upon our trading strategy and perception of market direction and the value of individual

securities. We may engage in short sales based on our fundamental analysis of the subject issuers and/or as a hedge against potential market declines.

***Leverage; Use of Margin.*** Subject to applicable margin and other limitations, client accounts will use leverage in the course of their trading operations, using as collateral the securities that they own from time to time. Consequently, the effect of fluctuations in market value of client assets would be amplified. Leverage may also be obtained through other means including the use of derivative instruments. The level of interest rates generally, and the rates at which clients, in particular, are able to borrow, may strongly affect their operating results. As in the case of other leveraged investments, losses may result that exceed the amount of the capital or assets in a client's account.

Dividends and interest received by certain clients with respect to foreign securities may give rise to withholding and other taxes imposed by foreign countries. Tax treaties between such countries and the U.S. may reduce or eliminate such taxes, but there is no assurance that such treaties will exist or be applicable to these clients.

***Valuation.*** To the extent that clients trade in securities or instruments for which market quotations are not readily available, the valuation of such securities and instruments will generally be determined by us or our affiliates. In each case, such determination will be generally final and conclusive as to all parties.

***Futures Trading.*** We may trade futures on behalf of client accounts. Futures trading is very speculative, largely due to the traditional volatility of futures prices. Futures prices are affected by and may respond rapidly to a variety of factors, including (but not limited to) market and new reports, interest rates, national and international political or economic events, and domestic or foreign trade, monetary or fiscal policies or programs. Such rapid response might include an opening price on an affected futures contract sharply higher or lower than the previous day's close. In such an instance, we may be unable to adjust client positions in time to avoid a loss.

***Commodity futures prices are highly volatile.*** Price movements of futures contracts are influenced by, among other things, changing supply and demand relationships, domestic and foreign governmental programs and policies, and national and international political and economic events.

Moreover, commodity exchanges limit fluctuations in commodity futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits." During a single trading day no trades may be executed at prices beyond the daily limit. Once the price of a futures contract for a particular commodity has increased or decreased by an amount equal to the daily limit, positions in the commodity can be neither taken nor liquidated unless traders are willing to effect trades at or within the limit. Commodity futures prices have occasionally moved the daily limit for several consecutive days with little or no trading. Similar occurrences could prevent us from promptly liquidating unfavorable positions and subject client accounts to substantial losses. In the event that the Commodity Futures Trading Commission (the "CFTC") implements rules setting forth position limits, client accounts' trading could be adversely affected.

***Options on Futures.*** Trading options on futures involves a high degree of risk. The risks of trading options on futures are similar to the risks of trading securities options, but often involve even greater leverage and risks. In addition, if the purchaser of an option on a futures contract exercises the option, the holder will, in effect, be buying or selling the underlying futures contract, and will then be subject to the same risks as are attendant to futures trading.

***Derivatives Generally.*** Derivative instruments, or "derivatives," include options, swaps, structured securities and other instruments and contracts that are derived from or the value of which is related to one



or more underlying securities, financial benchmarks, currencies or indices. Derivatives allow an investor to hedge or speculate upon the price movements of a particular security, financial benchmark currency or index at a fraction of the cost of investing in the underlying asset.

The value of a derivative is frequently difficult to determine and depends largely upon price movements in the underlying asset. Therefore, many of the risks applicable to trading the underlying asset are also applicable to derivatives of such asset. However, there are a number of other risks associated with derivatives trading. For example, because many derivatives are “leveraged,” and thus provide significantly more market exposure than the money paid or deposited when the transaction is entered into, a relatively small adverse market movement can not only result in the loss of the entire investment, but may also expose client accounts to the possibility of losses exceeding the original amount invested. Over-the-counter derivatives generally are not assignable except by agreement between the parties concerned, and no party or purchaser has any obligation to permit such assignments. The over-the-counter market for derivatives is relatively illiquid.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”) enables the CFTC and the SEC to enact new regulations on certain over-the-counter derivatives. Under the Dodd-Frank Act, certain over-the-counter derivatives contracts will be regulated through regulated clearing houses and subject to regulation by the SEC and the CFTC. Once this occurs, such contracts will be traded more like futures and options contracts and parties to such transactions will trade standardized contracts and will face clearing corporations as contractual counterparties, rather than facing the credit risk of counterparties under individually negotiated over-the-counter agreements.

In addition, swap dealers and major swap participants (entities that are not swap dealers, but are subject to rules governing dealers due to their levels of activity) will be subject to regulatory oversight and requirements with respect to over-the-counter derivatives, which will include business conduct requirements, such as know-your-customer rules, increased risk disclosure and rules requiring trades to be documented within certain timeframes. Derivative contracts, whether cleared or traded over-the-counter, will have to be reported to the CFTC and/or the SEC. Despite these pending changes, parties to over-the-counter derivative trades (*i.e.*, those not yet subject to the new clearing requirements) will continue to bear counterparty credit risk.

Many Dodd-Frank Act rules relating to swaps and securities-based swaps that will be promulgated by the SEC have not been finalized and the CFTC and SEC are both expected to conduct further rulemaking with respect to the Dodd-Frank Act. The effect that the foregoing regulatory changes will have on the price of derivative contracts, liquidity and administrative costs, among other things, remains unclear.

***Credit Default Swaps.*** We may purchase and sell credit derivatives contracts – primarily credit default swaps – both for hedging and other purposes. The typical credit default swap contract requires the credit protection seller to pay to the credit protection buyer, in the event that a particular reference entity experiences specified credit events, the difference between the notional amount of the contract and the value of securities and/or loans or a portfolio of securities and/or loans issued by the reference entity that are considered to be a “deliverable obligations” under the credit default swap. In return for payment upon a credit event, the buyer of credit protection makes periodic payments equal to a fixed percentage of the notional amount of the contract. In addition, the parties may be required to post collateral to secure their obligations, which can reduce the amount of collateral or funds available for other purposes.

We may also purchase and sell credit default swaps on a basket of reference entities as part of a synthetic collateralized debt obligation transaction or may trade credit default swaps referencing indices.

As a seller of credit protection under credit default swaps, client accounts incur leveraged exposure to the credit of the reference entity and is subject to many of the same risks they would incur if they were holding debt securities or loans issued or borrowed by the reference entity. However, client accounts will not have any legal recourse against the reference entity, and, unless they hold the debt securities or loans, do not have the rights of the holders of such reference entity's debt securities or loans. In some cases, the holders of the reference entity's debt securities may have rights and claims against the reference entity that may not inure to the benefit of a seller of credit protection.

In cases where there is broad based interest in a credit, generally a determinations committee comprised of certain market participants will resolve the issue of whether such a credit event has occurred. Generally, clients will be bound by the determinations of the determinations committee, including with respect to whether an auction to determine the price of "deliverable obligations" will be held, and firms serving on such committee may have interests adverse to clients. There can be no guarantee that any decision rendered by the determinations committee will be favorable to clients, or that we will have any ability to influence the decision of the determinations committee.

In cases where a client is a buyer of credit protection under credit default swaps and the determinations committee fails to find that a credit event or certain other events have occurred, the client may suffer a loss in the value of the credit default swap, in addition to losses incurred in connection with its periodic payments.

**Currency Transactions.** Clients may incur costs in connection with conversions between various currencies. Foreign currency exchange dealers realize a profit based on the difference between the prices at which they are buying and selling various currencies. Thus, a dealer normally will offer to sell currency to us at one rate, while offering a lesser rate of exchange should we desire immediately to resell that currency to the dealer. We will conduct currency exchange transactions either on a spot (*i.e.*, cash) basis at the spot rate prevailing in the currency exchange market, or through entering into forward contracts to purchase or sell non-U.S. currencies.

**Foreign Currency Counterparty Risk.** As of October 2012, many foreign exchange contracts were deemed to be "swaps" under the Commodity Exchange Act, as amended (the "CEA"), including foreign currency options (unless traded on a securities exchange), nondeliverable foreign exchange forwards, currency swaps and cross-currency swaps ("CFTC Swaps"). CFTC Swaps are subject to comprehensive regulation by the CFTC. CFTC rules will govern certain terms of such contracts such as minimum margin requirements, among others, and dealers of such products will be subject to business conduct and reporting obligations. Furthermore, the CFTC has adopted a phased approach that will ultimately require the vast majority of swaps to be exchange-traded and cleared through a regulated clearing house. Foreign exchange forwards and foreign exchange swaps ("FX Forwards and Swaps") are also considered "swaps" that are subject to CFTC regulation, however, the U.S. Treasury Department (the "Treasury") has exercised its authority under the Dodd-Frank Act to exempt FX Forwards and Swaps from most CFTC regulation, although such transactions remain subject to certain CFTC reporting and business conduct requirements. FX Forwards and Swaps are not traded on a regulated exchange or guaranteed by a regulated clearing house and consequently, there are not any requirements with respect to financial responsibility or segregation of customer funds or positions. As a result, FX Futures and Swaps may be subject to more risks than CFTC regulated swaps, futures and/or options that are traded on regulated exchanges and cleared through regulated clearing houses, including, but not limited to, the risk of default due to the failure of a counterparty with which the client accounts have traded such contracts. Similarly, since the CFTC has taken a phased approach to its requirement that swaps must be mandatorily exchange-traded and cleared, any CFTC Swaps that are not yet exchange-traded and cleared would have the same risks as FX Forwards and Swaps. Although we intend to trade with responsible counterparties, failure by a counterparty to fulfill its contractual obligations could expose client accounts to unanticipated losses.

**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 less the premium received, 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 its entire investment in the call option. If the buyer of the call sells short the underlying security, the loss on the call will be offset in whole or in part by any gain on the short sale of the underlying security.

**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 sales price (in establishing the short position) of the underlying security plus the premium received, and 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 below the exercise price of the option.

The buyer of a put option assumes the risk of losing its entire investment in the put option. If the buyer of the put holds the underlying security, the loss on the put will be offset in whole or in part by any gain on the underlying security.

**Loans of Securities; Pledge of Assets.** Pursuant to master securities lending agreements or similar agreements, we may lend client securities from their portfolios to brokers, dealers and financial institutions and receive collateral in the form of cash and securities in an amount equal to or greater than the current market value of the loaned securities, including any accrued interest or dividend receivable. Clients will retain all rights of beneficial ownership as to the loaned portfolio securities, including voting rights and rights to interest or other distributions, and will have the right to regain record ownership of the loaned securities to exercise such beneficial rights. Such loans will be terminable at any time.

It should be noted that, pursuant to account agreements with prime brokers, the prime brokers may lend client securities to third parties without notice to us and without providing any collateral to clients. If a prime broker makes such loans of securities from a client's account, the client may not be able to vote such securities. In addition, if a prime broker were to become insolvent in the United States, clients would not have a claim against any specific assets of such prime broker, but would have a claim against the pool of assets held for the benefit of such prime broker's customers. Jurisdictions outside of the United States may not provide any similar rights.

**Limited Liquidity.** We may invest part of client assets in illiquid securities. We may not be able to readily dispose of such illiquid securities and, in some cases, may be contractually prohibited from disposing of such securities for a specified period of time.

**Changes and Uncertainty in U.S. and International Regulation.** Client accounts may be adversely affected by uncertainties such as international and domestic political developments, changes in government policies, taxation, restrictions on foreign investment and currency repatriation, currency fluctuations and other developments in the laws and regulations of the countries to which client assets are exposed through their investments or investor base. The tax and regulatory environment for hedge funds is evolving, and changes in the regulation or tax treatment of hedge funds and their investments may adversely affect the value of investments held by client accounts, and may impair their ability to pursue their trading strategies. During this period of uncertainty, market participants may react quickly to

unconfirmed reports or information and as a result there may be increased market volatility. This unpredictability could cause us to alter investment and trading plans, including the holding period of positions and the nature of instruments used to achieve client trading objectives.

In the United States, we and client accounts may be adversely affected as a result of new or revised legislation or regulations imposed by the SEC, the Financial Stability Oversight Council, and other U.S. governmental regulatory authorities or self-regulatory organizations that supervise the financial markets. In addition, the securities and futures markets are subject to comprehensive statutes and regulations including margin requirements. Regulators and self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies. The Dodd-Frank Act and the rules promulgated thereunder could result in additional regulatory compliance burdens and trade reporting, which may add significant cost to clients. The Dodd-Frank Act endows the SEC, CFTC, and other regulators with discretionary authority to write and interpret new rules. The ultimate impact of the Dodd-Frank Act on us and our clients is unclear. For a description of the regulatory implications of the Dodd-Frank Act, see "Derivatives Generally" above.

### **Item 9 - Disciplinary Information**

There have been no legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

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

#### Services by Related Person

Each of Kylin Partners LLC and Kylin Partners III LLC serves as general partner and/or manager to certain of the Kylin Accounts. Kylin Capital and Kylin Long Partners LLC serve as the investment adviser and general partner, respectively, of the Long Exposure Funds.

#### Management of Multiple Accounts

The management of multiple pooled investment vehicles may result in conflicts of interests when we and our related persons allocate their time and investment opportunities among the Funds and other clients. In addition, the compensation earned by us and our related persons from each of the Funds may differ from one another and other clients. We and our related persons will generally follow documented procedures in allocating trades among the Funds and other clients (see *Item 6 above*).

Subject to applicable law, we may effect transactions among client accounts whereby one client account will purchase securities from or sell securities to another client account (including accounts in which we or our related persons may have a significant interest). This may be done for reasons including but not limited to: when a client account crosses its investment guidelines with respect to a particular sector, region or security; to account for inflows and outflows of capital to and from the client accounts; when one client account is overexposed to a particular security and we determine that another client account may benefit from additional exposure to such security; to correct misallocations of trades among the client accounts; or when we believe that such a transaction will otherwise have a beneficial effect for each of the applicable client accounts. This may result in a conflict of interest because a potential transaction may result in benefits to one client account that may be greater than the benefits to the other client account. In order to mitigate such conflicts, we effect such transactions only when we believe that such transactions are in the best interests of the participating client accounts. Such transactions will generally be effected for cash consideration at the closing price for the applicable security on such day, and no

brokerage commission or transfer fee will be paid to us or our related persons in connection with any such transaction.

Our principals (and/or other related persons) may have a greater portion of their personal assets invested in certain client accounts. As a result, we may have a conflict of interest in allocating investment opportunities among the client accounts. We will generally follow documented procedures in allocating trades among client accounts. (*See Item 6 above.*)

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

### Code of Ethics Overview

We have adopted a Code of Ethics (the “Code of Ethics”) which is designed to ensure that we conduct our business in accordance with all applicable laws and regulations and in an ethical and professional manner. The Code of Ethics applies to all of our employees. In addition, we recognize that we have a fiduciary duty to our clients, and that all of our employees must conduct their business on our behalf in a manner that enables us to fulfill this fiduciary duty. In this regard, we have developed policies and procedures in our Code of Ethics that are premised on fundamental principles of openness, integrity, honesty and trust. In addition, among other things, our Code of Ethics governs all personal securities transactions by our employees (as further described below), certain policies relating to the protection of material non-public information about securities transactions and our clients, and the manner in which violations of our Code of Ethics are to be reported. Employees are provided with a copy of the Code of Ethics and are required to sign and acknowledge that they will comply with its provisions on an annual basis. We will provide a copy of our Code of Ethics to any client or prospective client upon request.

### Participation or Interest in Client Transactions

We make available to qualified prospective investors the opportunity to invest in the Funds. Our principal has significant personal investment in certain client accounts (including the Funds). In addition, we and our affiliates receive performance-based fees and allocations from the Funds.

Subject to applicable law, we may effect transactions between client accounts whereby one client account will purchase securities from or sell securities to another account (*see Item 10 above*).

In the event that we effect a cross trade between a client account in which we or our controlling persons own more than twenty five percent (25%) and another client, such transaction may be deemed to be a principal transaction under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). Such transactions may create a conflict of interest for us because we may put our or our control persons’ interests in such accounts before the interests of our clients. In order to mitigate this conflict of interest, we monitor the interests of our principal, his immediate family members and their affiliates in our client accounts, as well as the interests in client accounts of our employees, and we will not effect any cross trades between accounts if we believe that such trade would result in a principal transaction unless:

- 1) We believe that such transaction is in the best interest of the clients participating in the transaction; and
- 2) We obtain the consent of the applicable clients as required by the Advisers Act.

### Personal Securities Trading

Under the Code of Ethics, our employees are generally prohibited from engaging in trading securities in any personal accounts. Employees generally may not trade single name equity or debt securities for their personal accounts. Further, employees must obtain the prior written approval of our chief compliance officer (“CCO”) (and the CCO must obtain the prior written approval of Ted Kang) before engaging in any sales of securities in their personal accounts that were owned prior to their employment with us.

## **Item 12 - Brokerage Practices**

### Selection of Brokers

In placing portfolio transactions for our clients, we seek to obtain the best execution for clients’ accounts, taking into account the following factors: price, the ability of the brokers to effect the transactions, the brokers’ facilities, reliability and financial responsibility and the provision or payment (or the rebate to the Funds for payment) of the costs of property or services (*e.g.*, certain custodial services, research services, news and quotation services, certain publications, analytical and trading software, and trading products and services).

Brokers sometimes suggest a level of business they would like to receive in return for the various services they provide. We will not commit to provide any level of brokerage business to any broker, and actual brokerage business received by any broker may be less than the suggested allocations, but can (and often does) exceed the suggestions, because total brokerage is allocated on the basis of all the considerations described above.

On a periodic basis (typically monthly and annually), certain of our employees who regularly interact with brokers evaluate the execution performance of the broker-dealers we use to execute client transactions. These employees will also review commissions paid to brokers, soft dollar arrangements and conflicts of interest.

### Research and Other Soft Dollar Benefits

We enter into soft dollar arrangements with brokers. Soft dollar arrangements arise when an investment adviser obtains products and services, other than securities execution, from a broker in return for directing client securities transactions to the broker. Soft dollar arrangements pose a conflict of interest for us in that such arrangements allow us to pay with client commissions expenses that would otherwise be borne by us. When we use client brokerage commissions (or markups or markdowns) to obtain research or other products or services, we receive a benefit because we do not have to produce or pay for the research, products or services. We may have an incentive to select a broker based on our interest in receiving the research or other products or services offered by such broker, rather than on our clients’ interests in receiving most favorable execution.

When engaging in soft dollar transactions, we comply with the safe harbor requirements of Section 28(e) of the Securities Exchange Act of 1934, as amended. Under this provision, in exercising our discretionary authority to select or arrange for the selection of brokers for execution of transactions for our clients, and, subject to our duty to obtain best execution, we may consider the value of research and brokerage products and services (collectively, “Research”) provided by such brokers. Research may include, among other things, proprietary research from brokers, which may be written or oral. Research products may include, among other things, databases and quotation services. Research services may include, among other things, research concerning market, economic and financial data, a particular aspect of economics or on the economy in general, statistical information, pricing data and availability of

securities, financial publications, electronic market quotations, performance measurement services, analyses concerning specific securities, companies, industries or sectors, market, economic and financial studies and forecasts, appraisal services, and invitations to attend conferences or meetings with management or industry consultants. Accordingly, if we determine in good faith that the amount of commissions charged by a broker is reasonable in relation to the value of the brokerage and products or services provided by such broker, a client may pay commissions to such broker in an amount greater than the amount another broker might charge.

Research provided by such brokers may be used to service all clients and not exclusively in connection with the management of the clients that generated the particular soft dollar credits.

Where a product or service obtained with client commission dollars provides both research and non-research assistance to us, we will make a reasonable allocation of the cost which may be paid for with client commission dollars.

We execute securities transactions on behalf of clients with broker-dealers that provide us with access to proprietary research reports (such as standard investment research and credit reports). To our knowledge, these services are generally made available to all institutional investors doing business with such broker-dealers. These bundled services are made available to us on an unsolicited basis and without regard to the rates of commissions charged or paid by clients or the volume of business that we direct to such broker-dealers.

During our last fiscal year, we acquired with client brokerage commissions (or markups or markdowns) (i) research, such as proprietary research from brokers, which may have been written and/or oral; (ii) research products, such as databases and quotation services; and (iii) research services, such as Bloomberg and consultation with industry consultants concerning specific companies, industries or sectors.

During our last fiscal year, we have taken into account the quality, comprehensiveness and frequency of available research services and products considered to be of value provided by brokers when directing client transactions to a particular broker. We directed transactions to such brokers only consistent with best execution.

#### Services From Prime Brokers

Our prime broker(s) provide us with capital introduction, recruiting assistance, and front and back office services, including trading, securities lending, clearing, reporting, and settlement for equities, fixed income, foreign currency and options, among others.

#### Brokerage for Client Referrals

Subject to applicable law, we may direct some client brokerage business to brokers who refer prospective investors to the Funds, consistent with best execution. Because such referrals, if any, are likely to benefit us but will provide an insignificant (if any) benefit to our clients, we have a conflict of interest with our clients when allocating client brokerage business to a broker who has referred investors to us. To prevent client brokerage commissions from being used to pay investor referral fees, we will not allocate client brokerage business to a referring broker unless we determine in good faith that the commissions payable to such broker are not materially higher than those available from non-referring brokers offering services of substantially equal value to the client account.

### Trade Error Policy

Subject to applicable law, we will generally reimburse the applicable client account(s) for net losses that occur as a result of trade errors resulting from our negligence or willful misconduct.

We may correct misallocations of trades among client accounts by re-allocating the applicable trade using the intended allocation methodology prior to the trade's settlement date. If an erroneous allocation cannot be corrected prior to or after settlement, we may, if appropriate and subject to applicable law, correct such erroneous allocation by effecting a cross trade between client accounts at the price at which the initial trade was effected.

### Aggregation of Orders

We will generally aggregate client trades, subject to best execution. Aggregation, or "bunching," describes a procedure whereby an investment adviser combines the orders of two or more client accounts into a single order for the purpose of obtaining better prices and lower execution costs. Aggregation opportunities for us generally arise when more than one client account is capable of purchasing or selling a particular security based on investment objectives, available cash and other factors, as more fully described in Item 6 above. We may aggregate orders when doing so will result in a better overall price for client accounts. We will generally aggregate orders for the same security unless aggregation is not consistent with our duty to seek best execution and the terms of the investment guidelines and restrictions applicable to client accounts. Each client that participates in an aggregated order will participate at the average price for all of the transactions in that security by us on a given business day, with transaction costs shared *pro rata* based on each client account's participation in the transaction. Brokerage commission rates are not reduced as a result of such aggregation.

## **Item 13 - Review of Accounts**

### Portfolio Review

Client portfolios are reviewed daily, and their performance is analyzed, by our investment professionals, including, but not limited to, our portfolio manager and analysts. Client investments are evaluated based on performance, company fundamentals, news and press releases, analyst reports, general market conditions and such other considerations as we deem appropriate.

### Reports to Investors

We may, in our discretion, furnish investors in the Funds with periodic written unaudited performance reports on a quarterly basis. On an annual basis, investors receive a copy of the relevant Fund's annual audited financial statements and, where applicable, a statement of taxable income (form K-1). In addition, we may, in our discretion, furnish investors in the Funds with fact sheets, capital statements and performance estimates on a monthly basis. Additionally, the Funds' administrator currently provides investors with a quarterly report regarding, among other things, price verification and asset/liability confirmation.

Pursuant to side letter agreements with certain investors in the Funds, we provide such investors with access to more frequent and/or more detailed information regarding the Funds' securities positions, performance, finances, and management and/or other information about the Funds or us (including notifications of redemptions from a Fund by us and/or our personnel), possibly enabling such investors to better assess the prospects and performance of the Funds.



In addition, investors may be provided with information about us and the Funds in response to questions and requests, and/or in connection with due diligence meetings and other communications, but such information will not be distributed to other investors and prospective investors who do not request such information. Each investor is responsible for asking such questions as it believes are necessary in order to make its own investment decisions and must decide for itself whether the limited information provided by us is sufficient for its needs.

We also provide the owners of the separately managed accounts and investors in certain single-investor funds we manage with periodic unaudited reports at such times as the owners of such accounts and we agree. The custodians of the separately managed accounts we manage send account statements to the owners of such accounts no less frequently than monthly. In addition, since a managed account investor directly owns the positions in its separately managed account, such investor may have full, real-time transparency as to all transactions and holdings in such account, and may be better able to assess the future prospects of a portfolio that is substantially similar to the portfolios of the Funds. Similar portfolio transparency is provided to investors in certain single-investor funds managed by us.

The investors in the separately managed accounts we manage may have the right to withdraw all or a portion of their capital from such managed accounts on shorter notice and/or with more frequency than the terms applicable to an investment in the Funds.

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

We enter into soft dollar arrangements with brokers pursuant to which we obtain certain research and brokerage products and services in return for directing client securities transactions to the broker (*see Item 12 "Selection of Brokers"*).

#### **Item 15 - Custody**

For purposes of Rule 206(4)-2 under the Advisers Act (the "Custody Rule"), we are deemed to have custody over the Funds' assets. In accordance with the Custody Rule, a qualified custodian is not required to deliver quarterly account statements to the Funds or their respective investors because annual audited financial statements are delivered to investors within 120 days after the end of each Fund's fiscal year.

As noted above in Item 13, owners of the separately managed accounts we manage will receive account statements no less frequently than monthly from the custodians of such accounts. Clients should carefully review these statements that are received from the custodians of such accounts.

#### **Item 16 - Investment Discretion**

We have discretionary authority to manage securities accounts on behalf of our clients. The investors in the Kylin Accounts generally may not place any limits on our authority beyond the limitations set forth in the governing documents and/or offering documents of the applicable Kylin Account. On a case by case basis, owners of the separately managed accounts we manage may negotiate certain risk and/or operating guidelines that we will adhere to when exercising our discretionary authority over such accounts.

#### **Item 17 - Voting Client Securities**

We generally have voting discretion over securities held in clients' accounts, unless otherwise agreed upon with a specific client. Clients are generally not able to direct their votes in a particular situation. We will exercise our discretion in the best interests of our clients. In fulfilling our obligations to our

clients, we will act in a prudent and diligent manner intended to enhance the economic value of the securities. We have adopted proxy voting procedures which are summarized below.

Our proxy coordinator (“Proxy Coordinator”) will be responsible for determining how to vote each proxy. We have retained a third party to assist us in coordinating and delivering proxies and maintaining records of our proxy votes.

Our CCO will determine whether there is a conflict of interest related to the proxy in question. If no material conflict is identified pursuant to our proxy voting procedures, the Proxy Coordinator will make a decision on how to vote the proxy.

In the absence of specific voting guidelines mandated by a particular client or conflicts of interest, we will endeavor to vote proxies in the manner that the Proxy Coordinator determines is in the best interests of each client, which may result in different voting results for proxies for the same issuer. In addition, the Proxy Coordinator may determine to abstain from voting a proxy if he believes that such action is in the best interests of a particular client.

The Proxy Coordinator may take into account the following factors, among others, in determining if a specific proposal is in the best interests of a particular client: (i) management of the issuer’s views and recommendations on such proposal; (ii) whether the proposal may have the effect of entrenching existing management and/or making management less responsive to shareholders’ concerns (*e.g.*, instituting or removing a poison pill, classified board of directors and/or other anti-takeover measure); and (iii) whether he believes that the proposal will fairly compensate management for its and/or the issuer’s performance.

If the Proxy Coordinator deems that the issue being voted upon is not material for us and our clients, we will not be obligated to vote on such matter.

As stated above, in evaluating how to vote a proxy, our CCO will determine whether there is a conflict of interest related to the proxy in question. This examination will include an evaluation of whether an employee has a personal interest in the outcome of a particular matter or whether we (or any of our affiliates) has any relationship (outside of an investment in such company by the relevant client) with: (i) the issuer (or an affiliate thereof); (ii) the proponent of a proxy proposal; or (iii) candidates for director in a proxy contest.

If our CCO believes that a material conflict exists between us and any of our clients, we will rely exclusively in making our voting decision on an independent third party who is experienced in advising investment managers regarding proxy voting decisions.

Special considerations may apply in cases of conflicts of interest involving ERISA clients. Our Proxy Coordinator will confer with appropriate ERISA counsel in such cases.

Upon the request by a Kylin Account, we will disclose to such client how we voted securities owned by such client. The Funds and owners of the separate managed accounts managed by us may also contact us via e-mail or telephone to request a copy of our proxy voting procedures.

#### **Item 18 - Financial Information**

*Not applicable.*

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

*Not applicable.*