

PART 2A OF FORM ADV: FIRM BROCHURE

Clarity Capital KCPS Ltd.

One Azrieli Center
Round Tower, 30th Floor
Menachem Begin 132
Tel Aviv 6701101, Israel
Telephone: +972-3-777-9000
Facsimile: +972-3-777-9001
Web: www.claritycap.com

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This brochure provides information about the qualifications and business practices of Clarity Capital KCPS Ltd. If you have any questions about the contents of this brochure, please contact Simona Cohen, our Chief Financial Officer and Chief Compliance Officer, either by telephone at +972-3-777-9000 or by email at simonac@claritycap.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Clarity Capital KCPS Ltd. is a Registered Investment Adviser. Registration as an investment advisor reflects only that a firm has registered with the SEC and does not imply a certain level of skill or training.

Additional information about Clarity Capital KCPS Ltd. is available on the SEC's website at <http://www.adviserinfo.sec.gov>. You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 160662.

Item 2 – Material Changes

This item discusses only material changes made since the submission of Clarity Capital KCPS Ltd's Form ADV Part 2A dated March 27, 2014, as follows:

- Item 4 has been revised to disclose our assets under management as of December 31, 2014.
- Item 10 has been revised to include additional disclosure regarding our affiliated entities.

Other non-material changes have been incorporated into this Form ADV Part 2A that are not discussed under this Item. As such, we encourage you to read this Form ADV Part 2A in its entirety.

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Item 4 – Investment Services¹ Business

The Firm

Clarity Capital KCPS Ltd., a limited company established under the laws of Israel (“KCPS Clarity”), is a portfolio manager licensed with the Israeli Securities Authority and an investment advisor registered with the United States Securities and Exchange Commission (“SEC”) that began conducting business in 2007. KCPS Clarity is majority-owned by its parent company, KCPS Clarity Capital Group Ltd., a limited company established under the laws of Israel (“KCPS Clarity Group”), which owns 90.00% of the issued and outstanding equity interests of KCPS Clarity and Mr. Eran Peleg, who owns 10.00% of the issued and outstanding equity interests of KCPS Clarity. Other than KCPS Clarity Group, no person owns 25.00% or more of KCPS Clarity or its parent company’s outstanding equity interests. Neither KCPS Clarity nor its parent company is publicly owned or traded.

Types of Investment Services

KCPS Clarity provides continuous investment management services on both a discretionary and non-discretionary basis to a diverse array of separate account clients, including high net worth individuals and institutions.

KCPS Clarity offers investment services to its clients in respect of a variety of asset classes, including equities, fixed income investments and alternative investments. The scope of its investment services and specific investment guidelines and limitations are tailored for each client on an individual basis, as described below. From time to time, KCPS Clarity may contract with sub-advisors to provide certain portfolio management services for clients. In the event a sub-advisor is responsible for managing a client’s assets, the client will be notified by KCPS Clarity.

Tailored Portfolio Management and Investment Restrictions

KCPS Clarity tailors individual strategic asset allocations to fit each client’s needs through the following steps:

- *Risk Assessment & Establishment of Objectives:* KCPS Clarity gains a thorough understanding of clients’ needs through an upfront Client-Assessment process and through extensive dialogue between client and investment manager. A client’s risk tolerance is then assessed and long-term wealth objectives are determined. Assets are always held in the client’s name at various banking institutions/custodial firms. KCPS Clarity does not provide custodial services.
- *Mandate Definition & Implementation:* Client’s strategic asset allocation is determined and implemented by a portfolio manager. Asset classes included are: equities, fixed income, and alternative investments. Because some types of investments involve certain

¹ Investment Services will refer to Investment Advisory according to the Advisory Act and to Portfolio Management and Investment Marketing according to the Israeli Law.

additional degrees of risk, such investments will only be recommended when consistent with the client's stated investment objectives, tolerance for risk, liquidity and suitability.

- *Ongoing Client Interaction & Reporting:* Client's portfolio is managed on an on-going basis and monthly reports are provided.

Clients may impose restrictions on investing in certain types of securities or investment products. Any such restrictions or limitations will be set forth in the investment services contract agreed to between the client and KCPS Clarity.

Wrap Fee Programs

KCPS Clarity does not offer or participate in any wrap fee programs.

Client Assets Under Management

As of December 31, 2014 KCPS Clarity managed assets on a discretionary basis in the amount of \$360,311,536 and assets on a non-discretionary basis of \$506,104,687.

Item 5 – Fees and Compensation

KCPS Clarity charges a management fee to clients based upon a percentage of assets the client has supervised by KCPS Clarity. The standard management fee generally charged to clients is 1.00% per annum.

Limited Negotiability of Management Fees

Although KCPS Clarity has established the aforementioned fee, it retains the discretion to negotiate alternative fees on a client-by-client basis. Client facts, circumstances and needs will be considered in determining the fee schedule. These include the complexity of the client relationship, assets to be placed under management, anticipated future additional assets, related accounts, portfolio style, account composition, frequency and types of reports, and other factors. The specific annual fee schedule will be identified in the investment services contract between KCPS Clarity and each client. Discounts, not generally available to our clients, may be offered to family members and associated persons of our firm and its affiliates.

Our fees are billed monthly and quarterly, in arrears, based on the market value of the applicable account at the end of the relevant period. Fees will be debited from the applicable account. In situations where an account's custodian may not permit direct debiting, KCPS Clarity will bill the client directly for any management fees.

Termination of the Investment Services Relationship

A client may generally terminate its investment services contract with KCPS Clarity at any time, for any reason, upon written notice to KCPS Clarity. KCPS Clarity may generally terminate an investment services contract with a client upon written notice to the client.

Additional Fees and Expenses

In addition to management fees charged by KCPS Clarity, described above, clients are also responsible for any management fees and other fees and expenses charged by custodians, funds and imposed by brokers or dealers relating to the client's account, including, without limitation, any transaction charges imposed by brokers or dealers in connection with transactions effected by a sub-advisor or other independent investment manager for the client's account, all as applicable.

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

KCPS Clarity does not currently charge clients any performance-based fees, nor does it participate in side-by-side management of assets.

Item 7 – Types of Clients

KCPS Clarity generally provides investment services to the following types of clients:

- High net worth individuals
- Endowments and foundations
- Charitable organizations
- Institutional clients
- Trusts
- Family offices

KCPS Clarity typically requires a minimum investment of \$1,000,000 from its clients in connection with opening a new account. Occasionally, investments of less than \$1,000,000 are accepted by KCPS Clarity from “friends and family” and other investors, as determined by KCPS Clarity in its discretion. Prospective clients should refer to the terms of KCPS Clarity's investment services contract for additional qualification requirements.

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

Methods of Analysis and Investment Strategy

KCPS Clarity utilizes a top-down approach to wealth management. Typically, KCPS Clarity's investment services relates specifically to one or more of the following four asset categories: (i) diversified multi-asset portfolios which generally include equities; (ii) fixed-income; (iii) alternative investments; and (iv) cash. KCPS Clarity's investment process involves determining overall "strategic" and "tactical" asset allocation guidelines in respect of each client.

Upon contracting with a new client for investment services, KCPS Clarity will work with such client to determine strategic allocation guidelines based on risk/reward objectives and applicable investment constraints. KCPS Clarity then works its investment committee, comprised of key officers and directors of KCPS Clarity and KCPS Clarity Group (the "Investment Committee"), to determine tactical guidelines applicable to all clients, based on the Investment Committee's macroeconomic view of relevant markets. Once KCPS Clarity has determined tactical allocation guidelines, the Investment Committee will "tilt" clients' portfolios into certain asset categories or classes based on its analysis. Currently, the following individuals serve as members of the Investment Committee: Mr. Tal Keinan (CEO at KCPS Clarity Capital Group and a director at KCPS Clarity), Mr. David Steinhardt (Co-President at KCPS Clarity Capital Group), Mr. Laurence Schreiber (Co-President at KCPS Clarity Capital Group), Mr. Jay Pomrenze (Chief Strategist at KCPS Clarity Capital Group and a director at KCPS Clarity), Mr. Eran Peleg (CEO, Chief Investment Officer and a director at KCPS Clarity) and Mr. Ben Maimon (Managing Director at KCPS Clarity).

KCPS Clarity generally employs the following methods for specific security and manager/fund selection within three primary asset categories:

- **Equities**

- Equity Tactical Tilt: The Investment Committee will determine tactical tilts based on macroeconomic views.
- Identify Relevant Theme: In view of the macroeconomic environment, equity analysts will determine relevant themes.
- Establish Screening Criteria: KCPS Clarity will develop criteria that will position companies to succeed given current themes.
- Select Companies/Funds For Evaluation: KCPS Clarity will seek to determine sectors that are best positioned to fit these themes.
- Company Specific Research: KCPS Clarity will review company presentations and regulatory filings, and access leading analyst research. KCPS Clarity may contact specific companies and/or use affiliate networks to access the view of expert investors familiar with relevant companies.

- *Risk Management*: KCPS Clarity will evaluate expected risk/reward of specific portfolio holdings, as well as correlations to other equity holdings and to the overall portfolio. KCPS Clarity will seek to effect portfolio diversification across sectors and geographic regions.
- *Invest*: KCPS Clarity will seek to acquire securities and other investment instruments to best express desired portfolio themes.
- **Fixed Income**
 - *Fixed-Income Tactical Tilt*: The Investment Committee will determine tactical tilts based on macroeconomic views.
 - *Identify Relevant Bond Sectors*: KCPS Clarity will perform internal analysis to choose sectors based on the macroeconomic environment (e.g. government, corporate, convertibles, high-yield, etc.).
 - *Select Investment Method*: KCPS Clarity will assess bond sectors and determine investment method on a case-by-case basis, i.e., ascertain whether a niche manager may offer better access/diversification.
 - *Bond Picking*: KCPS Clarity will screen bonds with a focus on rating, yield-to-maturity, duration, and spread over the yield of the parallel government bond compared to peers.
 - *Analysis Of Company*: KCPS Clarity will review company presentations and financial statements, examine leading analyst research, and hold discussions with analysts covering applicable companies.
 - *Risk Management*: KCPS Clarity will evaluate expected risk/reward of proposed bond allocations. KCPS Clarity will also evaluate correlations to other bonds in the portfolio, as well as to other portfolio assets. KCPS Clarity will consider bond yield in the context of the applicable currency's yield curve.
 - *Invest*: KCPS Clarity will invest directly in investment-grade credit, and gain exposure to high-yield and convertible bonds via funds that have passed a strict due diligence process. KCPS Clarity will seek to acquire fixed-income securities to best express desired portfolio themes.
- **Alternative Investments**
 - *Alternatives Tactical Tilt*: The Investment Committee will determine tactical tilts based on macroeconomic views.

- Identify Relevant Strategies: In view of the macroeconomic environment, market cycle, and strategy correlations, KCPS Clarity will perform proprietary analysis on the effect on profitability of fund strategies.
- Perform External Market Research: KCPS Clarity will seek to initiate contacts with academics and market practitioners all over the world, as well as financial industry reports.
- Identify Funds For Evaluation: KCPS Clarity will seek to identify funds via affiliate networks, institutional relationships and databases. KCPS Clarity will seek managers with good performance, low volatility and low correlation to other asset classes.
- Screening Of Single Managers: KCPS Clarity will meet with managers to verify strong management skills, strong risk management approach, and strict operational/compliance policies. KCPS Clarity will seek to understand the real ability of managers to deliver alpha.
- Risk Management: KCPS Clarity will consider unique hedge fund risks, including operational, leverage and transparency risks.
- Invest: KCPS Clarity will seek to acquire interests in funds to best express desired portfolio themes.

Summary of Material Risks

Investing in any security entails risk of loss. Prices of securities react to the business and financial condition of the company that issued them as well as macroeconomic factors. Prices of a security may rise and fall based on changes in the business or financial condition of the issuing company, changes in management and the potential for merger and acquisitions.

KCPS Clarity may recommend or introduce to clients alternative investments in private fund vehicles and separate accounts managed by other investment managers. Clients should be aware that investments in such products may carry additional risks relating to the particular investment strategies employed by other investment managers in connection with such alternative investments.

Item 9 – Disciplinary Information

KCPS Clarity is required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of its portfolio management business or the integrity of its management.

Neither KCPS Clarity nor any of its management persons have reportable disciplinary events to disclose.

Item 10 – Other Financial Industry Activities and Affiliations

Neither KCPS Clarity nor any of its management persons has registered as, or has a pending application to register as, a broker-dealer, futures commission merchant, commodity pool operator, commodity trading advisor or an associated person of any of the foregoing entities.

KCPS Clarity is majority-owned by its parent company, KCPS Clarity Capital Group Ltd., which also has several other investment management subsidiaries, each of which is an affiliate of KCPS Clarity. Details regarding these subsidiaries and their relationship with KCPS Clarity are as follows:

- KCPS Capital Management Ltd. (“KCPS-CM”), an Israeli limited company based in Tel-Aviv, Israel, provides investment management services to a variety of clients, including individuals and institutions. Additionally, KCPS-CM serves as the investment manager and general partner of private fund vehicles.
- KCPS PE Investments Management (2006) Ltd. (“KCPS-PE”), an Israeli limited company based in Tel-Aviv, Israel, serves as the investment manager and general partner of private fund vehicles. KCPS-PE may also provide investment management services to individuals and institutions through separate accounts.
- KCPS Capital USA Ltd. (“KCPS-USA”), a Delaware corporation based in New York, New York, serves as the investment manager and general partner of private fund vehicles, and provides operational and back-office support to its affiliates.
- Clarity Diversified Alternatives Portfolio Management Ltd, (“CDAP-IM”), a Delaware corporation based in New York, New York, serves as the investment manager of private fund vehicles and provides discretionary investment management services to such. Clarity Capital provides research and due diligence services to CDAP-IM.
- Clarity Diversified Alternatives Portfolio GP Company LLC (“CDAP-GP COMPANY”), a Delaware limited liability company based in New York, New York, serves as the general partner of Clarity Diversified Alternatives Portfolio Holdings LP, a Delaware

partnership based in New York, New York which is the general partner of and holds management shares of private fund vehicles.

None of KCPS-CM, KCPS-PE or KCPS-USA (together with KCPS Clarity, collectively, the “KCPS Affiliates”), CDAP-IM or CDAP-GP COMPANY has registered as, or has a pending application to register as, a broker-dealer, futures commission merchant, commodity pool operator, commodity trading advisor or an associated person of any of the foregoing entities.

The KCPS Affiliates do not share specific investment recommendations, and each has taken measures to segregate its portfolio management business activities from the other affiliates. Each KCPS Affiliate is independently capitalized, and maintains a board of directors the majority of whom are independent from other KCPS Affiliates. The KCPS Affiliates do not share investment services or personnel, though they may from time to time share certain operational and back-office services.

Occasionally, KCPS Clarity may introduce or recommend to its clients investments in private funds or other investment products managed by one or more of its affiliates. To avoid conflicts of interest, KCPS Clarity notifies a client in advance if KCPS Clarity is recommending that such client purchase or sell an affiliated investment product, and requires that the client consent in writing prior to making such investment. KCPS Clarity will only recommend an affiliated investment product to a client if such product is suitable for the client’s risk profile and investment guidelines.

KCPS Clarity may recommend other investment advisers to clients from time to time, or engage sub-advisors to assist in managing client portfolios. In such instances, KCPS Clarity does not receive any compensation directly or indirectly from these other advisers or sub-advisors.

Item 11 – Code of Ethics, Participations of Interest in Client Transactions and Personal Trading

KCPS Clarity has adopted a written Code of Ethics (the “Code”) in compliance with Securities and Exchange Commission (“SEC”) Rule 204A-1. The Code is updated by KCPS Clarity from time to time, as needed, to reflect new legislation or regulations, or to otherwise reflect evolving best practices. All employees of KCPS Clarity are required to read the Code and annually acknowledge compliance with the policies and procedures set forth therein. KCPS Clarity will provide a copy of its code of ethics to any client or prospective client upon request.

The Code holds individuals to the highest standards of ethical conduct and places upon them a duty to act for the client’s benefit as well as to place the financial interests of KCPS Clarity’s clients ahead of their own interests at all times. The Code also sets forth trading restrictions and/or prohibitions on certain types of securities for personal accounts, including black-out windows where trading in certain securities is deemed restricted, pre-clearance requirements for securities transactions by certain personnel, and mandatory reporting of initial holdings information upon employment and quarterly transaction reporting thereafter. KCPS Clarity

reviews these reports to ensure compliance by employees with KCPS Clarity's policies and procedures regarding trading activities.

KCPS Clarity and/or its principals and affiliates may on occasion own, buy and/or sell securities which KCPS Clarity recommends to its clients, subject to the personal trading limitations noted above. Such transactions may also include trading in securities in a manner that differs from or is inconsistent with advice given to clients. Occasionally, KCPS Clarity may also introduce or recommend to its non-discretionary clients investments in private funds or other investment products managed by one or more of its affiliates. KCPS Clarity recognizes that potential conflicts arise from such transactions and has taken reasonable measures to mitigate such conflicts.

Item 12 – Brokerage Practices

KCPS Clarity does not provide custodial services. KCPS Clarity manages the portfolios of its clients which are held at various banks/custodians. Generally, trades are executed by the custodian in which the client's account is managed or by such custodian's affiliated broker. KCPS Clarity maintains a relationship with several custodians/brokers who are offered by KCPS Clarity to its clients prior to or at the time of engagement. KCPS Clarity's clients then select the most appropriate custodian, generally based on KCPS Clarity's recommendation.

Such list of custodians was selected carefully by KCPS Clarity which has been seeking to obtain the best execution (through custodians' affiliated broker) for its clients, taking into account the following factors: (i) the ability to effect prompt and reliable executions at favorable prices; (ii) the operational efficiency with which transactions are effected, taking into account the size of order and difficulty of execution; (iii) the financial strength, integrity and stability of the custodian/broker; (iv) the reputation of the custodian/broker; (v) the firm's risk in positioning a block of securities; (vi) efficiency of execution and error resolution; (vii) the quality, comprehensiveness and frequency of available research services considered to be of value; (viii) the competitiveness of commission rates in comparison with other custodians/brokers satisfying KCPS Clarity's other selection criteria; and (ix) other circumstances as may apply to a specific client, such as jurisdiction.

KCPS Clarity does not typically select or recommend custodians/brokers for non-discretionary clients.

Use of "Soft Dollars"

The term "soft dollars" refers to the receipt by an investment manager of products and services provided by brokers, without any cash payment by the investment manager, based on the volume of brokerage commission revenues generated from securities transactions executed through those brokers on behalf of the investment manager's clients. Section 28(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), provides a "safe harbor" to investment managers with respect to potential liability for violating their duty to obtain best execution for a client's securities transactions in circumstances in which such managers use soft dollars generated by

their advised accounts only for purposes of obtaining investment research and brokerage services (i) that provide lawful and appropriate assistance to the investment manager in the performance of investment decision-making responsibilities and (ii) where the commissions paid are reasonable in relation to the value of the services provided.

KCPS Clarity does not currently intend to engage in any soft dollar transactions. In the event that KCPS Clarity does engage in any soft dollar transactions, it will not engage in any such transactions other than with respect to products and services which fall within the Section 28(e) safe harbor or where such products or services would otherwise be chargeable to its clients pursuant to the terms of its investment services contract.

Client Referrals and Directed Brokerage

KCPS Clarity does not take into account client referrals when allocating its clients' brokerage business. KCPS Clarity does not engage in any directed brokerage activities.

Allocation of Trades

KCPS Clarity may at times determine that certain securities and investment opportunities, which may be suitable for one client, may also be suitable for other clients whose accounts are managed by KCPS Clarity. If that occurs, and KCPS Clarity is not able to acquire the desired aggregate amount of such securities on terms and conditions which KCPS Clarity deems investable, KCPS Clarity will endeavor to allocate in good faith the limited amount of such securities acquired among the various accounts for which KCPS Clarity considers them to be suitable. KCPS Clarity may make such allocations among the accounts in any manner which it considers to be fair under the circumstances, including but not limited to allocations based on relative account sizes, funds available for investment, diversification considerations, the degree of risk involved in the securities acquired, and the extent to which a position in such securities is consistent with the investment policies and strategies of the various accounts involved.

Aggregation of Orders

KCPS Clarity may aggregate purchase and sale orders of securities held by its clients with similar orders being made simultaneously for other accounts or entities if, in KCPS Clarity's reasonable judgment, such aggregation is reasonably likely to result in an overall economic benefit to such clients based on an evaluation that such clients will be benefited by relatively better purchase or sale prices, lower commission expenses or beneficial timing of transactions, or a combination of these and other factors. Generally, the purchase or sale of securities for KCPS Clarity clients will be effected simultaneously within the same custodian with the purchase or sale of like securities for other accounts or entities. Due to the fact that transactions take place in different custodians/brokers, different prices between different clients may apply.

Item 13 – Review of Accounts

KCPS Clarity reviews underlying security positions in client accounts on a continuous basis. KCPS Clarity's middle office team reviews client accounts on a daily basis. Additionally, portfolio managers review accounts for which they are responsible on a continuous basis.

During monthly portfolio review meetings, KCPS Clarity's management team reviews each portfolio from a compliance perspective to make sure client accounts follow portfolio and client guidelines. Other factors that may cause a portfolio review include client contributions or distributions, revised client objectives, or changes in law.

Daily and monthly statements and confirmations of transactions are provided by the client's broker or custodian with the information made available to KCPS Clarity.

Item 14 – Client Referrals and Other Compensation

KCPS Clarity has entered into written arrangements with third party marketers for the referral of managed clients to KCPS Clarity. Pursuant to the terms of such arrangements, third party marketers engaged by KCPS Clarity are typically entitled to a percentage of management fees earned by KCPS Clarity on referred assets.

KCPS Clarity does not receive economic benefits from any person not a client of KCPS Clarity in exchange for providing investment services to KCPS Clarity clients.

Item 15 – Custody

KCPS Clarity does not have custody of its clients' assets. The assets of KCPS Clarity clients are held by a qualified custodian, which provides periodical account statements to KCPS Clarity and/or directly to the client. In turn, KCPS Clarity provides monthly or quarterly reports to its clients relating to each account managed by KCPS Clarity.

Item 16 – Investment Discretion

Clients may engage KCPS Clarity to provide discretionary asset management services, in which case we place trades in a client's account without contacting the client prior to each trade to obtain the client's permission. KCPS Clarity also provides non-discretionary investment services to clients.

KCPS Clarity's authority with respect to its discretionary clients includes the ability to do the following without contacting the client:

- Determine securities (including funds, mutual funds and other investment funds) to buy or sell; and/or
- Determine the amount of such securities to buy or sell.

Clients give KCPS Clarity discretionary authority when they sign a discretionary investment services contract with our firm, and may limit this authority by giving KCPS Clarity written instructions. Clients may also change/amend such limitations at any time by providing KCPS Clarity with subsequent written instructions.

Item 17 – Voting Client Securities

Generally, KCPS Clarity is not required to take any action or render any advice with respect to the voting of proxies solicited by or with respect to the issuers of securities in which client assets may be invested from time to time. In the event that KCPS Clarity receives any such proxies, it is KCPS Clarity's standard policy to forward them to the relevant client for voting purposes, or otherwise cooperate with the client in voting such proxies in accordance with the client's instructions.

Item 18 – Financial Information

KCPS Clarity has no additional financial circumstances to report. A balance sheet is not required to be provided because KCPS Clarity does not require or solicit prepayment of more than \$1,200 in fees per client more than six months in advance of services rendered.