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**PART 2A OF FORM ADV: FIRM BROCHURE**

**SHELLBACK CAPITAL, LP**

March 29, 2017

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*This brochure (“Brochure”) provides information about the qualifications and business practices of Shellback Capital, LP (“Shellback”). If you have any questions about the contents of this Brochure, please contact us at (617) 204-5500 or [info@shellback.com](mailto:info@shellback.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.*

*Shellback is registered as an investment adviser with the SEC. Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.*

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

*This Brochure does not constitute an offer to sell or solicitation of an offer to buy any securities.*

## **ITEM 2**

### **MATERIAL CHANGES**

This is an annual update of our Brochure. We have updated the assets under management in Item 4.D. In Item 5.A., we have updated the Management Fee section. We have also updated Item 17, Voting Client Securities.

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## **ITEM 4**

### **ADVISORY BUSINESS**

#### **A. General Description of Advisory Firm.**

Shellback, a Delaware limited partnership, commenced operations in 2013 and currently maintains an office in Boston, Massachusetts. Jonathan C. Hilsabeck, Douglas A. Gordon and Donald D. Jabro, as limited partners of Shellback and as the managing members of the general partner of Shellback, Shellback Capital GP, LLC, a Delaware limited liability company (the “Investment Adviser General Partner”), are the principal owners of Shellback and jointly control Shellback and the Investment Adviser General Partner.

#### **B. Description of Advisory Services.**

##### **1. Advisory Services.**

Shellback serves as the management company with discretionary trading authority for private pooled investment vehicles, the securities of which are offered to investors on a private placement basis (each, a “Fund” and collectively, the “Funds”). The Funds include:

- (1) Shellback Master Fund, LP, a Cayman Islands exempted limited partnership (“Shellback Master”),
- (2) Shellback Fund, LP, a Delaware limited partnership (“Shellback Domestic Feeder”), and
- (3) Shellback Offshore Fund, Ltd., a Cayman Islands exempted company (“Shellback Offshore Feeder”).

The Funds are part of a single master-feeder structure.

HGJ Partners, LLC, a Delaware limited liability company that is registered in the Cayman Islands and affiliated with Shellback (the “Fund General Partner”), serves as the general partner of Shellback Master and Shellback Domestic Feeder.

As used herein, the term “client” generally refers to each Fund.

*This Brochure generally includes information about Shellback and its relationships with its clients. While much of this Brochure applies to all such clients, certain information included herein applies to specific clients only.*

##### **2. Investment Strategies and Types of Investments.**

*The descriptions set forth in this Brochure of specific advisory services that Shellback offers to clients, and investment strategies pursued and investments made by Shellback on behalf of its clients, should not be understood to limit in any way Shellback’s investment activities. The description is also as of the date of this Brochure, and can change at any time without prior notice. Shellback may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this Brochure,*

*that Shellback considers appropriate, subject to each client's investment objectives and guidelines. The investment strategies Shellback pursues are speculative and entail substantial risks. Clients should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any client will be achieved.*

Shellback uses a fundamental, research-intensive approach, which often includes direct contact with senior management at companies whose securities are being considered as potential investments for the Funds or in which the Funds are currently invested. Shellback's principal investment objective is to achieve capital appreciation primarily through investments in equity securities.

Shellback predominantly invests in U.S. listed equities, although investments may be made in non-U.S. equities. Long positions may be taken in securities of companies that Shellback believes to be attractively valued, with an emphasis on companies likely (in Shellback's view) to achieve earnings above consensus expectations. Short positions may be taken in securities of companies which (in Shellback's view) are overvalued by the market, with an emphasis on companies likely (in Shellback's view) to achieve earnings below consensus expectations or showing deteriorating financial characteristics. Positions may also be used for hedging and risk management purposes.

In addition to the emphasis on fundamental analysis discussed above, Shellback may also use technical analysis to screen for potential investments and to monitor current positions.

Please see Item 8 for a further description of the investment strategies employed by Shellback.

C. Availability of Customized Services for Individual Clients.

Shellback's investment decisions and advice with respect to each Fund are subject to each Fund's investment objectives and guidelines, as set forth in its respective offering documents.

D. Assets Under Management.

As of March 1, 2017, Shellback managed net assets of \$981,141,266. Shellback manages assets on a discretionary basis. Shellback does not intend to manage any assets on a non-discretionary basis.

## **ITEM 5**

### **FEES AND COMPENSATION**

#### **A. Advisory Fees and Compensation.**

The fees applicable to each Fund are set forth in detail in each Fund's offering documents. A brief summary of the fees that we generally offer to investors in the Funds is provided below.

##### **Management Fee**

Generally, each Fund pays Shellback a quarterly management fee on the first day of each fiscal quarter equal to (i) 0.4375% (1.75% per annum), (ii) 0.375% (1.50% per annum), (iii) 0.3125% (1.25% per annum), or (iv) 0.25% (1.00% per annum) (depending on the class of interests) of each investor's capital account for such fiscal quarter.

The management fees generally will be prorated for any capital contribution or withdrawal by an investor that is effective other than as of the first day of a quarter. In the event of a withdrawal by an investor other than as of the last day of a quarter, Shellback will generally pay the relevant Fund an amount equal to the *pro rata* portion of the management fee, based on the actual number of days remaining in such quarter, and that Fund will distribute such amount to the withdrawing investor. In the sole discretion of the Fund General Partner, the management fee may be waived, reduced or calculated differently with respect to certain investors, including, without limitation, any principal, employee or affiliate of Shellback, the General Partner or any family member or friend of such person.

##### **Incentive Fee or Allocation**

Generally, at the end of each fiscal year, a Fund will be obligated to pay to Shellback an incentive fee, or make an incentive allocation, to the Fund General Partner in an amount equal to 17.5% or 20% (depending on the class of interests) of the net appreciation (which includes both realized gains and losses and unrealized appreciation and depreciation) in the value of an investor's shares or that is allocated to an investor's capital account over or for such fiscal year (after deducting the applicable management fee), subject to a loss carryforward mechanism.

In the event that any of the Funds is terminated or an investor withdraws other than at the end of a fiscal year, then for purposes of determining the incentive fee payable or incentive allocation allocable at such time to the Fund General Partner, the incentive amounts will be determined as if such dates were the end of the fiscal year, subject to certain adjustments.

In the sole discretion of the Fund General Partner, the incentive fee or allocation may be waived, reduced or calculated differently with respect to certain investors, including, without limitation, any principal, employee or affiliate of Shellback, the General Partner or any family member or friend of such person.

## B. Payment of Fees.

Fees and compensation paid to Shellback or its affiliates by the Funds are generally deducted from the assets of the applicable Fund. As discussed above, management fees are generally deducted on a quarterly basis and incentive fees and allocations are generally paid or allocated on an annual basis.

## C. Additional Fees and Expenses.

The offering documents will set forth the additional fees and expenses that are payable by a Fund or its investors, but the following sets forth a list of the expenses that the clients generally are expected to bear: the client's own operating and other expenses, including, without limitation, the management fee; investment expenses, whether or not such investments are consummated (such as brokerage commissions, expenses relating to short sales, clearing and settlement charges, custodial fees, bank service fees and interest expenses); third-party professional fees (including, without limitation, expenses of consultants, investment bankers, attorneys, accountants and other experts) relating to investments; fees and expenses relating to software tools, programs or other technology utilized in managing the Funds (including, without limitation, third-party software licensing, implementation, data management and recovery services and custom development costs); research and market data (including, without limitation, connectivity hardware incorporated into the cost of obtaining such research and market data); administrative expenses (including, without limitation, fees and expenses of the fund administrator); legal expenses; external accounting and valuation expenses (including, without limitation, the cost of accounting software packages); audit and tax preparation expenses; costs related to errors and omissions insurance for the General Partner and Shellback; fees of the Board of Directors; costs of printing and mailing reports and notices; entity-level taxes; corporate licensing; regulatory expenses (including expenses related to preparing and making regulatory and compliance filings related with the Funds, but not Shellback, and its investment activities, such as filing fees and costs of software and systems relating to such filings); organizational expenses; expenses incurred in connection with the offering and sale of the Interests (including side letter negotiation) and other similar expenses related to the Funds (other than any fees payable to any placement agent); indemnification expenses; and extraordinary expenses.

## D. Additional Compensation and Conflicts of Interest.

Neither Shellback nor any of its supervised persons accepts compensation (*e.g.*, brokerage commissions) for the sale of securities or other investment products.



**ITEM 6**  
**PERFORMANCE-BASED FEES**

Shellback and its affiliates accept performance-based fees from every client. As a result, we do not face certain conflicts of interest that may arise when an investment adviser accepts performance-based fees from some clients, but not from other clients.

**ITEM 7**  
**TYPES OF CLIENTS**

Shellback provides investment advice to Funds, as described above. To the extent that Shellback determines, in the future, to provide investment advice to separately managed accounts for institutional and other investors, this Brochure will be updated to reflect that fact.

## ITEM 8

### METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

#### A. Methods of Analysis and Investment Strategies.

*The descriptions set forth in this Brochure of specific advisory services that Shellback offers to clients, and investment strategies pursued and investments made by Shellback on behalf of its clients, should not be understood to limit in any way Shellback's investment activities. Investment strategies may change at any time without prior notice. Shellback may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this Brochure, that Shellback considers appropriate, subject to each client's investment objectives and guidelines. The investment strategies Shellback pursues are speculative and entail substantial risks. Clients should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any client will be achieved.*

The Funds' principal investment objective is to achieve capital appreciation primarily through investments in equity securities. The construction of the Funds' portfolio is rooted in detailed bottom-up securities analysis. Founding partners Jonathan C. Hilsabeck, Douglas A. Gordon and Donald D. Jabro (each a "Sector Specialist" or a "Principal" and collectively the "Portfolio Team") will co-manage the Funds as sector specialists with trading and investment discretion in their respective areas of specialization. In addition, Mr. Hilsabeck will oversee the entire portfolio as portfolio manager (the "Portfolio Manager") by, among other things, (i) managing exposures, weights and positioning; (ii) managing portfolio risk; (iii) serving as the head of Shellback's investment committee; and (iv) making ultimate portfolio management decisions for the Funds.

Shellback predominantly invests in long positions in U.S. listed equities, although investments may be made in non-U.S. securities. Long positions will be taken in securities of companies which the sector specialists believe to be attractively valued, with an emphasis on companies likely (in Shellback's view) to achieve earnings above consensus expectations. Short<sup>1</sup> positions will be taken in securities of companies which, in the view of Shellback, are overvalued by the market, with an emphasis on companies likely (in Shellback's view) to achieve earnings below consensus expectations or showing deteriorating financial characteristics.

The Funds' investment strategy is based upon a research-intensive security selection process, which often includes direct contact with senior management at companies whose securities are being considered as potential investments. While attention is paid to

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<sup>1</sup> A short sale involves the sale of a security that a Fund does not own with 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 Fund must borrow the security, and the Fund is obligated to return the security to the lender which is accomplished by a later purchase of the security by the Fund. In the United States, when a short sale is made, the seller must leave the proceeds thereof with the broker and it must also deposit with the broker an amount of cash or United States Government securities sufficient under current margin regulations to collateralize its obligations to replace the borrowed securities that have been sold. If short sales are effected on a non-U.S. exchange, such transactions will be governed by local law. A short sale involves the theoretically unlimited risk of an increase in the market price of the security that would result in a theoretically unlimited loss.

general macro-economic and financial market conditions, Shellback believes that the underlying stock selection process is the critical determinant to achieving superior investment results. Shellback generally develops proprietary earnings models for issuers in which the Funds invest.

In addition to the emphasis on fundamental analysis discussed above, Shellback may also use technical analysis to screen for potential investments and to monitor current positions. Securities of all market capitalizations may be included in the portfolio, including small-to-mid capitalization companies. When deemed appropriate by Shellback, the Funds engage in short-term trading to take advantage of opportunities in the financial markets.

Short positions are independently viewed by Shellback as profit opportunities for the Funds as well as a degree of protection against a declining market. The size of the Funds' short positions varies from time to time. While Shellback believes a net long bias is appropriate for the best long term capital appreciation, Shellback also feels that a net short position will be held when warranted by market opportunities and/or specific investment opportunities.

While the Funds do not have firm rules related to diversification, and portfolio holdings may be concentrated in those industries or sectors which Shellback believes offers the best opportunity for capital appreciation generally, the following guidelines (in each case measured by net asset value at the time a position is entered into), subject to amendment by the portfolio manager (and without notification to Limited Partners), will apply:

- Top long position: 6%
- Top short position: 4%
- Top 10 positions: 20-45%
- Liquidity: Typically 90% of total portfolio can be liquidated within two trading days

The Funds will utilize leverage to take advantage of market opportunities. The use of leverage enables the Funds to increase their buying power. The Funds may borrow money from banks or brokerage firms, purchase securities on margin, as well as finance positions and lend funds through repurchase and reverse repurchase agreements.

The Funds' investment program emphasizes active management of the Funds' portfolio in order to take advantage of opportunities in the financial markets. Consequently, the Funds' portfolio turnover and brokerage commission expenses may exceed those of other investment entities of comparable size.

The Funds may invest their excess funds in short term investments, including U.S. Government securities, money market funds, commercial paper, certificates of deposit and bankers' acceptances.

**B. Material, Significant or Unusual Risks Relating to Investment Strategies.**

*The following risk factors do not purport to be a complete list or explanation of the risks involved in an investment in the clients advised by Shellback. These risk factors*

*include only those risks Shellback believes to be material, significant or unusual and relate to particular significant investment strategies or methods of analysis employed by Shellback.*

*Limited Operating History.* Shellback and the Funds have a limited operating history upon which prospective investors can evaluate their anticipated performance. The Portfolio Team used investment strategies similar to the investment strategies described herein in connection with proprietary trading on behalf of Vinik Asset Management for several years. However, there can be no assurance that Shellback or the Funds will achieve results comparable to those that the Portfolio Team achieved in the past.

*Investment and Trading Risks.* Any investment in securities carries certain market risks. An investment in the Funds is highly speculative and involves a high degree of risk due to the nature of the Funds' investments and the investment and trading strategies to be employed. An investment in the Funds should not in itself be considered a balanced investment program. An investor should be aware that it may lose all or part of its investment in the Funds.

Shellback believes that the Funds' investment program and research techniques moderate this risk through a careful selection of securities and other financial instruments; however, no guarantee or representation is made that the Funds' investment program will be successful. The Funds' investment program will involve, without limitation, risks associated with possible limited diversification, leverage, 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 Funds' activities. Such investment techniques of the Funds can, in certain circumstances, magnify the impact of adverse market moves to which the Funds may be subject. In addition, the Funds' investment in securities may be materially affected by conditions in the financial markets and overall economic conditions occurring globally and in particular countries or markets where the Funds may invest its assets.

The Funds' method of minimizing such risks may not accurately predict 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.

*Investments in Undervalued Securities.* One of the primary objectives of the Funds is to invest in undervalued securities. The identification of investment opportunities in undervalued securities is a difficult task, and there is no assurance that such opportunities will be successfully recognized or acquired. While investments in undervalued securities offer the opportunities for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses. Securities that Shellback believes are fundamentally undervalued or incorrectly valued may not ultimately be valued in the capital markets at prices and/or within the time frame Shellback anticipates. Returns generated from the Funds' investments may not adequately compensate for the business and financial risks assumed.

The Funds may make certain speculative investments in securities which Shellback believes to be undervalued; however, there are no assurances that the securities

purchased will in fact be undervalued. In addition, the Funds may be required to hold such securities for a substantial period of time before realizing their anticipated value. During this period, a portion of the Funds' assets would be committed to the securities purchased, thus possibly preventing the Funds from investing in other opportunities. In addition, the Funds may finance such purchases with borrowed funds and thus will have to pay interest on such funds during such waiting period.

*Short-term Market Considerations.* Shellback's trading decisions may be made on the basis of short-term market considerations. Therefore, the portfolio turnover rate could result in significant trading related expenses.

*Diversification Policies.* The Funds may concentrate investments in particular industries or companies. The investment risk of a portfolio that is concentrated in particular industries or companies is greater than if the portfolio is invested in a more diversified manner among various industries or companies.

*Use of Leverage.* The Funds may, in the sole discretion of Shellback, leverage their investment positions by borrowing funds from securities broker-dealers, banks or others, or by using options and other derivative instruments. From time to time, the Funds may borrow significant amounts to take advantage of perceived opportunities, such as short-term price disparities between markets or related securities. Such leverage increases both the possibilities for profit and the risk of loss. The instruments and borrowings utilized by the Funds to leverage investments may be collateralized by the Funds' portfolios. Accordingly, the Funds may pledge their securities in order to borrow or otherwise obtain leverage for investment or other purposes. The use of leverage will allow the Funds to make additional investments, thereby increasing their exposure to assets, such that their total assets may be greater than their capital. The use of leverage will magnify the volatility of changes in the value of the investments of the Funds. The effect of the use of leverage by the Funds in a market that moves adversely to its investments could result in substantial losses to the Funds, which would be greater than if the Funds were not leveraged. In addition, the amount of the Funds' borrowings and the interest rates on those borrowings, which will fluctuate, may have a significant effect on the Funds' profitability.

Leverage may take the form of, without limitation, investing in any of the securities described herein, including derivative instruments which are inherently leveraged and trading in products with embedded leverage such as options, short sales and forwards. The amount of leverage or borrowings which the Funds may have outstanding at any time may therefore be large in relation to its capital. Consequently, the level of interest rates generally, and the rates at which the Funds can borrow in particular, will affect the operating results of the Funds.

In general, the Funds' use of short-term margin borrowings may result in certain additional risks to the Funds. For example, should the securities pledged to brokers to secure the Funds' margin accounts decline in value, the Funds could be subject to a "margin call," pursuant to which the Funds must either deposit additional funds with the broker or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a sudden precipitous drop in the value of the Funds' assets, the Funds might not be able to liquidate assets quickly enough to satisfy its margin requirements. In that event, the Funds may become subject to claims of financial intermediaries that extended "margin" loans. Such claims could exceed the value of the assets of the Funds. The banks

and dealers that provide financing to the Funds can apply essentially discretionary margin, haircut, financing and collateral valuation policies. Changes by banks and dealers in any of the foregoing may result in large margin calls, loss of financing and forced liquidations of positions at disadvantageous prices. There can be no assurance that the Funds will be able to secure or maintain adequate financing.

*Long/Short.* The success of the Funds' long/short investment strategy depends upon Shellback's ability to identify and purchase securities that are undervalued and identify and sell short securities that are overvalued. The identification of investment opportunities in the implementation of the Funds' long/short investment strategies is a difficult task, and there are no assurances that such opportunities will be successfully recognized or acquired. In the event that the perceived opportunities underlying the Funds' positions were to fail to converge toward, or were to diverge further from values expected by Shellback, the Funds may incur a loss. In the event of market disruptions, significant losses can be incurred which may force the Funds to close out one or more positions. Furthermore, the valuation models used to determine whether a position presents an attractive opportunity consistent with Shellback's long/short strategies may become outdated and inaccurate as market conditions change.

*Short Selling.* The Funds' investment portfolio includes short positions. Short selling involves selling securities which may or may not be owned by the short seller, and borrowing them for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the investor to profit from a decline in market price to the extent such decline exceeds the transaction costs and the costs of borrowing the securities. The extent to which the Funds engage in short sales will depend upon Shellback's investment strategy and opportunities. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to the Funds of buying those securities to cover the short position. There can be no assurance that the Funds will be able to maintain the ability to borrow securities sold short. In such cases, the Funds can be "bought in" (i.e., forced to repurchase securities in the open market to return to the lender). There also can be no assurance that the securities necessary to cover a short position will be available for purchase at or near prices quoted in the market. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss.

*Trade Errors.* On occasion, errors may occur with respect to trades executed on behalf of the Funds. Trade errors can result from a variety of situations, including, for example, when the wrong security is purchased or sold, when the correct security is purchased or sold but for the wrong account, and when the wrong quantity is purchased or sold (e.g., 1,000 shares instead of 10,000 shares are traded). Trade errors frequently result in losses but may, occasionally, result in gains. Errors that do not result in transactions for the Funds (such as errors that result in the loss of an investment opportunity) are not viewed as trade errors. Shellback will endeavor to detect trade errors prior to settlement and correct and/or mitigate them in an expeditious manner. To the extent an error is caused by a third party, such as a broker, Shellback will strive to recover any losses associated with such error from such third party. Shellback will determine whether any trade error has resulted from gross negligence or willful misconduct on its part, and, unless it finds that to be the case, any losses will be borne by the Funds. Any gains resulting from trade errors will be credited to

the Funds; however, gains from trade errors may not offset losses from trade errors, unless the underlying transactions constitute a single transaction. Shellback will establish internal policies regarding the manner in which such determinations are to be made, but investors should be aware that, in making such determinations, Shellback will have a conflict of interest.

*Hedging Transactions.* The Funds may utilize securities both for investment purposes and for risk management purposes in order to (i) protect against possible changes in the market value of the Funds's investment portfolio resulting from fluctuations in the markets and changes in interest rates; (ii) protect the Funds's unrealized gains in the value of its investment portfolio; (iii) facilitate the sale of any securities; (iv) enhance or preserve returns, spreads or gains on any security in the Funds's portfolio; (v) hedge against a directional trade; (vi) hedge the interest rate, credit or currency exchange rate on any of the Funds's securities; (vii) protect against any increase in the price of any securities the Funds anticipate purchasing at a later date; or (viii) act for any other reason that Shellback deems appropriate. The Funds will not be required to hedge any particular risk in connection with a particular transaction or its portfolio generally. Shellback may be unable to anticipate the occurrence of a particular risk and, therefore, may be unable to attempt to hedge against it. While the Funds may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for the Funds than if it had not engaged in any such hedging transaction. Moreover, it should be noted that the portfolio will always be exposed to certain risks that may not be hedged, such as credit risk (relating both to particular securities and counterparties).

*Exchange-Traded Funds.* Exchange-Traded Funds ("ETFs") are publicly traded unit investment trusts, open-end funds or depository receipts that seek to track the performance and dividend yield of specific indexes or companies in related industries. These indexes may be either broad-based, sector, or international. However, ETF shareholders are generally subject to the same risk as holders of the underlying financial instruments they are designed to track. ETFs are also subject to certain additional risks, including, without limitation, the risk that their prices may not correlate perfectly with changes in the prices of the underlying financial instruments they are designed to track, and the risk of trading in an ETF halting due to market conditions or other reasons, based on the policies of the exchange upon which the ETF trades. Generally, each shareholder of an ETF bears a *pro rata* portion of the ETF's expenses, including management fees. Accordingly, in addition to bearing their proportionate share of the Funds' expenses (e.g., management fees and operating expenses), investors may also indirectly bear similar expenses of an ETF.

*Small and Medium Capitalization Companies.* The Funds may invest a portion of their assets in the stocks of companies with small- to medium-sized market capitalizations. While Shellback believes that such stocks often provide significant potential for appreciation, those stocks, particularly smaller-capitalization stocks, involve higher risks in some respects than do investments in stocks of larger companies. For example, prices of small-capitalization and even medium-capitalization stocks are often more volatile than prices of large-capitalization stocks and the risk of bankruptcy or insolvency of many smaller companies (with the attendant losses to investors) is higher than for larger, "blue-chip" companies. In addition, due to thin trading in some small-capitalization stocks, an investment in those stocks may be illiquid. It is also more difficult to obtain information about less seasoned and smaller capitalization companies because they tend to be less well known and have shorter operating histories and because they tend not to have significant ownership by



large investors or be followed by many securities analysts. Additionally, these companies may have limited product lines, markets or financial resources, or they may be dependent upon a limited management group that may lack depth and experience. Investments in larger and more established companies present certain advantages in that such companies generally have greater financial resources, more extensive research and development, manufacturing, marketing and service capabilities, more stability and greater depth of management and technical personnel.

*Non-U.S. Investments.* Investing in the securities of companies (and, from time to time, governments) outside of the United States involves certain considerations not usually associated with investing in securities of U.S. companies or the U.S. Government, including political and economic considerations, such as greater risks of expropriation, nationalization, confiscatory taxation, imposition of withholding or other taxes on interest, dividends, capital gains, other income or gross sale or disposition proceeds, limitations on the removal of assets and general social, political and economic instability; the relatively small size of the securities markets in such countries and the low volume of trading, resulting in potential lack of liquidity and in price volatility; the evolving and unsophisticated laws and regulations applicable to the securities and financial services industries of certain countries; fluctuations in the rate of exchange between currencies and costs associated with currency conversion; and certain government policies that may restrict the Funds' investment opportunities. In addition, accounting and financial reporting standards that prevail outside of the U.S. generally are not as high as U.S. standards and, consequently, less information is typically available concerning companies located outside of the U.S. than for those located in the U.S. As a result, the Funds may be unable to structure their transactions to achieve the intended results or to mitigate all risks associated with such markets. It may also be difficult to enforce the Funds' rights in such markets. For example, securities traded on non-U.S. exchanges and the non-U.S. persons that trade these instruments are not subject to the jurisdiction of the SEC or the securities and commodities laws and regulations of the U.S. Accordingly, the protections accorded to the Funds under such laws and regulations are unavailable for transactions on non-U.S. exchanges and with non-U.S. counterparties.

*Currency.* Foreign currency fluctuations could adversely affect the Funds' performance. The Funds may invest a portion of their assets in instruments denominated in currencies other than the U.S. dollar, the price of which is determined with reference to currencies other than the U.S. dollar. The Funds, however, compute and distribute their income in U.S. dollars, and the computation of income will be made on the date that the income is earned by the Funds at the foreign exchange rate on that date. To the extent unhedged, the value of the Funds' assets fluctuate with U.S. dollar exchange rates as well as the price changes of the Funds' investments in the various local markets and currencies. Thus, an increase in the value of the U.S. dollar compared to the other currencies in which the Funds make their investments will reduce the effect of increases and magnify the effect of decreases in the prices of the Funds' securities in their local markets. Conversely, a decrease in the value of the U.S. dollar will have the opposite effect on the Funds' non-U.S. dollar securities. The Funds also may utilize options and forward contracts to hedge against currency fluctuations, but there can be no assurance that such hedging transactions will be effective, and such techniques entail additional risks.

Furthermore, the Funds may incur costs in connection with conversions between U.S. dollars and a non-U.S. currency. Foreign 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 a foreign currency to the Funds at one rate, while offering a lesser rate of exchange should the Funds desire immediately to resell that currency to the dealer. The Funds will conduct its foreign currency exchange transactions either at the spot rate prevailing in the foreign currency exchange market or through entering into forward, futures or options contracts to purchase or sell foreign currencies, if available.

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

Some of the markets in which the Funds may effect transactions are not "exchange-based," including "over-the-counter" or "interdealer" markets. The stability and liquidity of over-the-counter transactions depends in large part on the creditworthiness of the parties to the transactions. 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 Funds 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 Funds to suffer a loss. Such "counterparty risk" is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the Funds have concentrated their transactions with a single or small group of counterparties. Generally, the Funds will not be restricted from dealing with any particular counterparties. Shellback'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 Funds' counterparties and the absence of a regulated market to facilitate settlement may increase the potential for losses by the Funds.

If there is a default by a counterparty, the Funds under most normal circumstances will have contractual remedies pursuant to the agreements related to the transaction. However, exercising such contractual rights may involve delays or costs which could result in the net asset value of the Funds being less than if the Funds had not entered into the transaction. Furthermore, there is a risk that any of such counterparties could become insolvent and/or the subject of insolvency proceedings. In such case, the recovery of the Funds' financial instruments from such counterparty or the payment of claims therefor may be significantly delayed and the Funds may recover substantially less than the full value of the financial instruments entrusted to such counterparty.

Collateral that the Funds post to its counterparties that is not segregated with a third party custodian may not have the benefit of customer-protected "segregation" of such funds. In the event that a counterparty were to become insolvent, the Funds may become subject to the risk that it may not receive the return of its collateral or that the collateral may take some time to return.

In addition, the Funds may use counterparties located in jurisdictions outside the United States. Such local counterparties usually are subject to laws and regulations in foreign jurisdictions that are designed to protect customers in the event of their insolvency. However, the practical effect of these laws and their application to the Funds' assets are subject to substantial limitations and uncertainties. Because of the range of possible factual scenarios involving the insolvency of a counterparty and the potentially large number of entities and jurisdictions that may be involved, it is impossible to generalize about the effect of such an insolvency on the Funds and their assets. Investors should assume that the insolvency of any such counterparty would result in significant delays in recovering the Funds' financial instruments from or the payment of claims therefore by such counterparty and a loss to the Funds, which could be material.

*Possible Limitations on Deductibility of the Incentive Fee and Certain Other Expenses.* The Funds expect to be engaged in a trade or business as a trader in securities and have elected to report their income from sales of securities held in connection with such trade or business on a "mark-to-market" basis for Federal income tax purposes. However, there can be no assurance that the Internal Revenue Service will agree that the Funds' securities activities will constitute trading rather than investing, in which case the share of the Funds' investment expenses allocable to a noncorporate investor may be subject to certain limitations on deductibility for Federal, and possibly state or local income tax purposes. Such expenses include, without limitation, the incentive fee and the management fee. If those limitations apply, a noncorporate investor may be unable to deduct the incentive fee and such other expenses for Federal regular and alternative minimum tax purposes, as well as for state and local tax purposes. This may have the effect of causing the taxable income realized by an investor from the Funds to be materially in excess of the economic income earned from the Funds.

**ITEM 9**  
**DISCIPLINARY INFORMATION**

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

**ITEM 10**  
**OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

A. Broker-Dealer Registration Status.

Shellback and its management persons are not registered as broker-dealers and do not have any application pending to register with the SEC as a broker-dealer or registered representative of a broker-dealer.

B. Futures Commission Merchant, Commodity Pool Operator or Commodity Trading Adviser Registration Status.

Shellback and its management persons are not registered as, and do not have any application to register as, futures commission merchants, commodity pool operators, commodity trading advisors or associated persons of the foregoing entities.

C. Material Conflicts of Interest Relating to Other Investment Advisers.

Shellback does not recommend or select other investment advisers for its clients.

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

A. Code of Ethics.

Shellback strives to adhere to the highest industry standards of conduct based on principles of professionalism, integrity, honesty and trust. In seeking to meet these standards, Shellback has adopted a Code of Ethics (the “Code”). The Code incorporates the following general principles that all employees are expected to uphold:

- employees must at all times place the interests of clients first;
- all personal securities transactions must be conducted in a manner consistent with the Code and avoid any actual or potential conflicts of interest or any abuse of an employee’s position of trust and responsibility;
- employees must not take any inappropriate advantage of their positions;
- information concerning the identity of securities and financial circumstances of the Funds, including the Funds’ investors, must be kept confidential; and
- independence in the investment decision-making process must be maintained at all times.

In addition, the Code contains restrictions on personal trading and the giving and receiving of gifts and entertainment, prohibitions on services on the boards of outside companies without prior approval, and policies and procedures concerning political contributions in connection with SEC Rule 206(4)-5 promulgated pursuant to the Investment Advisers Act of 1940, as amended (the “Advisers Act”).

Clients may request a copy of the Code by contacting Shellback at the address or telephone number listed on the first page of this document.

B. Investing in Securities that Shellback or a Related Person Recommends to Clients.

The Code places restrictions on personal trades by employees, requires that employees pre-clear certain types of personal securities transactions and requires that they disclose their personal securities holdings and transactions to Shellback on a periodic basis. Generally, and subject to certain exceptions, Shellback’s employees may not engage in personal securities trading and may only dispose of securities held in their respective personal trading accounts subject to the above-mentioned pre-approval. Employees may purchase and sell direct obligations of the U.S. or any foreign government, open-end mutual funds for investment purposes, money market funds, municipal bonds and certain limited partnership or LLC interests (other Hedge Funds) that require pre-clearance from one of Shellback’s Compliance Officers.

Shellback, its affiliates and its employees may give advice or take action for their own accounts that may differ from, conflict with or be adverse to advice given or action taken for clients. Potential conflicts also may arise due to the fact that Shellback and its personnel may have investments in some Funds but not in others or may have different levels of investments in the various Funds.

Shellback has established policies and procedures to monitor and resolve conflicts with respect to investment opportunities in a manner it deems fair and equitable, including the restrictions placed on personal trading in the Code, as described above, and regular monitoring of employee transactions and trading patterns for actual or perceived conflicts of interest that may arise as a result of personal trades in the same or similar securities made at or about the same time as client trades.

## **ITEM 12**

### **BROKERAGE PRACTICES**

#### **A. Factors Considered in Selecting or Recommending Broker-Dealers for Client Transactions.**

As noted previously, Shellback has full discretionary authority to manage the Funds, including authority to make decisions with respect to which securities are bought and sold, the amount and price of those securities, the brokers or dealers to be used for a particular transaction, and commissions or markups and markdowns paid. Shellback's authority is limited by its own internal policies and procedures and each Fund's investment guidelines.

Portfolio transactions for each client will be allocated to brokers and dealers on the basis of numerous factors and not necessarily lowest pricing. Brokers and dealers may provide other services that are beneficial to Shellback and/or certain clients, but not beneficial to all clients. Subject to best execution, in selecting brokers and dealers (including prime brokers) to execute transactions, provide financing and securities on loan, hold cash and short balances and provide other services, Shellback may consider, among other things, the following:

- the ability of the brokers and dealers to effect the transaction;
- the brokers' or dealers' facilities, reliability and financial responsibility; and
- the provision or payment (or the rebate to a Fund for payment) of the costs of research, brokerage or execution services which are of benefit to the Funds, Shellback and related Funds and accounts.

Accordingly, the commission rates (or dealer markups and markdowns) charged to the Funds by brokers or dealers in the foregoing circumstances may be higher than those charged by other brokers or dealers who may not offer such services. Shellback need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. Generally, neither Shellback nor the Funds separately compensate any broker or dealer for any of these other services.

#### **1. Research and Other Soft Dollar Benefits.**

From time to time, Shellback may pay a broker-dealer commissions (or markups or markdowns with respect to certain types of riskless principal transactions) for effecting Fund transactions in excess of that which another broker-dealer might have charged for effecting the transaction in recognition of the value of the brokerage and research services provided by the broker-dealer. Shellback will effect such transactions, and receive such brokerage and research services, only to the extent that they fall within the safe harbor provided by Section 28(e) of the Securities Exchange Act of 1934, as amended, and subject to prevailing guidance provided by the SEC regarding Section 28(e). Shellback believes it is important to its investment decision-making processes to have access to independent research.



Also, consistent with Section 28(e), research products or services obtained with “soft dollars” generated by one or more Funds may be used by Shellback to service one or more other clients, including clients that may not have paid for the soft dollar benefits. Shellback does not seek to allocate soft dollar benefits to client accounts in proportion to the soft dollar credits the client accounts generate. Where a product or service obtained with soft dollars provides both research and non-research assistance to Shellback (*i.e.*, a “mixed use” item), Shellback will make a good faith allocation of the cost which may be paid for with soft dollars. In making good faith allocations of costs between administrative benefits and research and brokerage services, a conflict of interest may exist by reason of Shellback’s allocation of the costs of such benefits and services between those that primarily benefit Shellback and those that primarily benefit the Funds.

When Shellback uses client brokerage commissions (or markups or markdowns) to obtain research or other products or services, Shellback receives a benefit because it does not have to produce or pay for such products or services. Shellback may have an incentive to select or recommend a broker-dealer based on Shellback’s interest in receiving research or other products or services, rather than on its clients’ interest in receiving most favorable execution.

At least annually, Shellback considers the amount and nature of research and research services provided by broker-dealers, as well as the extent to which such services are relied upon, and attempts to allocate a portion of the brokerage business of its Funds on the basis of that consideration. Broker-dealers sometimes suggest a level of business they would like to receive in return for the various products and services they provide. Actual brokerage business received by any broker-dealer may be less than the suggested allocation, but can (and often does) exceed the suggested level, because total brokerage is allocated on the basis of all of the considerations described above. In no case will Shellback make binding commitments as to the level of brokerage commissions it will allocate to a broker-dealer, nor will it commit to pay cash if any informal targets are not met. A broker-dealer is not excluded from receiving business because it has not been identified as providing research products or services.

## **2. Brokerage for Client Referrals.**

Neither Shellback nor any related person receives client referrals from any broker-dealer or third party.

## **3. Directed Brokerage.**

Shellback does not recommend, request or require that a client direct Shellback to execute transactions through a specified broker-dealer.

## **ITEM 13**

### **REVIEW OF ACCOUNTS**

#### **A. Frequency and Nature of Review of Client Accounts or Financial Plans.**

Shellback performs various quarterly and other, more frequent, periodic reviews of each client's portfolio. Such reviews are conducted by the members of Shellback's Portfolio Team and operations staff.

#### **B. Factors Prompting Review of Client Accounts Other than a Periodic Review.**

A review of a client account may be triggered by any unusual activity or special circumstances.

#### **C. Content and Frequency of Account Reports to Clients.**

Shellback generally provides annual audited financial statements to its clients and investors in the Funds within 120 days of the applicable client's fiscal year end.

Investors in the Funds will receive (i) electronic unaudited monthly reports from the Funds' Administrator regarding the Funds' performance and capital account information, (ii) electronic unaudited monthly reports from the Funds' Administrator regarding various portfolio-related statistics and (iii) quarterly letters from Shellback. In addition, Shellback reserves the discretion to provide greater transparency into the Fund's portfolio to certain investors. Shellback may also make the portfolio available, on a time lag basis, to risk measurement platforms that provide risk monitoring, modeling or measurement services, and such servicers will provide risk reports to certain investors. Investors may request additional information and reporting (including, without limitation, information containing the Funds' holdings and weekly estimates), and, although any such additional information and reporting that is provided to requesting investors will be available to all investors, some investors may not request, and therefore not receive, such additional information. Such information could affect an investor's decision to withdraw its interests.

**ITEM 14**  
**CLIENT REFERRALS AND OTHER COMPENSATION**

A. Economic Benefits for Providing Services to Clients.

Shellback does not receive economic benefits from non-clients for providing investment advice and other advisory services.

B. Compensation to Non-Supervised Persons for Client Referrals.

Neither Shellback nor any related person directly or indirectly compensates any person who is not a supervised person, including placement agents, for client referrals.

## **ITEM 15 CUSTODY**

Shellback is deemed to have custody of client funds and securities because it has the authority to obtain client funds or securities, for example, by deducting advisory fees from a client's account or otherwise withdrawing funds from a client's account. Account statements related to the clients are sent by qualified custodians to Shellback.

Shellback is subject to Rule 206(4)-2 under the Advisers Act (the "Custody Rule"). However, it is not required to comply (or is deemed to have complied) with certain requirements of the Custody Rule with respect to each Fund because it complies with the provisions of the so-called "Pooled Vehicle Annual Audit Exception," which, among other things, requires that each Fund be subject to 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 each Fund distribute its audited financial statements to all investors within 120 days of the end of its fiscal year.

**ITEM 16**  
**INVESTMENT DISCRETION**

Shellback serves as the management company with discretionary trading authority to each Fund.

Shellback's investment decisions and advice with respect to each Fund are subject to each Fund's investment objectives and guidelines, as set forth in its offering documents.

Shellback entered into an investment management agreement, or similar agreement, with each Fund, pursuant to which Shellback was granted discretionary trading authority.

## **ITEM 17**

### **VOTING CLIENT SECURITIES**

In compliance with Rule 206(4)-6 under the Advisers Act, Shellback has adopted proxy voting policies and procedures. The general policy is to vote proxy proposals, amendments, consents or resolutions (collectively, "Proxies"), in a prudent and diligent manner that will serve the Funds' best interests and is in line with the Funds' investment objectives.

For all client securities custodied at the Funds' prime brokers, Shellback has contracted with Broadridge Investor Communications Solutions, Inc., through Glass Lewis ("Broadridge") to serve as the its proxy advisor and believes Broadridge has the adequate capacity and competency to analyze proxy issues, is independent and can make proxy voting decisions in an impartial manner that is in the best interests of the Funds. Shellback has concluded the adequacy and quality of Broadridge's personnel and concluded that they have robust policies and procedures to make proxy voting recommendations based on current and accurate information and to identify and address conflicts related to its voting recommendations. For client securities that are not custodied at the Funds' prime brokers (e.g. money market funds), Shellback's Compliance Officers themselves will assess the merits of each proxy proposal and make proxy voting decisions in the best interests of the Funds.

Shellback will not confront the decision whether to abstain from voting proxies or affirmatively deciding not to vote proxies, but will rely on Broadridge in its role as proxy advisor to do so.

Clients may obtain a copy of Shellback's Proxy Voting policies and its Proxy Voting record upon request.

**ITEM 18**  
**FINANCIAL INFORMATION**

Shellback 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 clients, and has not been the subject of a bankruptcy petition at any time during the past ten years.

**ITEM 19**  
**REQUIREMENTS FOR STATE-REGISTERED ADVISERS**

Not applicable.