

**Item 1 – Cover Page**

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

**Hummingbird Partners, LLC**

300 NIBCO Parkway, Suite 301  
Elkhart, Indiana 46516  
Telephone: (574) 293-2077  
Email: [info@hummingbird-partners.com](mailto:info@hummingbird-partners.com)  
[www.hummingbird-partners.com](http://www.hummingbird-partners.com)

March 31, 2017

This Disclosure Brochure (the “**Brochure**”) provides information about the qualifications and business practices of Hummingbird Partners, LLC (the “**Adviser**”). If you have any questions about the contents of this brochure, please contact us at (574) 293-2077 or [info@hummingbird-partners.com](mailto:info@hummingbird-partners.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “**SEC**”) or by any state securities authority. Registration with the SEC or any state securities authority does not imply a certain level of skill or training.

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

## **Item 2 – Material Changes**

This Brochure is required to be updated at least annually, or sooner when material changes to our business take place.

The last annual update of this brochure was dated March 31, 2016. In the future, this Item will describe specific material changes that have been made to the Brochure and provide clients with a summary of those changes.

Each year we will deliver to you a free updated brochure that includes or is accompanied by a summary of material changes; or a summary of material changes and an offer to provide a copy of the updated brochure and how to obtain it.

We will also provide you with an updated Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting (574)293-2077 or [info@hummingbird-partners.com](mailto:info@hummingbird-partners.com).

Additional information about the Adviser (including copies of both Part 1A and Part 2A of Form ADV) is also available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about any persons affiliated with the Adviser who are registered, or are required to be registered, as investment adviser representatives of the Adviser.

### **Item 3 – Table of Contents**

Item 1 – Cover Page.....	1
Item 2 – Material Changes.....	2
Item 3 – Table of Contents.....	3
Item 4 – Advisory Business.....	4
Item 5 – Fees and Compensation .....	7
Item 6 – Performance-Based Fees and Side-By-Side Management .....	9
Item 7 – Types of Clients .....	10
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss .....	11
Item 9 – Disciplinary Information .....	21
Item 10 – Other Financial Industry Activities and Affiliations .....	22
Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	23
Item 12 – Brokerage Practices .....	25
Item 13 – Review of Accounts .....	26
Item 14 – Client Referrals and Other Compensation .....	27
Item 15 – Custody .....	28
Item 16 – Investment Discretion .....	29
Item 17 – Voting Client Securities .....	30
Item 18 – Financial Information .....	31

#### Item 4 – Advisory Business

The Adviser is a SEC-registered investment adviser with its principal place of business located in Elkhart, Indiana. The Adviser was formed as a Delaware limited liability company in 2014 and began conducting business in 2015. We provide investment advisory services to: Hummingbird Master Fund, Ltd., a Cayman Islands exempted company; Hummingbird Offshore Fund, Ltd., a Cayman Islands exempted company; and Hummingbird U.S. Fund LP, a Delaware limited partnership, collectively the “**Funds.**” The Funds commenced operations on September 10, 2015. The Adviser is an affiliate of Martin Capital Management, LLC (“MCM”) and shares offices and employees with MCM. MCM was formed and commenced operations in 1987.

The Adviser’s owners are listed below (*i.e.*, those individuals and/or entities controlling 25% or more of this company).

- Martin Capital Management, LLC
- PLW, LLC

Martin Capital Management, LLC is owned by Frank K. Martin. PLW, LLC is owned by Yu Lung (Peter) Wong.

The Adviser currently provides discretionary investment advisory services only to the Funds by opportunistically pursuing price-value anomalies across multiple markets and instruments in all market cycles using disciplined and rigorous research. There can be no assurance that the Funds’ investment objectives will be achieved, and investment results may vary substantially.

The Adviser’s investment recommendations are not limited to any specific instrument or market and may include advice regarding the following types of securities:

- Exchange-listed securities
- Securities traded over-the-counter
- Foreign issuers
- Warrants
- Corporate debt securities (other than commercial paper)
- Municipal securities
- Mutual fund shares
- United States governmental securities
- Options contracts on securities

#### **Hummingbird US Fund, LP (the “Onshore Fund”)**

The Onshore Fund is a pooled investment vehicle that is offered exclusively to qualified investors (see Item 7 below) pursuant to Rule 506 under Regulation D (“**Reg D**”) of the Securities Act of 1933, as amended (the “**Securities Act**”). Hummingbird Partners GP, LLC, as affiliate of the Adviser, serves as the general partner of the Fund.

Investors in the Onshore Fund can select one of two liquidity options:

- A Class A Limited Partner may generally withdraw all or any part of the balance of its Capital Account as of each semi-annual and annual anniversary of the date on which the relevant capital was invested in the Onshore Fund upon not less than ninety (90) calendar days’ prior written notice to the Onshore Fund; provided, however, that no withdrawal will be allowed with respect to

capital that has been invested in the Onshore Fund for less than a full calendar year as of the effective date of any withdrawal (for example, if an investor invests as of April 1, the withdrawal dates for the invested capital shall be each September 31 and March 31 after the one (1) year lock up period).

- A Class B Limited Partner may generally withdraw all or any part of the balance of its Capital Account as of the anniversary of the date such Capital Account was established, upon not less than ninety (90) calendar days' prior written notice to the Onshore Fund; provided, however, that no withdrawal will be allowed with respect to capital that has been invested in the Onshore Fund for less than two (2) calendar years as of the effective date of any withdrawal. Notwithstanding the foregoing, a Class B Limited Partner may generally withdraw (by giving notice to the Onshore Fund no later than November 1<sup>st</sup> of each year) up to five percent (5%) of the NAV of its Capital Account based on the Account's NAV as of November 30<sup>th</sup> each year. Such request should indicate a percentage rather than a fixed dollar amount since the exact amount of the available withdrawal will not be determinable until after the notice of withdrawal is due.

In addition, the Onshore Fund will notify all Limited Partners promptly in the event that Frank Martin (i) dies; (ii) becomes disabled such that he is unable to fulfill his duties for the Adviser with respect to the Onshore Fund for a continuous period of thirty (30) calendar days; or (iii) for any reason other than death, illness or injury ceases to be actively involved in the day-to-day management of the Onshore Fund (a "**Key Man Event**"). After notice of a Key Man Event, a Limited Partner may generally withdraw all or any portion of its Capital Account as of the end of the next calendar quarter upon no less than thirty (30) calendar days' prior written notice to the Onshore Fund, subject to the Onshore Fund's right to suspend withdrawals generally.

The Onshore Fund may require any Limited Partner to withdraw all or any portion of its Capital Account as of any month-end by giving not less than seven (7) calendar days' written notification to such Limited Partner. The Fund may also require withdrawals as of any date and without notice for certain tax and regulatory reasons. All distributions payable from a compulsory withdrawal will be paid in accordance with normal withdrawal procedures as further outlined in Onshore Fund's Confidential Private Placement Memorandum.

If an investor requests withdrawal of less than substantially all of its Capital Account (including the Class B 5% withdrawal right), or the Fund requires an investor to withdraw less than substantially all of its Capital Account, the Fund will generally distribute the estimated withdrawal proceeds within thirty (30) calendar days of the effective date of such withdrawal. If an investor requests withdrawal of all or substantially all of its Capital Account, or the Onshore Fund requires an investor to withdraw all or substantially all of its Capital Account, the Onshore Fund will generally distribute no less than ninety-five percent (95%) of the estimated withdrawal proceeds within thirty (30) calendar days of the effective date of such withdrawal. Any outstanding balance will be paid promptly after completion of the audit of the Onshore Fund for the fiscal year during which such withdrawal was effected. Any amounts withheld by the Onshore Fund will not bear interest.

### **Hummingbird Offshore Fund, Ltd. (the "Offshore Fund")**

The Offshore Fund is a pooled investment vehicle that is offered exclusively to qualified investors (see Item 7 below) in the U.S. pursuant to Reg D and outside the U.S. pursuant to Rule 903 under Regulation S ("Reg S") of the Securities Act. The Adviser serves as the investment manager of the Offshore Fund.

Investors in the Offshore Fund can select one of two liquidity options:

- A Class A Shareholder may generally redeem all or any portion of its Shares as of each semi-annual and annual anniversary of the purchase date of such Shares upon not less than ninety (90) calendar days' prior written notice to the Offshore Fund; provided, however, that no redemption will be

allowed with respect to Shares purchased less than one (1) year prior to the effective date of such redemption (for example, if an investor purchases Class A Shares as of April 1, the redemption dates for such Shares shall be each September 30 and March 31 after the one (1) year lock up period).

- A Class B Shareholder may generally withdraw all or any portion of its Shares as of the anniversary of the purchase date of such Shares, upon not less than ninety (90) calendar days' prior written notice to the Offshore Fund; provided, however, that no redemption will be allowed with respect to Shares purchased less than two (2) years prior to the effective date of such redemption. Notwithstanding the foregoing, a Class B Shareholder may generally redeem (by giving notice to the Offshore Fund no later than November 1<sup>st</sup> of each year) up to five percent (5%) of the aggregate NAV of its Shares based on such Shares' aggregate NAV as of November 30<sup>th</sup> each year. Such request should indicate a percentage rather than a fixed dollar amount since the exact amount of the available redemption will not be determinable until after the notice of redemption is due.

In addition, the Offshore Fund will notify all Shareholders promptly in the event that Frank Martin (i) dies; (ii) becomes disabled such that he is unable to fulfill his duties for the Adviser with respect to the Offshore Fund for a continuous period of thirty (30) calendar days; or (iii) for any reason other than death, illness or injury ceases to be actively involved in the day-to-day management of the Offshore Fund (a "**Key Man Event**"). After notice of a Key Man Event, a Shareholder may generally redeem all or any portion of its Shares as of the end of the next calendar quarter upon no less than thirty (30) calendar days' prior written notice to the Offshore Fund, subject to the Offshore Fund's right to suspend withdrawals generally.

The Offshore Fund may compulsorily redeem all or any portion of the Shares held by any Shareholder as of any month-end by giving not less than seven (7) calendar days written notification to such Shareholder. The Offshore Fund may also require redemptions without notice for certain tax and regulatory reasons. All distributions from a compulsory redemption will be paid in accordance with normal redemption procedures as described below.

If an investor requests redemption of less than substantially all of its Shares (including the Class B 5% redemption right), or the Offshore Fund requires an investor to redeem less than substantially all of its Shares, the Offshore Fund will generally distribute the estimated redemption proceeds within thirty (30) calendar days of the effective date of such redemption. If an investor requests redemption of all or substantially all of its Shares, or the Offshore Fund requires an investor to redeem all or substantially all of its Shares, the Offshore Fund will generally distribute no less than ninety-five percent (95%) of the estimated redemption proceeds within thirty (30) calendar days of the effective date of such redemption. Any outstanding balance will be paid promptly after completion of the audit of the Offshore Fund for the fiscal year during which such redemption was effected. Any amounts withheld by the Offshore Fund will not bear interest.

### **Assets Under Management**

As of December 31, 2016, the Adviser has approximately \$85 million in assets under management.

## Item 5 – Fees and Compensation

### Management Fee and Incentive Allocation

The Adviser receives from each of the Onshore Fund and the Offshore Fund (the “Funds”) a monthly investment management fee (the “**Management Fee**”) at an annualized rate up to 1.5%, depending on the share class. The Management Fee is assessed on a monthly basis, in arrears. The Funds currently offer two classes of shares which have differing terms, including fee structures.

In addition, as of the end of each calendar year and as of any date on which an investor withdraws/redeems or receives a distribution from either Fund (an “**Incentive Allocation Calculation Date**”), the relevant Fund will ordinarily determine and credit to an affiliate of the Adviser (either directly in the Onshore Fund or indirectly at the master fund level for the Offshore Fund) a special allocation of profits (the “**Incentive Allocation**”) in an amount equal to twenty percent (20%) of the Net New Profit in respect of the relevant investor’s account at such time. “**Net New Profit**” is any amount by which the NAV of an investment account exceeds the “**High Water Mark**” for such account, which is the NAV of the account immediately after the assessment of the most recent Incentive Allocation (adjusting for the amount of any contributions to and withdrawals/redemptions or distributions from such account since such assessment) or, if the account has never been assessed an Incentive Allocation, the aggregate amount of the capital contributions to such account (adjusting for the amount of any contributions to and any withdrawals/redemption or distributions from the Account since it was established). Notwithstanding the foregoing, for Class B investors, the Incentive Allocation will be reduced to the extent that the annualized investment return for the relevant account would be less than five percent (5%) on a non-cumulative basis after the assessment of the Incentive Allocation. In addition, for the Class B investors, the High Water Mark will be the greater of (i) the High Water Mark as described above and (ii) the end-of-year NAV of the relevant account two (2) years prior to the relevant Incentive Allocation Calculation Date (adjusted for the amount of any contributions to and withdrawals/redemptions or distributions from such account since such year-end).

In valuing the assets of a client’s investment account for the determination of the Incentive Allocations, the Adviser includes: for securities for which market quotations are readily available, the realized capital losses and unrealized capital losses of securities over the period and, if the unrealized capital appreciation of the securities over this period is included, the unrealized capital depreciation of securities over the period. As such, we may receive increased compensation with regard to unrealized appreciation.

The Management Fee and Incentive Allocation may be waived or reduced for any investor, including for investments made by principals, officers, or knowledgeable employees.

### **Expenses**

Each Fund’s direct operational costs and expenses are expected to consist primarily of: (i) Management Fees; (ii) custodial, administrative, legal, accounting, auditing, record-keeping, appraisal, tax form preparation, compliance and consulting costs and expenses (including costs and expenses associated with obtaining systems and other information designed to facilitate the Fund accounting or record-keeping, including related hardware and software); (iii) professional fees, costs and expenses of third-party service providers that provide such services (including fees, costs and expenses of attorneys retained by the Adviser to represent the Adviser in connection with the business and affairs of the Fund, to the extent such fees, costs and expenses relate to advice provided to the General Partner or the Investment Manager by such attorneys with respect to such business and affairs); (iv) bank service fees; (v) costs and expenses associated with preparing investor communications; (vi) printing and mailing costs and expenses; (vii) insurance costs and expenses (including premiums for liability insurance covering the Fund and other

persons); (viii) expenses of preparing, printing and filing reports and other documents with any government agencies; (ix) fees and taxes imposed by any federal, state, local or foreign government, governmental agency or regulatory body or self-regulatory organization, including licensing, filing, registration and exemption fees and withholding, transfer and franchise taxes; (x) the Fund's indemnification obligations under the Limited Partnership Agreement and other agreements to which the Fund may be a party; and (XI) extraordinary costs and expenses, if any.

### **Master Fund Expenses**

In addition, as a shareholder of the Master Fund, each Fund also bears its allocable share of the costs and expenses of the Master Fund which are expected to consist, in addition to those expenses described above for the Fund, primarily of: (i) costs and expenses incurred by the Adviser in connection with investigating investment opportunities for the Master Fund and reviewing the continuing suitability of the Master Fund's investments in light of the Master Fund's investment objectives (including related travel, lodging and entertainment expenses); (ii) costs and expenses incurred in connection with the investment and reinvestment of the Master Fund's assets, including brokerage commissions, dealer mark-ups, mark-downs and spreads, and related clearing and settlement charges; (iii) borrowing charges and other costs and expenses associated with short sales; (iv) interest expense and loan commitment fees relating to the Master Fund's borrowings (including margin debt and obligations under repurchase agreements); (v) fees and expenses related to software tools, programs or other technology utilized in managing the Master Fund (including, without limitation, third-party software licensing, implementation, data management and recovery services and custom development costs); AND (vi) research and market data (including without limitation, any related computer hardware and connectivity hardware (*e.g.*, Bloomberg terminals and telephone and fiber optic lines) incorporated into the cost of obtaining such research and market data).



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

We currently manage only the Funds, which are subject to the Incentive Allocation. We may provide investment advisory services to additional clients in the future that may have similar or different performance-based fees and/or allocations than the performance based allocations of the Funds.

The Incentive Allocation may create an incentive for us to make investments that are riskier or more speculative than would be the case in the absence of the Incentive Allocation.

## **Item 7 – Types of Clients**

We currently provide investment advisory services only to the Funds. We may in the future provide investment advisory services to additional clients including, but not limited to, other pooled investment vehicles, corporations, trusts, institutions, high net worth individuals, investment companies, pension plans, sovereign wealth funds, family offices, foundations, and endowments.

Investors in the Onshore Fund are generally limited “accredited investors” as defined in Rule 501(a) of Reg D and “qualified clients” as defined in Rule 205-3 under the Investment Advisers Act of 1940, as amended. Investors in the Offshore Fund are generally limited to investors that are (i) not “U.S. Persons” as defined in Reg S or (ii) U.S. persons that are “accredited investors” and “qualified clients.”

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

Our investment objective – and thus, our Fund’s – is to achieve attractive absolute returns over the long term, while minimizing risk of permanent capital loss. The Investment Manager seeks to achieve this goal principally through investments in publicly traded equity securities. There can be no assurance that the Investment Manager will achieve this goal or the Fund’s investment objective. All investments involve risk of loss including loss of principal. There can be no assurance that our investment objective will be achieved, and investment results may vary substantially.

### Investment Strategy

The Investment Manager seeks to achieve the investment objective by coupling value-driven, research-intensive investment analysis with a fiercely independent and opportunistic mindset. The Investment Manager adopts a long-term investment horizon, and embraces short-term price volatility as opportunity camouflaged as risk. The Investment Manager believes that managing an unleveraged, concentrated portfolio of equity securities in good businesses is the best means of achieving attractive absolute returns. When deemed necessary, the Investment Manager intends to employ intelligent portfolio hedges to protect capital.

### Long Positions

The Investment Manager views stocks as fractional ownership of businesses, and believes that over the long term, stock prices will reflect the returns on capital of businesses. As such, it seeks to invest capital in companies that it believes will produce sustainably high returns on capital over the long term. These investments typically fulfill some or all of the below characteristics:

- *Strong business models*: businesses with structural competitive advantages, defined as characteristics that prevent rivals from entering a company’s business and/or competing effectively with it
- *Competent, disciplined, shareholder-oriented management*: a track record of both operational capability and prudent capital allocation, as well as incentives that encourage growth of per-share intrinsic value for shareholders
- *Attractive market valuations that offer a margin of safety*: use of conservative forward-looking assumptions and buying at reasonable or discounted valuations

### Intelligent portfolio hedges

The Investment Manager may invest capital in intelligent portfolio hedges when: 1) it perceives excessive market risk and 2) it has identified inexpensive, effective and highly asymmetric risk/return, hedges. The Investment Manager does not target a net exposure level, and as such only intends to invest capital in portfolio hedges when one or both of the above two criteria are fulfilled. The Investment Manager views such hedges as providing a degree of protection against a declining market, as well as independent profit opportunities.

The Investment Manager defines intelligent portfolio hedges as investments that fulfill some or all of the below characteristics:

- Prices inversely correlated to the market in general

- Additional catalysts that may cause prices to increase, independent of general market movement
- Highly asymmetrical price/returns that allow for protection to be purchased inexpensively
- Known and limited downside risk

The Investment Manager primarily intends to establish hedge positions through the use of derivative contracts, such as purchasing put options, due to their asymmetric risk/return characteristics and known downside exposure. However, it may also engage other forms of hedges, including but not limited to swaps or short sales of stock.

## **Diversification**

The Investment Manager invests globally, but expects to focus on the United States and developed countries. The Investment Manager anticipates the majority of capital will be invested in U.S. stocks. The Investment Manager does not seek to minimize volatility through diversification. Rather, the strategy will focus on avoiding permanent capital loss over the long-term by deeply understanding the companies in which it invests, and through the use of intelligent hedges to avoid unnecessary risks. The Investment Manager intends to note and monitor exposures with respect to industry and country, but has not specified explicit limitations. We will typically hold up to 30 long positions. The Investment Manager intends to target position sizes that meaningfully impact overall portfolio performance. As such, the Investment Manager currently anticipates that each long position in the portfolio will typically be up to 20% of equity at cost and each hedge position will typically be up to 5% of equity at cost, although these percentages may change over time.

## **Net Portfolio Exposure**

The Investment Manager does not target a net portfolio exposure (long exposure less short exposure, divided by equity), although it expects a typical range between 50% and 90%, with the level of net portfolio exposure driven by the Investment Manager's ideas concerning the number of individual long and short positions we should hold, and the Investment Manager's convictions in those ideas.

## **Liquidity**

The Investment Manager monitors closely the overall portfolio liquidity. Typically, the Investment Manager does not intend to invest in illiquid securities. However, the Investment Manager cannot guarantee that we will not hold assets that become illiquid and reserves the right to create Designated Investments where appropriate.

## **Leverage**

We may buy or sell securities or indices on margin and may arrange with banks, brokers and others to borrow money in order to employ leverage when the Investment Manager considers it appropriate. In general, the Investment Manager eschews leverage, but it intends to employ leverage at times of exceptionally compelling opportunity in order to increase investment capacity.

While our Funds are not subject to any specific limitations on the amount of borrowings or other forms of leverage that it may employ, however, the Investment Manager currently anticipates that the ratio of total assets to capital generally will not exceed 100%. The Investment Manager expects that gross portfolio leverage (long exposure plus short exposure, divided by equity) will typically not exceed 150%. The

Investment Manager does not want to be leveraged to the extent that a period of poor performance forces the Investment Manager to sell securities or cover positions at inappropriate prices.

## **Types of Investments**

We invest primarily in equity securities, which are expected principally to be in the form of common stocks but may include preferred stocks, convertible securities, warrants, stock purchase rights, depositary receipts, shares of investment companies and other equity-related interests. However, as market conditions or investment opportunities warrant, we may also invest on an opportunistic basis in debt securities, without restriction as to any minimum rating criteria. We may purchase and write (sell) options on stocks, bonds, currencies or market indices, thereby allowing us to leverage its returns from specific securities and engage in a wide range of transactions designed to enhance returns, such as securities lending and repurchase agreements. We may employ active portfolio management strategies both as a hedge against volatility and to seek to produce additional income and capital appreciation.

## **Cash Equivalents**

We may invest its excess funds in government securities, money market funds, repurchase agreements (and, in connection with its use of leverage, reverse repurchase agreements), certificates of deposit and bankers' acceptances and other money market instruments deemed appropriate by the Investment Manager.

## **Currencies and Currency Hedging**

While capital will be invested in a portfolio of securities, instruments and cash and cash equivalents which may be denominated in various currencies, Fund accounts will be denominated in U.S. dollars.

We may engage in currency hedging techniques from time to time to attempt to hedge a portion of its foreign currency exposure in the portfolio into U.S. dollar or other currency exposure. Currency hedging techniques include, but are not limited to, purchasing and selling spot and forward contracts, currency options and currency futures contracts.

In making investment decisions, the Funds will rely on the advice of the Investment Manager rather than on any specific objective criteria. In light of the Master Fund's investment objective and its actual and anticipated portfolio, our Funds should be considered as a vehicle for aggressive capital growth and not as a balanced investment program.

## **STRATEGY RISK**

The business of investing in securities is highly competitive and the identification of attractive investment opportunities is difficult and involves a high degree of uncertainty.

## **General Economic Conditions**

The success of any investment activity is influenced by general economic conditions that may affect the level and volatility of equity prices, credit spreads, interest rates and the extent and timing of investor participation in the markets for both equity and interest-rate-sensitive securities. Unexpected volatility or illiquidity in the markets in which the Master Fund directly or indirectly holds positions could impair the Master Fund's ability to carry out its business and could cause the Fund to incur losses.

## **Long Positions**

The success of the long positions established for the Master Fund by the Investment Manager will depend in large part on the Investment Manager's ability to accurately assess the fundamental value of those positions. An accurate assessment of fundamental value depends on a complex analysis of a number of financial and legal factors. No assurance can be given that the Investment Manager will be in a position to assess the nature and magnitude of all material factors having a bearing on the value of the Master Fund's long positions, or that the Investment Manager will accurately assess the impact of all factors of which it is aware.

## **Concentrated Positions**

From time to time, the Master Fund's investments may be concentrated in a particular industry, group of industries or individual issues. In such event, the Master Fund's investment portfolio may be subject to greater risk than if its portfolio remained consistently diversified among various companies, industries and types of securities. Also, if the Master Fund's portfolio is concentrated in a limited number of securities, the risks will increase because of the reliance on a small number of trades or investments to make a profit. In such event, the risk of loss would be highly concentrated in that small number of companies, or small number of industries or limited number of securities as opposed to disbursed over a larger number of companies in a larger number of industries and in more varied types of securities. If the Investment Manager's analysis of those companies, industries or securities is flawed, there is a higher risk if the Master Fund's assets are concentrated than if they were diversified over numerous companies, industries and types of securities.

## **Use of Leverage**

The Investment Manager may use leverage in investing the Master Fund's assets. Such leverage magnifies investment losses and increases transaction costs as a percentage of Master Fund NAV. Leverage increases the opportunity for a higher return on investment, but also increases the magnitude of any loss. In addition, purchases of stocks on margin are subject to the margin rules of the Federal Reserve System and stock exchanges. If those margin rules become more restrictive, investment results may be adversely affected.

## **Hedged and Arbitrage Strategies**

The use by the Master Fund of a "hedged" or arbitrage strategy does not necessarily mean the strategy is relatively low risk. Substantial losses may be recognized on hedge or arbitrage positions, and illiquidity and default on one side of a position can effectively result in the position being transformed into an outright speculation. Every hedge or arbitrage strategy involves exposure to some second order risk of the markets, such as the implied volatility in convertible bonds or warrants, the yield spread between similar term government bonds or the price spread between different classes of stock for the same issuer. Further, there are few examples of "pure" hedge or arbitrage funds. Many such funds probably employ limited directional strategies which expose them to market risk. Among the risks of arbitrage transactions are that two or more buy or sell orders may not be able to be executed simultaneously at the desired prices, resulting in a loss being incurred on both sides of a multiple trade arbitrage transaction. Also, the transaction costs of arbitrage transactions can be especially significant because separate costs are incurred on each component of the combination. Consequently, a substantial favorable price movement may be required before a profit can be realized.

## **Short Selling**

The Master Fund may engage in selling securities short, which involves the sale of borrowed securities or futures contracts. In order to sell a security, the seller must borrow the security from a securities lender and deliver it to the buyer. The seller is then obligated to return the security to the lender at its request (although the seller remains free to return the security to the lender at any time prior to the lender's request). The seller ordinarily fulfills its obligation to return a security previously sold short by acquiring it in the open market.

A short sale by the Master Fund ordinarily involves a judgment on the Investment Manager's part that, subsequent to the sale, the price of the security will fall over time, resulting in profits equal to the difference between the net proceeds of the sale and the cost of acquiring the security (or a security exchangeable for or convertible into such security) at a later date to fulfill the obligation to return the security to the lender.

The principal risk in selling a particular security short is that, contrary to the Investment Manager's expectation, the price of the security will rise, resulting in a loss equal to the difference between the cost of acquiring the security (for return to the lender) and the net proceeds of the short sale. (This risk of loss is theoretically unlimited, since there is theoretically no limit on the price to which the security sold short may rise.)

Another risk is that the short seller may be forced to unwind a short sale at a disadvantageous time for any number of reasons. For example, a lender may call back a stock at a time the market for such stock is illiquid or additional stock is not available to borrow. In addition, some traders may attempt to profit by making large purchases of a security that has been sold short. These traders hope that, by driving up the price of the security through their purchases, they will induce short sellers to seek to minimize their losses by buying the security in the open market for return to their lenders, thereby driving the price of the security even higher.

In certain cases, the Investment Manager may find it difficult if not impossible to establish a desired short position because of a limited supply of the security available for borrowing. In these cases, the Investment Manager may be compelled to forego a potentially profitable investment opportunity.

## **Below "Investment Grade" Securities**

The Master Fund may invest in bonds or other fixed income securities, including, "high yield" (and, therefore, high risk) debt securities. These securities may be below "investment grade" and are subject to uncertainties and exposure to adverse business, financial or market conditions which could lead to the issuer's inability to make timely interest and principal payments. The market values of these securities tend to be more sensitive to individual corporate developments and general economic conditions than do higher rated securities.

## **Distressed Investing**

The Master Fund may invest in securities and private claims and obligations of entities that are experiencing significant financial or business difficulties. The Master Fund may lose all or a substantial portion of its investment in such distressed companies or may be required to accept cash or securities with a market value of less than the initial investment. One of the risks of investing in distressed entities is the difficulty of obtaining information as to the true condition of such issuers. Distressed company investments may also be adversely affected by state and federal laws relating to fraudulent conveyances, voidable preferences, lender liability and a court's discretionary power to disallow, subordinate or

disenfranchise particular claims. The market prices of such securities are also subject to erratic changes and above-average price volatility, and the spread between the bid and asked prices of such securities may be greater than normally expected.

### **Trading in Non-U.S. Companies and Markets**

The Master Fund may invest in non-U.S. companies and/or trade in non-U.S. markets. Trading in the securities of non-U.S. companies involves certain considerations not usually associated with trading in securities of U.S. companies, including political and economic considerations, such as greater risks of expropriation and nationalization, confiscatory taxation, the potential difficulty of repatriating funds, general social, political and economic instability and adverse diplomatic developments; the possibility of imposition of withholding or other taxes on dividends, interest, capital gains or other income; the small size of some markets in foreign countries and the low volume of trading, resulting in potential lack of liquidity and in price volatility; fluctuations in the rate of exchange between currencies and costs associated with currency conversion; and certain government policies that may restrict investment opportunities. In addition, accounting and financial reporting standards that prevail in foreign countries generally are not equivalent to U.S. standards and, consequently, less information may be available to investors in companies located in foreign countries than is available to investors in companies located in the U.S.

There is also less regulation, generally, of the financial markets in foreign countries than there is in the U.S. For example, some foreign exchanges, in contrast to domestic exchanges, are “principals’ markets” in which performance is the responsibility only of the individual member with whom the trader has entered into a contract and not of an exchange or clearing corporation. In such a case, an investor is subject to the risk of the inability of, or refusal by, the counterparty to perform with respect to such contracts.

### **Trading in Emerging and Frontier Markets**

The Master Fund may invest in emerging or frontier economies or securities markets. Emerging and frontier market countries generally are located in the Asia and Pacific regions, the Middle East, Eastern Europe, Central and South America and Africa. Political and economic structures in many of these countries may be undergoing significant evolution and rapid development, and these countries may lack the social, political and economic stability characteristics of developed countries. In general, the securities markets of these countries are less liquid, are subject to greater price volatility, have smaller market capitalizations, have less government regulation and are not subject to as frequent accounting, financial and other reporting requirements as the securities markets of more developed countries. These countries also have problems with securities registration and custody. Additionally, settlement procedures in emerging and frontier market countries are frequently less developed and reliable than those in the United States. Emerging and frontier market countries may also impose tax or regulatory burdens on foreign investors such as the Master Fund. As a result of these and other risks, investments in emerging and frontier markets generally present a greater risk of loss.

### **Fixed-Income Securities; “High Yield” Debt**

The Master Fund may invest in bonds or other fixed income securities. Price movements in these securities, which may be highly volatile, are influenced principally by changes in interest rates and the borrower’s ability to pay principal and interest in a timely manner (*i.e.*, interest rate risk and credit risk). Interest rates are influenced by the borrower’s ability to repay the debt, general economic conditions, the market’s evaluation of bullish and bearish economic indicators and related monetary and fiscal policies of national governments.



The Master Fund may invest in so-called “high yield” debt securities. These securities are below “investment grade,” and their market value is generally more sensitive to adverse business, financial or market conditions that could lead to the issuer’s inability to make timely interest and principal payments than higher-rated debt securities.

### **Private Placements; Restricted Securities**

The Investment Manager has discretion to and may under certain circumstances purchase securities in private placements – *i.e.*, offerings that are not registered under the Securities Act of 1933, as amended (the “Securities Act”) in reliance on the exemption from registration in Regulation D under the Securities Act. Securities purchased in private placements are generally described as “restricted” because they cannot be resold unless they are subsequently registered or an exemption from registration is available, such as under SEC Rule 144. Securities purchased pursuant to Regulation D are often illiquid and are also difficult to value. The Investment Manager generally has discretion as to how to value the Master Fund’s restricted securities and may have an incentive to overvalue them to increase its income.

### **Currency Risk**

In trading on non-U.S. exchanges and markets, the Master Fund will be subject to the risk of fluctuations in the currency exchange rate between the local currency and the U.S. dollar and to the possibility of exchange controls. It is not anticipated that the Master Fund will hedge any international currency exposure that the Master Fund may have.

### **Interest Rate Fluctuations**

The Master Fund may invest in securities that make interest payments based on fixed interest rates. The value of such securities will decline if there is a general increase in interest rate levels. The longer the average portfolio duration for a portfolio, the more such changes in interest rates will affect the portfolio.

### **Mortgage-Backed and Other Asset-Backed Securities**

The Master Fund may invest in securities that are collateralized by mortgages or other assets (*e.g.*, receivables, inventories, *etc.*). Issuers of these types of securities may have the right to extend or prepay their obligations which would change the projected returns on these types of instruments, thereby altering the expected investment returns on such instruments.

### **Illiquid Investments**

Despite the generally heavy volume of trading in most of the instruments traded by the Master Fund, the markets for some of those instruments may have limited liquidity and depth. This lack of depth could be a disadvantage to the Master Fund, both in the realization of the prices which are quoted and in the execution of orders at desired prices.

### **Trading in OTC Markets**

The Master Fund may engage in over the counter (“OTC”) derivative transactions, such as currency forward contracts traded in the interbank market; options on currency forward contracts; and swap agreements.

In general, there is much less governmental regulation and supervision of transactions in the OTC markets than of transactions entered into on organized exchanges. Most of the protections afforded to participants

on U.S. and certain non-U.S. exchanges, such as daily price fluctuation limits and the performance guarantee of an exchange clearinghouse, will not be available in connection with OTC transactions.

The Master Fund will be exposed to greater risk of loss through default than if it confined its trading to organized exchanges. The Master Fund may enter into OTC transactions with counterparties that are not as established, well-capitalized and creditworthy as the Master Fund.

### **Risk Reduction Techniques May not be Effective**

The Master Fund may use various hedging or other “risk-reduction” techniques in an attempt to minimize the risk of loss in portfolio positions. Such techniques may not always be available, and even when implemented may not always be effective in limiting losses. For example, the degree of correlation between an asset being hedged and the hedging instruments may vary from historical trends, resulting in less protection to the portfolio.

Some hedging techniques limit the opportunity for gain with respect to the position being hedged. In addition, risk-reduction techniques impose additional trading costs. During particularly volatile market conditions, the Master Fund may use risk-reduction techniques that provide no added protection, while possibly imposing significant transaction costs. Moreover, illiquidity or default on one side of a hedge can effectively result in the position being converted into one that is entirely speculative.

### **Correlated Markets or Positions**

Different markets traded or individual positions held by the Master Fund may be highly correlated to one another at times. Accordingly, a significant change in one such market or position may affect other such markets or positions. Correlation may expose the Master Fund both to significant risk of loss and significant potential for profit.

### **Use of Derivatives**

The Master Fund may use derivative instruments, including without limitation, futures, option contracts, swap agreements and forward contracts, and derivative techniques, including without limitation, synthetic short sales, for various hedging and/or speculative purposes. The use of such instruments and techniques may result in leveraging the assets of the Master Fund, thereby exposing the Master Fund to significant risks.

Among other things, the prices of derivative instruments can be highly volatile. Price movements of derivative instruments are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. In addition, governments from time to time intervene, directly and by regulation, in certain markets, particularly those in currencies, financial futures and options. Such intervention often is intended directly to influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations.

Uncertainties remain as to how the markets for these instruments will perform during periods of unusual price volatility or instability, market illiquidity or credit distress. Market movements are difficult to predict and financing sources and related interest rates are subject to rapid change. One or more markets may move against the derivatives positions held by a trader, thereby causing substantial losses. Many of these instruments are not traded on exchanges but rather through an informal network of banks and dealers who

have no obligation to make markets in them and can apply essentially discretionary margin and credit requirements (and thus in effect force a trader to close out its positions).

**Options.** There are various risks inherent in options trading. For example, the seller (writer) of a covered call option (*i.e.*, the writer holds the underlying security) assumes the risk of a decline in the market price of the underlying security to a level below the purchase price of the security, less the premium received by the writer for writing the option. The writer of a covered call option also gives up the opportunity for gain on the underlying security above the exercise price of the option. The buyer of a call option assumes the risk of losing the premium invested in the option. The seller (writer) of a covered put option (*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 less the premium received on the put option. The buyer of a put option assumes the risk of losing the premium it paid to purchase the put option.

The options markets have the authority to prohibit the exercise of particular options, which if imposed when trading in the option has also been halted, would lock holders and writers of that option into their positions until one of the two restrictions has been lifted.

**Combination Transactions.** The Master Fund may engage in spreads or other combination options transactions involving the purchase and sale of related options and futures contracts. These transactions are considerably more complex than the purchase or writing of a single option. They involve the risk that executing simultaneously two or more buy or sell orders at the desired prices may be difficult or impossible, the possibility that a loss could be incurred on both sides of a multiple options transaction, and the possibility of significantly increased risk exposure resulting from the hedge against loss inherent in most spread positions being lost as a result of the assignment of an exercise to the short leg of a spread while the long leg remains outstanding. Also, the transaction costs of combination options transactions can be especially significant because separate costs are incurred on each component of the combination.

**Straddles.** In straddle writing, where the investor writes both a put and a call on the same underlying interest at the same exercise price in exchange for a combined premium on the two writing transactions, the potential risk of loss is unlimited. To the extent the price of the underlying interest is either above or below the exercise price by more than the combined premium, the writer of a straddle will incur a loss when one of the options is exercised. If the writer is assigned an exercise on one option position in the straddle and fails to close out the other position, subsequent fluctuations in the price of the underlying interest could cause the other option to be exercised as well, causing a loss on both writing positions.

**Forward Trading.** The Master Fund may utilize forward contracts and options thereon which, unlike futures contracts, are not traded on exchanges and are not standardized; rather banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and “cash” trading is substantially unregulated; there is no limitation on daily price movements and speculative position limits are not applicable. The principals who deal in the forward markets are not required to continue to make markets in the currencies or commodities they trade and these markets can experience periods of illiquidity, sometimes of significant duration. There have been periods during which certain participants in these markets have refused to quote prices for certain currencies or commodities or have quoted prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell. Disruptions can occur in any market in which the Master Fund trades due to unusually high trading volume, political intervention or other factors. The imposition of controls by governmental authorities might also limit such forward trading to less than that which the Master Fund

would otherwise recommend, to the possible detriment of the master Fund. Market illiquidity or disruption could result in major losses to the Master Fund.

In the forward markets, margin deposits may be even lower than in other markets or may not be required at all. Such low or non-existent margin deposits are indicative of the fact that any trading in the forward markets typically is accompanied by a high degree of leverage.

### **Broad Investment and Trading Mandate**

The LPA does not impose significant restrictions on the Investment Manager's investing and trading for the Fund or the Master Fund, and permits the Fund and the Master Fund to invest and trade in a broad range of securities and other financial instruments. The Investment Manager expects that, under current market conditions, the Master Fund will focus on the investment strategy described herein. The Investment Manager, however, may engage in other strategies from time to time (either in lieu of or in addition to the strategy described herein) to take advantage of changing market conditions and investment opportunities, without notice to the Limited Partners. This could involve changes in the types of securities and other instruments in which the Master Fund trades and invests, as well as changes in the markets in which such securities and other instruments trade. There can be no assurance that pursuing additional strategies, either in lieu of or in addition to the strategy described herein, would be successful or not result in losses.

## **Item 9 – Disciplinary Information**

The Adviser is required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of its advisory business or the integrity of the Adviser's management team.

The Adviser and its management personnel have no reportable disciplinary events to disclose.

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

The Adviser is affiliated with Martin Capital Management, LLC (“**MCM**”), an SEC-registered investment adviser. The Adviser and MCM share a physical location and certain employees. The Adviser and MCM have developed a unified Policies and Procedures Manual that addressed the operations of both firms. MCM is the majority owner of the Adviser.

The Advisor is registered with the SEC as an investment adviser despite the fact that it does not currently have the necessary assets under management to be eligible for federal registration in reliance SEC Rule 203A-2 as a related adviser to MCM.

The Investment Manager has delegated a portion of its investment management responsibilities and authority with respect to both the feeder Funds and the Master Fund to an affiliated firm – Hummingbird Partners, Limited, a Hong Kong corporation – that is under common control with the Investment Manager. Hummingbird Partners Limited (the “Sub-Adviser”) is an affiliate of both the General Partner and the Investment Manager.

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

The Adviser has adopted a Code of Ethics (the “**Code**”) which sets forth the high ethical standards of business conduct that the Adviser requires of its employees, including compliance with applicable federal securities laws. The Adviser and its employees owe a duty of loyalty, fairness and good faith towards the Adviser’s clients and have an obligation to adhere not only to the specific provisions of the Code but also to the general fiduciary principles that guide the Code. A copy of the Adviser’s Code of Ethics is available to its clients and prospective clients. You may request a copy by contacting the Adviser via phone at 574-293-2077.

The Code includes policies and procedures for the review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the Adviser’s employees. Among other things, the Code requires the prior approval of any acquisition of securities in a limited offering (*e.g.*, private placement) or an initial public offering by an employee. The Code also establishes oversight, enforcement and recordkeeping provisions.

The Code is designed to assure that the personal securities transactions, activities and interests of the Adviser’s employees will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest in their own accounts.

The Code also includes the firm’s policy prohibiting the use of material non-public information. While the Adviser does not believe that the firm or its employees have any particular access to material non-public information, all employees are reminded that such information may not be used in a personal or professional capacity.

Generally the Adviser, for its own accounts and/or its employees for their accounts, as a matter of policy, purchase shares of companies at price and time parity with clients where possible and when compliant with its duty to seek best execution for its clients. In these instances, participants will receive an average share price. Transaction costs are charged to the individual client accounts according to the current prevailing fee schedule of the client’s broker.

As these situations represent actual or potential conflicts of interest to the Adviser’s clients, the Adviser has established the following policies and procedures for implementing the Code to ensure the firm complies with its fiduciary and regulatory obligations and to provide its clients and potential clients with full and fair disclosure of such conflicts of interest:

1. No member or employee of the firm may put his or her own interest above the interest of an advisory client.
2. No member or employee of the firm may buy or sell securities for their personal portfolio(s) where the trading decision is a result of information received as a result of his or her employment unless the information is also available to the investing public.
3. It is the expressed policy of the firm that no person employed by the Adviser may purchase or sell any security prior to a transaction(s) being implemented for an advisory account. This prevents such employees from benefiting from knowledge of transactions being placed on behalf of advisory accounts.
4. The firm requires prior approval for any initial public offering (IPO) or private placement investments by employees or related persons of the firm.

5. The Adviser maintain a list of all reportable securities holdings for the firm and anyone associated with the firm that has access to advisory recommendations (“access person”). These holdings are reviewed on a regular basis by the firm’s Chief Compliance Officer or his/her designee.
6. The Adviser has established procedures for the maintenance of all required books and records.
7. All firm members and employees must act in accordance with all applicable federal and state regulations governing registered investment advisory practices.
8. The Adviser requires annual delivery and acknowledgement of the Code by each employee of the firm.
9. The Adviser has established policies requiring the reporting of Code violations to senior management.
10. Any individual who violates any of the above restrictions will be subject to disciplinary action, up to and including termination.

In a situation where an employee may be uncertain as to the intent or purpose of the Code, he/she is advised to consult with the Chief Compliance Officer (the “**CCO**”). The CCO may grant exceptions to certain provisions in the Code only in those situations where it is clear beyond dispute that the interests of the firm’s clients will not be adversely affected or compromised. All questions arising in connection with personal securities trading shall be resolved in favor of the client, even at the expense of the interests of employees. The CCO will periodically report to senior management of the Adviser to document compliance with the Code.



## **Item 12 – Brokerage Practices**

The Adviser has full discretion to select broker and dealers that execute trades in securities and other financial instruments on behalf of the Funds.

The Adviser currently uses Jefferies LLC as the prime broker for Fund trades. The Adviser may execute trades through a number of broker-dealers, however, so long as the execution is as cost effective as the industry standard.

The brokerage rates paid by clients may not be the lowest rates that could have been obtained, but the Adviser believes they will be competitive with rates paid by similar customers. The Adviser selects brokers based on various factors. The main factors are generally the broker's quality of execution, commission rates, market knowledge and financial condition. The Adviser may also consider factors that benefit the Adviser, such as the broker's referral of prospective investors or clients to the Adviser, subject to the Adviser's obligation to pursue "best execution" for its clients.

The Adviser may receive certain "soft dollar" benefits from brokers that execute trades on behalf of clients. "Soft dollar" benefits may include the broker's agreement to pay certain expenses of the Adviser, such as investment research or brokerage services, and the referral of prospective investors. The Adviser's receipt of such benefits may give it an incentive to select a broker that it would not otherwise use, but the Adviser intends to use only those brokers that provide client accounts with high-quality services and competitive commission rates. These benefits will be limited to those services described in the "safe harbor" provided for under Section 28(e) of the Securities Exchange Act of 1934, as amended.

### **Item 13 – Review of Accounts**

**Reviews:** The underlying securities within Fund accounts are continually monitored. These reviews are designed to monitor and analyze transactions, positions and investment levels.

These accounts are reviewed by our Chief Investment Officer.

**Reports:** In addition to the monthly statements investors receive from the Fund administrator, the Adviser provides periodic commentary and annual reports containing financial statements examined by the Fund's independent auditors within 120 days after the end of each calendar year.

## Item 14 – Client Referrals and Other Compensation

The Adviser may pay referral fees to independent persons or firms (each, a “**Solicitor**”) for introducing clients to the firm. In addition, for referrals of investors for the Funds, the Adviser will ensure that such activities are conducted by persons affiliated with a registered broker-dealer. Whenever the Adviser pays a referral fee, the Adviser requires the Solicitor to provide the prospective client with a copy of this Brochure and a separate disclosure statement that includes the following information:

- the Solicitor’s name and relationship with the firm;
- the fact that the Solicitor is being paid a referral fee;
- the amount of the fee; and
- whether the fee paid to the Adviser by the client will be increased above the firm’s normal fees in order to compensate the Solicitor.

As a matter of firm practice, the advisory fees paid to the firm by clients referred by Solicitors are not increased as a result of any referral.

It is the Adviser’s policy not to accept or allow our related persons to accept any form of compensation, including cash, sales awards or other prizes, from a non-client in conjunction with the advisory services the Adviser provide to its clients.

## **Item 15 – Custody**

The Adviser does not currently maintain actual custody of client assets or accounts. However, as an affiliate of the Adviser is the general partner of the Offshore Fund and the Adviser is the investment manager of both Funds, the Adviser is deemed to have custody of the Funds' assets. The Adviser complies with the requirements of SEC Rule 206(4)-2 (the "Custody Rule") by conducting an annual audit of each of the Funds and distributing the audit report to investors within 120 days of the end of each calendar year. Physical custody of Fund assets is provided primarily by Pershing LLC. We also utilize our prime broker, Jefferies LLC, as custodian for some short equity positions and money market positions. Additionally, our subscription and redemption accounts for the Funds are held with Northern Trust.

## **Item 16 – Investment Discretion**

We have discretionary authority with respect to the investment decisions on behalf of the Funds pursuant to the advisory agreements with the Funds or otherwise through the formation documents, as applicable. Investment decisions are made in accordance with the Funds investment objectives and guidelines.

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

We have been delegated the authority and right to vote proxies received by the Funds. We have adopted a proxy voting policy to ensure that we vote proxies to further the best interests of each client. We determine how to vote after studying the proxy materials and any other materials that may be necessary or beneficial to voting. We vote in a manner that we believe reasonably furthers the best interests of the Funds and is consistent with our investment philosophy.

The major proxy-related issues generally fall within five categories: corporate governance, takeover defenses, compensation plans, capital structure and social responsibility. We will cast votes for these matters on a case-by-case basis. We will generally vote in favor of matters which follow an agreeable corporate strategic direction, support an ownership structure that enhances shareholder value without diluting management's accountability to shareholders and/or present compensation plans that are commensurate with enhanced manager performance and market practices. If a proxy vote creates a material conflict between our interests and the interests of the Funds, we will resolve the conflict before voting the proxies. We will either disclose the conflict to the Funds or take other steps designed to ensure that a decision to vote the proxy was based on our determination of the Funds' best interest and was not the product of the conflict.

The Adviser will vote proxies in the best interests of its clients and in accordance with the firm's established policies and procedures. The Adviser will retain all proxy voting books and records for the requisite period of time, including a copy of each proxy statement received, a record of each vote cast, a copy of any document created by us that was material to making a decision how to vote proxies, and a copy of each written client request for information on how the adviser voted proxies. Clients may obtain a copy of the firm's complete proxy voting policies and procedures by contacting the Adviser at (574) 293-2077.

## **Item 18 – Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about the registrant's financial condition. The Adviser has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

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

We are not registered with any State as an investment adviser.