



## **Part 2A Brochure**

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This brochure provides information about the qualifications and business practices of True Arrow Capital Management LLC ("True Arrow"). If you have any questions about the contents of this brochure, please contact Louis Constable at (908) 264-8029. Additional information about True Arrow is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

**Item 2            Material Changes**

This is True Arrow Capital Management, LLC's initial filing of the Form ADV as such there are no material changes to report.

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#### Item 4            **Advisory Business**

- A. True Arrow Capital Management LLC (“True Arrow”) was formed in 2010 By Alfred Samson “Sam” Hou in order to provide investment advisory services to individuals, institutions and pooled investment vehicles. Mr. Hou is True Arrow’s majority (“principal”) owner and the only owner of 25% or more of the company’s outstanding shares. True Arrow also has several minority owners as more fully described on ADV part 1, schedule A.
- B. True Arrow began to provide advisory services to clients in 2010. True Arrow’s original investments focused heavily on Asian trading including investments in Japan and Australia. True Arrow’s more recent investing focus includes investing exclusively in China, but does not exclude the potential to invest in other securities outside of China. The principals of True Arrow are also majority owners of Shanghai Junyao Investment and Consulting LLP (“Junyao”), an affiliate that provides investment advice in China to Chinese nationals.
- C. True Arrow may tailor its investment advice to individual clients, however, it will not tailor investment advice to individual clients invested in private funds. Clients may enter into customized investment management agreements with True Arrow. These agreements may limit the investment purview of activity in their accounts and can provide for exclusions of certain activity.
- D. N/A
- E. As of December 31, 2017, True Arrow manages approximately \$9,692,788 in discretionary client assets under management.

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

- A. True Arrow may offer investment advisory services to a number of different types of clients. Fees charged to these advisory clients may vary from client to client. Below is a summary of the types of fee arrangements in use or contemplated by True Arrow with respect to its advisory services.
  - a. **Fixed Management Fees:** Clients may pay a fixed management fee that is based upon either an investment management agreement between the parties or the private placement memorandum of a private fund managed by True Arrow. These fees range from 1.5% of assets under management to 2.0% of assets under management. Fixed management fees are calculated quarterly and are charged in advance.
  - b. **Expense Reimbursements:** Some clients may not pay a fixed management fee but instead will reimburse True Arrow for expenses incurred in connection with the management of their investment. These expense reimbursements are agreed upon between the parties in the form of an expense reimbursement agreement.
  - c. **Performance Fees:** Eligible clients will also pay a performance fee in connection with the management of their accounts. Performance fees will represent a fixed percentage of investment gains. Performance fees charged by True Arrow may range from 15% to 30% of investment gains.

- B. **Depending upon the nature of a client's arrangement with True Arrow, client fees may be deducted automatically from client accounts or invoiced to clients for payment.** Typically, fixed management fees are charged quarterly in advance.
- C. **Clients will also pay their own brokerage commissions** and may pay other expenses including but not limited to fund administration costs incurred by private funds, legal expenses, compliance and or audit expenses. These costs may vary among clients but will be specifically outlined in the private placement memorandums for private fund clients or the investment management agreements for managed accounts.
- D. Management fees paid in advance will be refunded for any unexpired time at the point of redemption.
- E. N/A

#### **Item 6                      Performance Based Fees and Side by Side Management**

True Arrow accepts performance fees in connection with providing investment advisory services to clients. At this time, True Arrow manages client accounts that are not charged performance based fees. However, True Arrow may manage different accounts that have different fees in the future.

The potential for conflict of interest can arise in a scenario in which different performance based fees are charged to different clients. True Arrow mitigates this risk by testing for allocation fairness among clients in its annual rule 206 required review.

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

True Arrow provides investment advice to pooled investment vehicles, private funds and other qualified clients, including overseas foreign regulated pooled investment vehicles. True Arrow limits its private fund client base to qualified clients who meet the eligibility requirements of 3(c)1 or 3(c) 7 funds.

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

- A. **Methods of Analysis, investment strategies:** True Arrow seeks to find unique profit opportunities (alpha) via systematic, quantitative strategies deployed primarily in China. True Arrow carefully researches and tests its strategies using statistical analysis of both live and historical exchange tick data (detailed stock-level trades and quotes). Guided by years of experience of working with quantitative strategies, in both good periods and bad, True Arrow understands how to approach the immense trove of data with common sense, humility and market wisdom. True Arrow seeks to avoid unnecessary black-box complexity and instead focuses on engineering robust strategies involving risks that it believes are relatively simple to diagnose, comprehend and optimize.

True Arrow's automated algorithms can track and calculate millions of trading opportunities per day, over a large universe of stocks, in all types of market conditions. True Arrow believes that small trading opportunities may provide greater performance stability and a steadier stream of returns.

Technology is a key player in True Arrow's investment process. High-throughput, low-latency market data collection, trading engines and networks enable True Arrow to implement its trading decisions efficiently. True Arrow will work with its broker-dealer and vendor partners to operate a secure, automated trading platform. In summary, True Arrow's computer-driven processes seek to leverage its trading intelligence in order to optimize the risk/return of each investment decision.

It is critical to understand, however, that investment strategies pursued by True Arrow involve the risk of loss, including the risk of loss of one's entire investment (for more specific risks related to investing in China, see item B below). Additionally, investments made overseas, including those made in China are subject to additional risks, many of which are outside of the control of True Arrow. Despite the experience of its management team and any prior success, there can be no guarantee that the investment strategies pursued by True Arrow will be successful, that they will achieve their investment objectives, or that they will prevent losses.

## **B. Risks of Strategies in General, Risks of Instruments Traded**

- a. General Risks of Investments in China:** Investments in China such as those pursued by True Arrow may be deemed to be highly speculative investments and are not intended as a complete investment program. These strategies are designed only for sophisticated persons who are able to bear the economic risk of the loss of their entire investment and who have a limited need for liquidity in their investment. The following risks should be carefully evaluated before making an investment managed by True Arrow. The list of risks below does not purport to be an exhaustive list of the risks relating to an investment managed by True Arrow, but rather a summary to be supplemented and, in certain instances, superseded by private placement memorandums for its private funds:
- b. Risks of True Arrow's Broad Discretionary Authority:** True Arrow has broad discretion in making investments for clients. Investments will generally consist of quantitative opportunities in the Greater China region, including equity securities, and other assets that may be affected by business, financial market or legal uncertainties. There can be no assurance that True Arrow will correctly evaluate the nature and magnitude of the various factors that could affect the value of and return on investments. Prices of investments may be volatile, and a variety of factors that are inherently difficult to predict, such as domestic or international economic and political developments, may significantly affect the results of a client's activities and the value of its investments. In addition, the value of a client's portfolio may fluctuate as the general level of interest rates fluctuates. No guarantee or representation is made that any client's investment objective will be achieved.
- c. Additional Risks, China:** The People's Republic of China ("PRC") may be subject to a greater degree of economic, political and social instability than is the case in the United States. PRC's economy is very much in transition. While the government still controls production and pricing in major economic sectors, significant steps have been taken toward capitalism and PRC's economy has become increasingly market oriented. PRC's strong economic growth and ability to attract significant foreign

investment in recent years stem from the economic liberalization initiated over twenty years ago. The economic growth, however, has not been smooth and has been marked by extremes in many respects of inordinate growth, which has not been tightly controlled, followed by rigid measures of austerity.

Currently, PRC's major economic challenge centers on reforming or eliminating inefficient state-owned enterprises without creating an unacceptable level of unemployment. Recent capitalistic policies have in many respects effectively outdated the Communist Party and the governmental structure, but both remain entrenched. The Communist Party still controls access to governmental positions and closely monitors governmental action.

Further, the securities markets of the PRC are relatively small, with the majority of market capitalization and trading volume concentrated in a limited number of companies representing a small number of industries. The primary investor base for the securities markets is comprised of domestic Chinese retail investors and market volatility is relatively high. Consequently, clients may experience greater price volatility and significantly lower liquidity than a portfolio invested solely in equity securities of U.S. companies. These markets may be subject to greater influence by adverse events generally affecting the market, and by larger investors trading significant blocks of securities, than is usual in the U.S.

Moreover, issuers of securities in the PRC are generally not subject to the same degree of regulation as are U.S. issuers with respect to such matters as timely disclosure of information, insider trading rules, restrictions on market manipulation and shareholder proxy requirements. Reporting, accounting and auditing standards of the PRC may differ, in some cases significantly, from U.S. standards in important respects, and less information may be available to investors in securities of PRC issuers than to investors in securities of U.S. issuers.

Foreign investment in the securities markets of PRC is restricted or controlled to varying degrees. These restrictions or controls, which apply to clients, may at times limit or preclude investment in certain securities and may increase the cost and expenses of the clients. In addition, the repatriation of investment income, capital or the proceeds of sales of securities from PRC is controlled under regulations, including in some cases the need for certain advance government notification or authority, and if a deterioration occurs in the PRC's balance of payments, the country could impose restrictions on foreign capital remittances.

Transaction costs, including brokerage commissions for transactions both on and off the securities exchanges in the PRC, may be higher than in the U.S.

True Arrow may enter into an agreement with other RQFII and or QFII holders in order to gain exposure to certain Chinese securities otherwise not available to clients under the current securities regime in the PRC. However, PRC laws, regulations and legal requirements are relatively new and are often changing, and their interpretation and enforcement involve significant uncertainties that could limit the reliability of the legal protections available to True Arrow, RFQII and or QFII holders, any custodians,

and any investor. As PRC administrative and judicial authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate the outcomes of administrative and judicial proceedings and the level of legal protections a party may have. Further, given a client's access to Chinese securities may be through the RQFII or QFII program, and such access necessarily involves other parties any changes in PRC laws, regulations and legal requirements could have significant impacts on the client.

**Taxes:** Clients should be aware that changes in the laws, regulation and guidance related to taxation in the PRC could have a material adverse effect on the net asset value of their ultimate investment. Clients should obtain their own tax advice prior to making an investment with True Arrow and ensure that they have a complete picture of how taxation may affect their investment.

**Risks Related to Quantitative Trading:** True Arrow will use quantitative mathematical models that rely on patterns inferred from historical prices and other financial data in evaluating prospective investments. Many of the trading strategies developed by True Arrow make certain assumptions about the persistence, or "stationarity", of the market environment; the models assume that repeated past behavior of the markets can be used to predict the future, at least in limited ways. Many of the strategies are developed by simulating the performance of a given strategy over historical data. However, financial and economic patterns are not immutable and there can be no guarantees that the relationships that appeared to govern financial instruments and their prices in the past will continue in the future. Statistical procedures cannot fully match the complexity of the financial markets and as such, results of their application are uncertain. Even if all the assumptions underlying the models were met exactly, a model can only make a prediction and there can be no assurance that the future performance will match the prediction.

**Changes in Market Environment:** Changes in underlying market conditions can adversely affect the performance of a statistical model, and as market dynamics shift over time, a previously highly successful model may become outdated – perhaps without True Arrow recognizing that fact before substantial losses are incurred. While True Arrow will make efforts to estimate and control the risks associated with market changes, and will attempt to identify changes as they occur, market environment changes can be sudden and extreme. When these changes occur, certain market dynamics can make the changes more severe and can cause their adverse effects to spread to other markets not affected by the initial changes. As such, although True Arrow generally will attempt to deploy model-based trading strategies, clients may still be affected by adverse market conditions.

In addition, there are an increasing number of market participants that rely on quantitative mathematical models. These models may be similar to those used by True Arrow on behalf of clients, which may result in a substantial number of market participants taking the same action with respect to an investment, and some of these market participants may be substantially larger than True Arrow's clients. In



particular, events can cause other market participants to liquidate large positions in a short period of time in order to raise capital, reduce risk or meet margin calls. To the extent that these market participants hold positions in a portfolio of strategies similar to that of True Arrow clients, such strategies may begin to exhibit adverse returns and correlations not seen under normal markets, even if the initial changes were in markets in which clients were not invested. Positions which would typically serve as hedges may actually become anti-hedges of the instruments they were initially attempting to hedge, adding further risk to client portfolios.

**RQFII Risk:** True Arrow may invest in securities through a RQFII which is subject to applicable regulations imposed by the PRC authorities. Although repatriations by RQFIIs in respect of Client accounts are currently not subject to repatriation restrictions or prior approval, there is no assurance that PRC rules and regulations will not change or that repatriation restrictions will not be imposed in the future. Any restrictions on repatriation of the invested capital and net profits may impact Clients ability to meet redemption requests from the unitholders. Any other changes to the RQFII rules may also have an adverse impact on Clients.

In the event of any default of either a PRC broker or the RQFII Custodian in the execution or settlement of any transaction or in the transfer of any funds or securities in the PRC, the Client may encounter delays in recovering its assets which may in turn impact Net Asset Values.

**Technology and Automated/Active Trading Risks:** The success of the strategies pursued by True Arrow will be dependent, in part, upon the expertise of True Arrow combined with the efficacy and availability of proprietary and non-proprietary software and automated trading systems. True Arrow expects to use an investment strategy that involves active trading through the use of automated trading systems. Such active trading presents the risk of large, immediate losses. The automated trading systems, no matter how convenient or efficient, do not reduce risks associated with active trading. The software and automated trading systems which True Arrow intends to utilize are relatively new and have been put to limited use to date in portfolio management activities. There can be no guarantee that the software and automated trading systems will achieve their intended objectives.

True Arrow relies extensively on computer programs and systems to trade, clear and settle securities transactions, to evaluate numerous investments based on real-time trading information, to monitor client's portfolios and net capital, and to generate risk management and other reports that are critical to oversight of client activities. True Arrow's business is highly dependent on its ability to process, on a daily basis, a large number of transactions across diverse markets. The ability of its systems to accommodate an increasing volume of transactions could constrain True Arrow's ability to properly manage the portfolio. As with all facilities and systems, True Arrow's automated trading systems, hardware, and software are vulnerable to temporary disruption, failure, inaccuracies, and/or security breaches, including, but not limited to: communication failures or inaccuracies; security quotation and data errors (whether as a result of software errors, automatic price or data misfeeds, or a

dealer's mistype or mistake); system or software crashes; distortions; viruses; stolen passwords and/or unauthorized trades; signal power disruptions; and failures of Internet reception or routing. System delay or failures can have negative results on investment selection and execution. The result of any system related failure may include, but is not limited to, trades being executed without True Arrow's authorization, trades not being executed according to True Arrow's instructions or criteria or trades not being executed at all.

In addition, certain of True Arrow's operations interface with or depend on systems operated by third parties, including its custodians and market counterparties and their sub-custodians and other service providers, and a client's or True Arrow may not be in a position to verify the risks or reliability of such third-party systems. These programs or systems may be subject to certain defects, failures or interruptions, including, but not limited to, those caused by worms, viruses and power failures. Any such defect or failure could have a material adverse effect on clients. For example, such failures could cause settlement of trades to fail, lead to inaccurate accounting, recording or processing of trades, and cause inaccurate reports, which may affect a client's ability to monitor its investment portfolio and its risks.

True Arrow's ability to recover certain losses or foregone profits for clients due to such disruptions and failures may be subject to limits on liability imposed by system providers, the market, financial institutions, and/or clearing houses. In the absence of recovery, a client will bear the risks and losses of any system delays or failures, including, but not limited to, the system delays or failures described herein.

**Portfolio Turnover:** True Arrow's investment strategy requires True Arrow to actively trade client's portfolios. True Arrow may make up to 10,000 trades per day. Annual turnover of the strategy is expected to be in the range of 50 to 100 times per year. As a result, turnover and brokerage commission expenses of client accounts may significantly exceed those of other investments.

**Equity-Related Instruments in General:** True Arrow may use equity-related instruments in its investment programs for clients. Certain options and other equity-related instruments may be subject to various types of risks, including market risk, liquidity risk, counterparty credit risk, legal risk and operations risk. In addition, equity-related instruments can involve significant economic leverage and may, in some cases, involve significant risks of loss.

**Use of Leverage:** As noted in above, True Arrow may utilize leverage. This may result in a client's account controlling more assets than it has in equity. Leverage increases returns if the client earns a greater return on investments purchased with borrowed funds than the clients cost of borrowing such funds. However, the use of leverage exposes the client to additional levels of risk, including (i) greater losses from investments than would otherwise have been the case had the client not borrowed to make the investments, (ii) margin calls or interim margin requirements which may force premature liquidations of investment positions and (iii) losses on investments where the investment fails to earn a return that equals or exceeds the clients cost of

borrowing such funds. In the event of a sudden, precipitous drop in value of a client's assets, the client (or True Arrow on behalf of the client) might not be able to liquidate assets quickly enough to repay its borrowings, further magnifying its losses.

In an unsettled credit environment, True Arrow may find it difficult or impossible to obtain leverage for clients. Since leveraging its assets may be a significant part of the investment strategy of True Arrow on behalf of clients, in such event, True Arrow could find it difficult to implement its strategy. In addition, any leverage obtained, if terminated on short notice by the lender, could result in True Arrow being forced to unwind positions quickly and at prices below what True Arrow deems to be fair value for such positions.

**Non-U.S. Securities:** Investing in securities of non-U.S. governments and companies that are generally denominated in non-U.S. currencies and utilization of options on non-U.S. securities involves certain considerations comprising both risks and opportunities not typically associated with investing in securities of the United States government or United States companies. These considerations include changes in exchange rates and exchange control regulations, political and social instability, expropriation, imposition of foreign taxes, less liquid markets and less available information than is generally the case in the United States, higher transaction costs, foreign government restrictions, less government supervision of exchanges, brokers and issuers, greater risks associated with counterparties and settlement, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards and greater price volatility.

**Currency Risks:** Client investments that are denominated in a foreign currency are subject to the risk that the value of a particular currency will change in relation to one or more other currencies. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments. True Arrow may attempt to hedge such risks on behalf of clients, but there is no guarantee that such attempts, if made, will be successful.

**RMB currency risk:** The RMB is currently not freely convertible and is subject to exchange controls and restrictions and investors may be adversely affected by movements of the exchange rates between RMB and other currencies. There is no guarantee that RMB will not depreciate. If the Fund converts other currencies into RMB so as to invest in RMB denominated securities and subsequently convert RMB proceeds back into any other currencies, the Fund may suffer a loss if RMB depreciates against other currencies.

**Small to Medium Capitalization Companies:** True Arrow may invest a portion of client assets in the stocks of companies with small-to medium-sized market capitalizations. While True Arrow believes these investments 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 such stocks are often more volatile than prices of large-capitalization stocks. In addition, due to thin trading in some such stocks, an investment in these stocks may be more illiquid than that of larger capitalization stocks.

**Options:** The purchase or sale of an option (including an over-the-counter option) involves the payment or receipt of a premium by the investor and the corresponding right or obligation, as the case may be, to either purchase or sell the underlying security, commodity or other instrument for a specific price at a certain time or during a certain period. Purchasing options involves the risk that the underlying instrument will not change price in the manner expected, so that the investor loses its premium. Selling options involves potentially greater risk because the investor is exposed to the extent of the actual price movement in the underlying security rather than only the premium payment received (which could result in a potentially unlimited loss). Over-the-counter options also involve counterparty solvency risk.

**Short Sales:** Short selling, or the sale of securities not owned by a client necessarily involves certain additional risks. Such transactions expose a client's to the risk of loss in an amount greater than the initial investment, and such losses can increase rapidly and without effective limit. There is the risk that the securities borrowed by a client in connection with a short sale would need to be returned to the securities lender on short notice. If such request for return of securities occurs at a time when other short sellers of the subject security are receiving similar requests, a "short squeeze" can occur, wherein a client might be compelled, at the most disadvantageous time, to replace borrowed securities previously sold short with purchases on the open market, possibly at prices significantly in excess of the proceeds received earlier.

**Lack of Diversification:** True Arrow expects to invest in quantitative opportunities in the Greater China region. As such, a client's portfolio may not be widely diversified among sectors, industries, geographic areas or types of securities. Further, a client's portfolio may not necessarily be diversified among a wide range of issuers. Accordingly, a client's portfolio may be subject to more rapid change in value than would be the case if the client were required to maintain a wide diversification among companies or industry groups.

**Futures Contracts:** Trading in futures contracts are highly specialized activities that may entail greater than ordinary investment risks. Futures markets (including financial futures) are highly volatile and are influenced by factors such as changing supply and demand relationships, governmental programs and policies, national and international political and economic events and changes in interest rates. In addition, because of the low margin of deposit normally required in futures trading, a high degree of leverage is typical of a futures trading account. Consequently, a relatively small price movement in a futures contract may result in substantial losses to the trader. Futures trading may also be illiquid. Certain commodity exchanges do not permit trading in a particular type of future beyond certain set limits. If prices

fluctuate during a single day's trading beyond those limits – which conditions have in the past sometimes lasted for several days in certain contracts – a client could be prevented from promptly liquidating unfavorable positions and thus be subject to substantial losses.

**Counterparty Risk:** In the event that any counterparty involved in a swap transaction undergoes any change that affects its ability to buy or sell the securities contemplated herein (e.g., insolvency, bankruptcy, change in business structure, etc.), a client's investment may be significantly affected. Specifically, True Arrow may be forced to liquidate the investments accessed through the transaction on behalf of a client. In the event that failure by any counterparty occurs, a liquidator may be appointed to liquidate the assets affected by such failure, which may include moving the assets to another manager or liquidation of such assets. True Arrow considers all the counterparties utilized to be suitable parties for the arrangement, however, there is no guarantee that a counterparty will not become insolvent or bankrupt or undergo change that would materially adversely affect this transaction.

To the extent that True Arrow invests in swaps, swaptions, "synthetic" equivalents, derivative instruments, repurchase agreements, certain types of options or other customized financial instruments, clients take the risk of non-performance by the other party to the contract. This risk may include credit risk of the counterparty and the risk of settlement default. This risk may differ materially from that entailed in exchange-traded transactions, which generally are supported by guarantees of clearing organizations, daily marking-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered directly between two counterparties generally do not benefit from such protections and expose the parties to the risk of counterparty default.

**Custody and Brokerage Risk:** There are risks involved in dealing with the custodians or brokers who settle True Arrow's clients' trades. True Arrow's clients will maintain custody accounts with certain custodians. Although True Arrow monitors the custodians and believes that they are appropriate custodians, there is no guarantee that the custodians, or any other custodian that True Arrow and/or its clients may use from time to time, will not become bankrupt or insolvent. While certain laws seek to protect customer property in the event of a bankruptcy, insolvency, failure, or liquidation of a broker-dealer or custodian, there is no certainty that, in the event of a failure of a broker-dealer or custodian that has custody of True Arrow's clients' assets, the clients would not incur losses due to their assets being unavailable for a period of time, the ultimate receipt of less than full recovery of their assets, or both. The custodians and other sub-custodians that the custodians may appoint are domiciled in certain non-U.S. jurisdictions to hold the assets of True Arrow's clients. The custodians may not be responsible for cash or assets which are held by sub-custodians in certain non-U.S. jurisdictions, nor for any losses suffered by True Arrow's clients as a result of the bankruptcy or insolvency of any such sub-custodian.

**Lack of Liquidity of Fund Investments:** Company assets may, at any given time, include securities and other financial instruments or obligations that are thinly-traded

or for which no market exists and/or which are restricted as to their transferability under applicable securities laws. The sale of any such investments may be possible only at substantial discounts, and it may be extremely difficult to accurately value any such investments.

**Interest Rate Risk:** Client portfolios may be subject to interest rate risk. Generally, the value of debt securities will change inversely with changes in interest rates. As interest rates rise, the market value of debt securities tends to decrease. Conversely, as interest rates fall, the market value of debt securities tends to increase. This risk will be greater for long-term securities than for short-term securities.

**Reliance on Alfred Samson Hou:** True Arrow relies heavily on the services of the Managing Member of True Arrow, Mr. Hou. Mr. Hou is responsible for all of the major decisions affecting client accounts. Should Mr. Hou determine to discontinue managing the affairs of, or withdraw from, True Arrow or should Mr. Hou die, be incapacitated or, for some other reason, be unable to effectively manage the affairs of True Arrow, the business and results of the operations of True Arrow may be adversely affected.

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

True Arrow and its personnel do not have any legal or disciplinary events to disclose pursuant to questions 9A and 9B.

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

- A. N/A
- B. N/A
- C. Blake Grossman is an advisor to True Arrow Capital Management LLC. Mr. Grossman owns and operates CHJ Capital Management LLC (“CHJ”) an investment advisory vehicle via which he invests his own capital. CHJ is a Member of True Arrow Capital Management. Mr. Grossman is also a Board Member of CamberView Partners (“CamberView”). CamberView administers corporate governance programs for asset management firms, pension plans and others. CamberView also works with activist investors.

Minder Cheng is a Member and advisor to True Arrow. Mr. Cheng serves on the board of Investment Technology Group (“ITG”) and Par Accel. ITG is a publicly traded company and Par Accel is a privately traded company specializing technology based data analytics.

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

- A. True Arrow maintains a code of ethics that meets the requirements of the SEC’s Code of Ethics rule in all material respects (the “Code”). The Code applies to Covered Persons which include True Arrow’s employees, officers and members. The Code requires collection of initial reports of holdings, quarterly reports of transactions, and annual reports of holdings. Additionally, absent some limited exceptions as further described in the Code, the Code requires pre approval of

securities transactions by the CCO. A copy of the code of ethics for True Arrow is available to clients upon request from the CCO, Louis Constable ([lou.constable@truearrow.com](mailto:lou.constable@truearrow.com)).

- B. True Arrow does not engage in principal transactions (transactions between True Arrow and clients).
- C. True Arrow does not anticipate that Covered Persons as defined in its Code of Ethics, will transact in the same securities as those traded by True Arrow on behalf of clients due to a policy that prohibits transactions in China A shares and related derivatives by Covered Persons. Nevertheless, True Arrow anticipates that any potential conflicts that may arise will be mitigated by the CCO pre-approval process. Should the CCO note the potential for a conflict of interests in an employee transaction, the CCO will not approve the employee's trade.
- D. True Arrow's CCO will pre approve the transactions of Covered Persons absent some limited exceptions. Additionally, True Arrow's CCO or his designee will perform an audit of Covered Persons statements and report any findings to True Arrow's President. This process will help True Arrow mitigate any potential wrongdoing by Covered Persons with respect to the inappropriate timing of their personal securities and futures transactions.

## **Item 12 Brokerage Practices**

- A. True Arrow selects brokers for client transactions due to several factors including but not strictly limited to access to exchanges upon which True Arrow trades for clients, availability of trade execution software, speed of execution, commission rates, client service. True Arrow operates in overseas markets. Access to these markets and the exchanges upon which True Arrow executes transactions for clients is critical in the selection process. In particular, the Chinese equities markets do not have the same number of brokers or competitive landscape as the United States, therefore the number of brokers available to execute transactions for True Arrow is smaller and the variance of commission rates is less.

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

- a. True Arrow does not participate in traditional soft dollar programs, however, its affiliates may receive some soft dollar benefits related to brokerage and research services in connection with trade execution services. The soft dollar benefits accepted by affiliates from counterparties would be research or brokerage or directly related to research or brokerage.
- b. In connection with the potential to receive soft dollar benefits based upon the accrual of client commission dollars, any adviser can be incentivized to direct client brokerage activity to a broker-dealer in connection with the receipt of soft dollar benefits rather than in connection with the achievement of best execution for the client. Due to this risk, True Arrow has strictly limited its acceptance of soft dollar benefits to those benefits that fall within the SEC's safe harbor as described in Rule 28(e). Additionally, in order to manage the potential for misuse of client brokerage commissions, True Arrow and its CCO manage a quarterly best execution meeting in which selection of brokers for clients is reviewed and evaluated in connection with best execution obligations.
- c. In connection with trade executions in soft dollar accounts, True Arrow may incur a mark-up from standard commission rates in order to accrue soft dollar benefits. True Arrow and its personnel will evaluate these mark ups in connection with the value obtained for

its clients in connection with soft dollar benefits on a quarterly basis in connection with its best execution review. Due to the routine evaluation of these benefits and programs by non-trading personnel, True Arrow believes that it can ensure that soft dollar benefits are appropriate, for the benefit of its clients, and commensurate with the commission mark-ups that may be charged.

- d. During its last fiscal year, True Arrow did not participate in soft dollar programs. It is anticipated that True Arrow may participate in these programs going forward.
  - e. During its last fiscal year, True Arrow did not participate in soft dollar programs.
  - f. During its last fiscal year, True Arrow did not participate in soft dollar programs.
- 2. N/A
  - 3. N/A

**Item 13            Review of Accounts**

- A. Louis Constable and or his personnel review client accounts daily for investment performance, operation of the algorithms and other operational matters.
- B. Client accounts are also reviewed quarterly in connection with a quarterly compliance review.
- C. Private fund clients receive statements monthly from their fund administrator, clients for whom True Arrow does not have custody receive reports with a frequency as arranged with their custodian.

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

- A. N/A
- B. Alternative Asset Investment Securities, LLC markets advisory services for True Arrow, primarily through representatives Richard Klizberg, Paul Sands, and Steve Marks. If successful, they are paid a percentage of both management and incentive fees paid by clients they introduce to True Arrow.

**Item 15            Custody**

True Arrow will not physically maintain custody of any client funds or securities. All client funds and securities will be held by qualified custodians. However, private funds that are managed by True Arrow may be structured in such a manner that True Arrow or an affiliate serves as the general partner to certain limited partnerships and/or the manager of certain limited liability companies, in which case True Arrow may be deemed to have custody of the funds and securities held by those entities. True Arrow adheres to the applicable requirements of Rule 206(4)-2 of the Advisers Act with respect to these arrangements.

Fund clients of True Arrow will receive a copy of the audit for each fund within 120 days of each calendar year end. In addition, fund clients will receive account statements from the fund administrator and clients should carefully review those statements.

**Item 16            Investment Discretion**

True Arrow has broad, general discretionary authority over client accounts. True Arrow's investment discretion is established in one of two ways, either via investment management



agreement or via the private placement memorandum associated with a private fund. These agreements may limit the discretionary authority by contract, however, in general True Arrow's contractual arrangements give them broad general authority to execute their investment mandate across a variety of asset classes and via a variety of execution methods. Among other instruments, True Arrow may invest in equities, options, futures, foreign exchange, and swaps both domestically and abroad as a part of its overall investment mandate for clients.

**Item 17            Voting *Client* Securities**

- A. As True Arrow does not presently trade US securities, nor anticipate doing so in the foreseeable future, it does not receive proxies on behalf of clients. However, in the unlikely event that True Arrow would receive a proxy, it would abstain from voting as the outcome of a proxy vote is not likely to be germane to the Firm's investment strategy. This is due to the fact that True Arrow's trading strategy is algorithmic with a tendency for very short holding periods. In addition, if a proxy were received by True Arrow, it would meet the SEC's proxy voting record keeping requirements by maintaining a proxy voting log detailing the proxies received, the relevant dates, and the reasoning behind the firm's vote or abstention.
- B. In some circumstances, True Arrow will manage client funds and securities via an investment management agreement in a circumstance where the client maintains its own custodian. Pursuant to these arrangements, often the clients will receive their own proxies directly and retain the right to vote these proxies. In these circumstances, True Arrow will not participate in the clients' proxy voting process.

**Item 18            Financial Information**

N/A

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

N/A