

**Hudson Cove Capital Management LLC**

**May 30, 2017**

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**This brochure provides information about the qualifications and business practices of Hudson Cove Capital Management LLC (the “Adviser”). If you have any questions about the contents of this brochure, please contact us at 201-685-7555 or [info@hudsoncovecapital.com](mailto:info@hudsoncovecapital.com). This information has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.**

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

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**Item 2. Material Changes**

The Adviser does not consider any of the information contained in this version of the brochure to represent a material change from the information contained in its most recent previous version dated March 28, 2017. Our current and future investors are encouraged to read this brochure, as well as all of the governing documents applicable to their current or prospective investment, in their entirety.

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

The Adviser is an investment adviser with its principal place of business in Jersey City, NJ. The Adviser commenced operations as an investment adviser on September 1, 2009. David Wu is the principal owner of the Adviser.

The Adviser provides the investment advisory services regarding fixed income instruments as well as other asset types on a discretionary basis to its clients, which are pooled investment vehicles intended for sophisticated and institutional investors.

The Adviser provides advice to client accounts based on specific investment objectives and strategies. The Adviser does not tailor advisory services to the individual needs of clients. Under certain circumstances, the Adviser may agree to tailor advisory services to the individual needs of clients.

The Adviser does not participate in Wrap Fee Programs

As of February 28, 2017, the Adviser had approximately \$488 million of client assets under management, all of which was managed on a discretionary basis.

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

##### Asset-Based Compensation

The Adviser is paid an asset-based investment management fee ranging from 1.2% to 2% per annum of the net assets of the respective client account.

Investment management fees are charged each month in arrears based on the total market value of the assets in the client account (including net unrealized appreciation or depreciation of investments and cash, cash equivalents and accrued interest) on the last day of the month. If a new client account is established during a month or a client makes an addition to its account during a month, the investment management fee will be prorated. If a client's investment management agreement is terminated or a withdrawal is made from a client account during a month, the fee payable to the Adviser will be calculated based on the value of the assets on the termination date prorated for the number of days during the month in which the investment management arrangement was in effect or such amount was in the account.

##### Performance-Based Compensation

The Adviser will be paid performance-based compensation, which is compensation that is based on a share of capital gains on or capital appreciation of the assets of a client. This compensation may be paid to the Adviser or to a related person of the Adviser and ranges from 7% to 20%. Under certain circumstances, receipt of performance-based compensation may be subject to a hurdle rate.

The Adviser, in its sole discretion, may, in effect, waive or reduce the asset-based compensation or performance-based compensation for certain shareholders that are members, principals, officers, employees or affiliates of the Adviser or relatives of such persons and for certain large or strategic investors. The Adviser deducts the investment management fee from client accounts on a monthly basis by instructing the client's custodian.

In addition to paying investment management fees and performance-based compensation, client accounts will also be subject to other expenses such as legal, accounting (including outsourced accounting), auditing and other professional expenses, administration expenses, research expenses and investment expenses

such as brokerage commissions, trading services and support, interest on margin accounts and other indebtedness, taxes, custodial fees, bank service fees, direct fees and expenses (such as legal fees and due diligence expenses related to the analysis, purchase or sale of investments, whether or not the investment is consummated) and other expenses related to the purchase, sale or transmittal of the Fund's assets. Client assets may be invested in money market mutual funds, ETFs or other registered investment companies. In these cases, the client will bear its pro rata share of the investment management fee and other fees of the fund, which are in addition to any fees or other compensation paid to the Adviser. Client assets may be invested in a master-feeder structure. Feeder funds bear a pro rata share of the expenses associated with the related master fund. In addition, clients will incur brokerage and other transaction costs. Please refer to Item 12 of this Firm Brochure for a discussion of the Adviser's brokerage practices.

The allocation of expenses by the Adviser between it and any client and among clients represents a conflict of interest for the Adviser. The Adviser has adopted an expense allocation policy that is designed to address this conflict. The Adviser allocates expenses to each client in accordance with the client's arrangements with the Adviser (including applicable client disclosures). The Adviser seeks to allocate shared expenses for products and services benefitting the Adviser and the client and not covered in the client's arrangements in a fair and reasonable manner.

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

The Adviser and its investment personnel currently provide investment management services to one portfolio. The Adviser (or an affiliate of the Adviser) is paid performance-based compensation by its clients. In addition, the Adviser's investment personnel are typically compensated on a basis that includes a performance-based component. See Item 5 for a further description of performance-based fee the Adviser charges.

If the Adviser advises other client accounts in the future that are subject to different performance-based compensation, this may create an incentive for the Adviser to favor client accounts for which the Adviser (or an affiliate) receives greater performance-based compensation. In this event, the Adviser will adopt policies and procedures designed to ensure that it allocates investment opportunities among clients in accordance with the investment objectives of such clients and in a manner that it considers fair and equitable.

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

The Adviser's clients consist of private funds. The initial and additional subscription minimums for investors are disclosed in the relevant client's offering memorandum.

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

The Adviser offers a focused strategy within the structured finance sector of the fixed income markets to its clients. However, the Adviser will also employ the use of other investment types including equities, commodities, and currencies to execute its strategy. Although the Adviser has divided the following description into several categories, the Adviser recognizes that as the capital markets have evolved, the lines between and among these categories have blurred. That process continues to occur, particularly through the growing use of derivative instruments, such as forwards, futures, options, and swaps, which the Adviser uses in many of the approaches described below.

Investing in securities and other financial instruments involves a risk of loss that clients and investors should be prepared to bear. Those risks will vary based on the nature and attributes of the relevant investment approach and the specific securities and other instruments held. The following summary identifies the

material risks related to the Adviser's significant investment approaches and should be carefully evaluated before making an investment with the Adviser; however, the following does not intend to identify all possible risks of an investment with the Adviser or provide a full description of the identified risks. For additional information on the risks associated with an investment in one of the Adviser's clients, please see such client's confidential explanatory memorandum.

## **Fixed Income**

The Adviser invests in fixed income instruments with generally shorter duration, and credit (from investment grade to high yield) spectrums. The core strategy seeks investment opportunities in the asset backed and mortgage backed securities sectors, but is not limited to such sectors. The Adviser also manages in accordance with global, multiregional, and multicurrency approaches. The Adviser relies on strong fundamental research capabilities, as well as quantitative and technical analytical tools. The Adviser's investment approaches often utilize a combination of these capabilities and tools.

Investments in fixed income securities markets are subject to many risk factors, including risks arising from economic conditions, government regulations, market sentiment, and local and international political events. In addition, the market value of fixed income securities will fluctuate in response to changes in interest rates, currency values, and the creditworthiness of the issuer.

## **Equity**

The Adviser may use an equity investment approach to express a view. Our equity approaches may be based on fundamental research or may instead rely primarily on quantitative tools and techniques or technical analytical methods and strategies.

Investments in equity markets are subject to many risk factors, including risks arising from economic conditions, government regulations, market sentiment, local and international political events, and environmental and technological issues. In addition, the market value of equity securities will fluctuate in response to changes in currency values.

## **Currencies**

The Adviser may employ the use of currencies/currency products in its investment strategy. Each currency approach relies on a combination of fundamental research, quantitative models, and technical analysis. The approaches often utilize more than one of these capabilities and tools.

Investments in currencies, currency futures contracts, forward currency exchange contracts or similar instruments, as well as in securities that are denominated in foreign currency, are subject to the risk that the value of a particular currency will change in relation to one or more other currencies.

## **Commodities**

The Adviser may employ the use of commodities/commodity products in its investment strategy. These approaches rely on the Adviser's strong fundamental research capabilities, and combine those with the use of quantitative and technical analytical tools.

Exposure to the commodities markets may be more volatile than investments in traditional equity or fixed income securities, and is typically achieved through investments in derivative instruments. The value of commodity-linked derivative instruments may be affected by broad market movements, commodity index volatility, interest-rate changes, or events affecting a particular commodity or industry.

## **Derivatives**

Swaps, and certain options and other custom derivative or synthetic instruments are subject to the risk of nonperformance by the counterparty to such instrument, including risks relating to the financial soundness and creditworthiness of the counterparty. In addition, investments in derivative instruments require a high degree of leverage, meaning the overall contract value (and, accordingly, the potential for profits or losses in that value) is much greater than the modest deposit used to buy the position in the derivative contract. Derivative securities can also be highly volatile. The prices of derivative instruments and the investments underlying the derivative instruments may fluctuate rapidly and over wide ranges and may reflect unforeseeable events or changes in conditions, none of which can be controlled by the client or the Adviser. Further, transactions in derivative instruments may not be undertaken on recognized exchanges, and will expose the client's account to greater risks than regulated exchange transactions that provide greater liquidity and more accurate valuation of securities.

## **Leverage**

The Adviser's investment program utilizes a significant amount of leverage which involves the borrowing of funds from brokerage firms, banks and other institutions in order to be able to increase the amount of capital available for marketable securities investments.

## **Illiquid Instruments**

Certain instruments may have no readily available market or third-party pricing. Reduced liquidity may have an adverse impact on market price and the Adviser's ability to sell particular securities when necessary to meet liquidity needs or in response to a specific economic event, such as the deterioration of creditworthiness of an issuer. In some cases, the relevant portfolio may be contractually prohibited from disposing of certain securities for a specified period of time. Reduced liquidity in the secondary market for certain securities may also make it more difficult for the Adviser to obtain market quotations based on actual trades for the purpose of valuing a fund's portfolio.

## **Non-U.S. Securities**

Foreign securities, foreign currencies, and securities issued by U.S. entities with substantial foreign operations can involve additional risks relating to political, economic, or regulatory conditions in foreign countries. These risks include fluctuations in foreign currencies; withholding or other taxes; trading, settlement, custodial, and other operational risks; and the less stringent investor protection and disclosure standards of some foreign markets. All of these factors can make foreign investments more volatile and potentially less liquid than U.S. investments. In addition, foreign markets can perform differently from the U.S. market.

Additional risks relating to the Adviser include:

## **Cybersecurity Risk**

The information and technology systems of the Adviser and of key service providers to the Adviser and its clients may be vulnerable to potential damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. Although the Adviser has implemented various measures designed to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, it may be necessary for the Adviser to make a significant investment to fix or replace them and to seek to remedy the effect of these issues. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in the operations of the Adviser or its client accounts and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information.

## **Risk Management Failures**

Although the Adviser attempts to identify, monitor and manage significant risks, these efforts do not take all risks into account and there can be no assurance that these efforts will be effective. Moreover, many risk management techniques, including those employed by the Adviser, are based on historical market behavior, but future market behavior may be entirely different and, accordingly, the risk management techniques employed on behalf of clients may be incomplete or altogether ineffective. Similarly, the Adviser may be ineffective in implementing or applying risk management techniques. Any inadequacy or failure in risk management efforts could result in material losses to clients.

## **Systems and Operational Risk**

The Adviser relies on certain financial, accounting, data processing and other operational systems and services that are employed by the Adviser and/or by third party service providers, including prime brokers, the third party administrator, market counterparties and others. Many of these systems and services require manual input and are susceptible to error. These programs or systems may be subject to certain defects, failures or interruptions. For example, the Adviser and its clients could be exposed to errors made in the confirmation or settlement of transactions, from transactions not being properly booked, evaluated or accounted for or related to other similar disruptions in the clients' operations. In addition, despite certain measures established by the Adviser and third party service providers to safeguard information in these systems, the Adviser, clients and their third party service providers are subject to risks associated with a breach in cybersecurity which may result in damage and disruption to hardware and software systems, loss or corruption of data and/or misappropriation of confidential information. Any such errors and/or disruptions may lead to financial losses, the disruption of the client trading activities, liability under applicable law, regulatory intervention or reputational damage.

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

This Item is inapplicable.

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

This Item is inapplicable.

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

The Adviser has adopted a Code of Ethics (the "Code") that obligates the Adviser and its related persons/supervised persons to put the interests of the Adviser's clients before its own interests and to act honestly and fairly in all respects in their dealings with clients. In addition to compliance with the Adviser's policies and procedures, all of the Adviser's personnel are required to comply with applicable federal securities laws. Clients or prospective clients may obtain a copy of the Code by contacting Shahid Waheed (Chief Compliance Officer) by email at swaheed@hudsoncovecapital.com, or by telephone at 201-685-7555. See below for further provisions of the Code as they relate to the preclearing and reporting of securities transactions by the Adviser's related persons/supervised persons.

The Adviser and its related persons may give and/or receive gifts, services or other items to/from any person or entity that does business with or potentially could conduct business with or on behalf of the Adviser. The Adviser has adopted policies and procedures governing gifts and business entertainment, which includes pre-clearance by the Chief Compliance Officer prior to giving/receiving gifts above a certain de minimis threshold.



The Adviser, in the course of its investment management and other activities (e.g., board or creditor committee service), may come into possession of confidential or material nonpublic information about issuers, including issuers in which the Adviser or its related persons have invested or seek to invest on behalf of clients. The Adviser is prohibited from improperly disclosing or using such information for its own benefit or for the benefit of any other person, regardless of whether such other person is a client. The Adviser maintains and enforces written policies and procedures that prohibit the communication of such information to persons who do not have a legitimate need to know such information and to assure that the Adviser is meeting its obligations to its clients and remains in compliance with applicable law. In certain circumstances, the Adviser may possess certain confidential or material, nonpublic information that, if disclosed, might be material to a decision to buy, sell or hold a security, but the Adviser will be prohibited from communicating such information to the client or using such information for the client's benefit. In such circumstances, the Adviser will have no responsibility or liability to the client for not disclosing such information to the client (or the fact that the Adviser possesses such information), or not using such information for the client's benefit, as a result of following the Adviser's policies and procedures designed to provide reasonable assurances that it is complying with applicable law.

In addition, the Adviser or its related persons invest in the same securities (or related securities, e.g., warrants, options or futures) that the Adviser or a related person recommends to clients. The Adviser or its related persons may trade in a particular security in a manner that is the same as, different from, or even opposite to the trading activity undertaken by the Adviser on behalf of its clients with respect to that same security. Such practices present a conflict when, because of the information an Adviser has, the Adviser or its related persons are in a position to trade in a manner that could adversely affect the Adviser's clients (e.g., place their own trades before or after client trades are executed in order to benefit from any price movements due to the clients' trades). In addition to affecting the Adviser's or its related person's objectivity, these practices by the Adviser or its related persons may also harm clients by adversely affecting the price at which the clients' trades are executed. The Adviser has adopted the following procedures in an effort to minimize such conflicts: The Adviser requires its related persons to preclear all transactions in their personal accounts with the Chief Compliance Officer, who may deny permission to execute the transaction if such transaction will have any adverse economic impact on one of its clients. In addition, the Adviser's Code prohibits the Adviser or its related persons from executing personal securities transactions of any kind in any securities on a restricted securities list maintained by the Chief Compliance Officer.

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## **Item 12. Brokerage Practices**

The Adviser considers a number of factors in selecting a broker-dealer to execute transactions (or series of transactions) and determining the reasonableness of the broker-dealer's compensation. Such factors include, but are not limited to, reputation, financial strength and stability, creditworthiness, efficiency of execution and error resolution, the actual executed price and the commission, research (including economic forecasts, fundamental and technical advice on securities, valuation advice on market analysis); custodial and other services provided for the enhancement of the Adviser's portfolio management capabilities; the size and type of the transaction; the difficulty of execution and the ability to handle difficult trades; and the operational facilities of the brokers and/or dealers involved (including back office efficiency). In selecting a broker-dealer to execute transactions (or a series of transactions) and determining the reasonableness of the broker-dealer's compensation, the Adviser need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. It is not the Adviser's practice to negotiate "execution only" commission rates, thus a client may be deemed to be paying for research, brokerage or other services provided by a broker-dealer which are included in the commission rate. The Adviser's Best Execution Committee and traders/etc. meet periodically to evaluate the broker-dealers used by the Adviser to execute client trades using the foregoing factors.

Currently, the Adviser does not have any formal soft dollar arrangements in place. To the extent the Adviser receives research or other products or services other than execution from a broker-dealer and/or a third party in connection with client securities transactions, this is known as a "soft dollar" relationship. The Adviser will limit the use of "soft dollars" to obtain research and brokerage services to services that constitute research and brokerage within the meaning of Section 28(e) of the Securities Exchange Act of 1934, as

amended (“Section 28(e)”). Research services within Section 28(e) may include, but are not limited to, research reports (including market research); certain financial newsletters and trade journals; software providing analysis of securities portfolios; corporate governance research and rating services; attendance at certain seminars and conferences; discussions with research analysts; meetings with corporate executives; consultants’ advice on portfolio strategy; data services (including services providing market data, company financial data and economic data); advice from broker-dealers on order execution; and certain proxy services. Brokerage services within Section 28(e) may include, but are not limited to, services related to the execution, clearing and settlement of securities transactions and functions incidental thereto (i.e., connectivity services between an adviser and a broker-dealer and other relevant parties such as custodians); trading software operated by a broker-dealer to route orders; software that provides trade analytics and trading strategies; software used to transmit orders; clearance and settlement in connection with a trade; electronic communication of allocation instructions; routing settlement instructions; post trade matching of trade information; and services required by the SEC or a self regulatory organization such as comparison services, electronic confirms or trade affirmations.

When the Adviser uses client commissions to obtain Section 28(e) eligible research and brokerage products and services, the Adviser’s Best Execution Committee, traders and portfolio managers, meet periodically to review and evaluate its soft dollar practices and to determine in good faith whether, with respect to any research or other products or services received from a broker-dealer, the commissions used to obtain those products and services were reasonable in relation to the value of the brokerage, research or other products or services provided by the broker-dealer. This determination will be viewed in terms of either the specific transaction or the Adviser’s overall responsibilities to the accounts or portfolios over which the Adviser exercises investment discretion.

The use of client commissions (or markups or markdowns) to obtain research and brokerage products and services raises conflicts of interest. For example, the Adviser will not have to pay for the products and services itself. This creates an incentive for the Adviser to select or recommend a broker-dealer based on its interest in receiving those products and services.

The Adviser may cause clients to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for soft dollar benefits (known as paying-up), resulting in higher transaction costs for clients.

When appropriate, the Investment Manager may, but is not required to, aggregate client orders to achieve more efficient execution or to provide for equitable treatment among accounts. Clients participating in aggregated trades will be allocated securities based on the average price achieved for such trades. Brokerage commission rates may not be reduced because of such aggregation. In some instances, average pricing may result in higher or lower execution prices than otherwise obtainable by a single client.

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### **Item 13. Review of Accounts**

Each client account is reviewed by the chief investment officer of the Adviser, on an ongoing basis to determine whether securities positions should be maintained in light of current market conditions. Matters reviewed include specific securities held, adherence to investment guidelines and the performance of each client account.

A client’s investors receive reports from the client pursuant to the terms of each client’s offering memoranda or as otherwise described in the offering document of the client.

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

The Adviser may receive certain research or other products or services from broker-dealers through “soft-dollar” arrangements. These “soft-dollar” arrangements create an incentive for the Adviser to select or recommend broker-dealers based on the Adviser’s interest in receiving the research or other products or services and may result in the selection of a broker-dealer on the basis of considerations that are not limited

to the lowest commission rates and may result in higher transaction costs than would otherwise be obtainable by the Adviser on behalf of its clients. Please see Item 12 for further information on the Adviser's "soft-dollar" practices, including the Adviser's procedures for addressing conflicts of interest that arise from such practices.

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#### **Item 15. Custody**

An affiliate of the Adviser is deemed to have custody of client assets due to serving as the general partner to a limited partnership. The Adviser intends to comply with Rule 206(4)-2 under the Investment Advisers Act of 1940, as amended, by meeting the conditions of the pooled vehicle annual audit provision.

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#### **Item 16. Investment Discretion**

Prior to assuming full discretion in managing a client's assets, the Adviser enters into an investment management agreement that sets forth the scope of the Adviser's discretion.

Unless otherwise instructed or directed by a discretionary client, the Adviser has the authority to determine (i) the securities to be purchased and sold for the client account (subject to restrictions on its activities set forth in the applicable investment management agreement and any written investment guidelines) and, (ii) the amount of securities to be purchased or sold for the client account.

If it appears that a trade error has occurred, the Adviser will use commercially reasonable efforts to break or otherwise correct the trade. In the event that a client account incurs a trade error as a result of the Adviser's gross negligence, malfeasance or fraud, the Adviser will reimburse the client. Trade errors that do not result from the Adviser's gross negligence, willful misconduct or fraud are borne by the client account.

To the extent the Adviser has authority, pursuant to the investment management agreement or other governing documents of a client account, to participate in class action claims (each, a "Claim") it will do so on a case-by-case basis. Once the Adviser receives a Claim, the Adviser will determine whether any clients or former clients of the Adviser owned the security during the period covered by the Claim. Appropriate personnel of the Adviser will determine whether they agree with the basis of the Claim and whether or not to participate in the Claim depending upon (i) the nature of the Claim; (ii) prospects for recovery; (iii) resources required to pursue the Claim, (iv) other relevant factors pertaining to the particular Claim and (v) any other factors that the Adviser deems relevant.

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#### **Item 17. Voting Client Securities**

The Adviser complies with its proxy voting policies and procedures that are designed to ensure that in cases where the Adviser votes proxies with respect to client securities, such proxies are voted in the best interests of its clients

If a material conflict of interest between the Adviser and a client exists, the Adviser will determine whether voting in accordance with the guidelines set forth in its proxy voting policies and procedures is in the best interests of the client or take some other appropriate action.

Clients may obtain a copy of the Adviser's proxy voting policies and procedures and information about how the Adviser voted a client's proxies by contacting Shahid Waheed (Chief Compliance Officer) by email at [swaheed@hudsoncovecapital.com](mailto:swaheed@hudsoncovecapital.com) or by telephone at 201-685-7555.

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**Item 18. Financial Information**

This Item is not applicable.