

**Item 1. Cover Page**



**Form ADV  
Part 2A Brochure**

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This brochure provides information about the qualifications and business practices of **Jafra Capital Management LP** (the “Adviser”). If you have any questions regarding the contents of this brochure, please contact us at (212) 818-8918 and/or [michael@jafracapital.com](mailto:michael@jafracapital.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

This brochure does not constitute an offer to sell or the solicitation of an offer to purchase any securities of any entities described herein. Any such offer or solicitation will be made solely to qualified investors by means of a private placement memorandum and related subscription materials.

Registration with the SEC does not imply a certain level of skill or training.

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

**Item 2. Material Changes**

This brochure has been amended to reflect changes in Item 12 – Brokerage Practices and other updates or clarifications, which we believe are non-material, in conformity with the offering materials.

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## **Item 4. Advisory Business**

### **General Description of Advisory Firm**

Jafra Capital Management LP (the “Adviser”), a Delaware limited partnership, is an investment adviser with its principal place of business in New York, NY. The Adviser commenced operations on January 6, 2016. Randall (“Randy”) Yuen, the Principal and founder of the Adviser, serves as the Adviser’s Chief Investment Officer (“CIO”) and is the Adviser’s principal owner.

### **Description of Advisory Services**

The Adviser provides investment advisory services on a discretionary basis to three pooled investment vehicles (*i.e.*, hedge funds) organized in a master-feeder structure and intended for institutional and other sophisticated investors: Jafra Capital Fund LP, a Delaware limited partnership (the “Onshore Fund”), Jafra Capital Offshore Fund Ltd., an exempted company incorporated under the laws of the Cayman Islands (the “Offshore Fund”) (collectively, the “Feeder Funds”) and Jafra Capital Master Fund LP, an exempted company incorporated under the laws of the Cayman Islands (the “Master Fund”) (each of the Feeder Funds and the Master Fund, a “Fund,” and, collectively, the “Funds”). The Feeder Funds invest substantially all of their assets in the Master Fund. Investment and trading activity is conducted at the Master Fund level. References herein to the investment objectives, strategies, investments and transactions of the Funds include the Feeder Funds’ investment objectives, strategies, investments and transactions as implemented through the Master Fund. Jafra Capital GP LLC serves as the general partner to the Onshore Fund and the Master Fund (the “General Partner”). The Adviser also provides discretionary investment advisory services to a separately managed account (the “SMA”) on the basis of an investment strategy substantially similar to that of the Funds (each of the Funds and the SMA, a “Client” and, collectively, the “Clients”).

The Adviser provides advisory services, including the following: (i) development of investment policy; (ii) asset allocation; and (iii) portfolio implementation and management. The Adviser has full discretionary authority with respect to investment decisions, and its advice with respect to each Client is made in accordance with the investment objectives and guidelines as set forth in each Feeder Fund’s Confidential Private Placement Memorandum and/or Client’s investment management agreement, as applicable.

### **Availability of Tailored Services for Individual Clients**

The Adviser makes all investment and trading decisions on behalf of the Funds. Investment advice is provided directly to the Funds according to the Funds’ investment objectives and not individually to the Investors<sup>1</sup> in the Funds. The Adviser tailors its advisory services for the Funds based on the investment objective, strategies and any restrictions on investing set forth in the applicable (i) Confidential Private Placement Memorandum; and/or (ii) investment management agreement and investment policy statements. Additionally, as further described in the aforementioned documents, if the value of the SMA constitutes a specified portion or more of the aggregate value of the Adviser’s assets under management, all investment funds and accounts managed by the Adviser (including the Fund, the Onshore Fund and the Master Fund) could be subject to certain restrictions

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<sup>1</sup> “Investor” includes each limited partner or shareholder, as applicable, of the “Feeder Funds,” as defined in Item 4.

on trading certain securities and other assets as a result of certain limits applicable to the SMA (the “Client Restrictions”). During any period when the Client Restrictions are triggered, the Master Fund could be prevented from undertaking certain purchases and/or sales of securities and other assets that it otherwise would have undertaken if the Client Restrictions were not in effect, which could have an adverse impact on the Fund and the SMA. Except as described above, the SMA will have no control over investment decisions regarding the Funds.

For more detailed information regarding the Funds’ investment objective, strategies and restrictions, potential investors are referred to the applicable Feeder Fund’s Confidential Private Placement Memorandum and may reach out to Jafra with further questions.

The Adviser tailors its advisory services for separately managed account clients, including the SMA, as set forth in the applicable investment management agreement.

### **Client Assets Under Management**

While the Adviser invests the Funds’ assets primarily in publicly-traded equity and equity-based securities, it has broad and flexible investment authority in a long/short equity strategy. Accordingly, the Funds’ investments may at any time include, among other things, long or short positions in U.S. or non-U.S. publicly traded or privately issued or negotiated common stocks, preferred stocks, stock warrants and rights, convertible securities, depository receipts, exchange-traded funds, various derivatives, including, among others, swaps, credit default swaps, options (purchased or written), options on stock and bond indices, futures and commodities, foreign exchange instruments, fixed income securities, including U.S. government securities, and illiquid investments. The Adviser’s regulatory assets under management are \$444,706,924 as of December 31, 2017.

The Adviser does not participate in any wrap fee arrangements.

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

### **Advisory Fees and Compensation**

The Adviser charges investment management fees based on the value of the relevant Feeder Fund’s net asset value (the “Management Fee”), and the General Partner is entitled to receive performance-based incentive allocations, which is compensation that is based on a share of capital gains on, or capital appreciation of, the Master Fund’s assets regarding each Investor’s Master Fund Sub-Account<sup>2</sup> (the “Incentive Allocation”).

The Adviser’s fee schedule is omitted because this brochure is being delivered only to “qualified purchasers,” as defined in section 2(a)(51)(A) of the Investment Company Act of 1940 (the “Investment Company Act”).

Under certain circumstances, the General Partner or Adviser, as applicable, has elected, and may in the future elect, in its sole discretion, to reduce, waive or calculate differently the Management Fee or Incentive Allocation in respect of any Investor, including, without limitation, the CIO and the Jafra Investors,<sup>3</sup> in each case without notice to, or the consent of, other Investors and without offering the same opportunity to other Investors. For example, in consideration of certain strategic

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<sup>2</sup> An account established in the Master Fund for each Investor in a Feeder Fund.

benefits the Adviser believes certain early Investors brought to the Fund and the Adviser, the Adviser and/or General Partner, as applicable, in its sole discretion, reduced the Management Fee and Incentive Allocation with respect to certain of such Investors.

Additionally, the General Partner's capital account is not subject to any Management Fee or Incentive Allocation.

The payment of fees and expenses regarding any separately managed account is negotiated on an account-by-account basis and set forth in the applicable investment management agreement.

### **Payment of Fees**

The Adviser instructs the applicable custodian and administrator to deduct the Management Fee from the each Investor's Master Fund Sub-Account quarterly in advance. Although the Feeder Funds' offering documents do not generally permit the Investors to redeem or withdraw from the Funds except as of each calendar quarter-end, a *pro rata* portion of the Management Fee would be returned to any Investor redeeming/withdrawing intra-period if such redemptions/withdrawals are approved by the General Partner or Adviser, as applicable. In addition, an Incentive Allocation, if any, will be deducted annually subject to a standard high-water mark. A separate memorandum account will be established for each Investor's investment in a Feeder Fund to track any losses allocable to such investment. Any allocable profits will first be applied to reduce the loss carryforward balance to zero, before any Incentive Allocation will be made.

As previously noted, the payment of fees and expenses regarding a separately managed account, including whether fees are paid in advance or in arrears, is negotiated on an account-by-account basis and set forth in the applicable investment management agreement. If a separately managed account pays fees in advance, upon termination of the account, such fees will be refunded as negotiated and set forth in the applicable investment management agreement.

### **Additional Fees and Expenses**

In addition to paying Management Fees and, if applicable, Incentive Allocations, Investors<sup>3</sup> will also be subject to the organizational and initial offering expenses of the pertinent Feeder Fund, the Feeder Fund's *pro rata* share of the Master Fund's organizational and offering expenses over a period of up to 60 months and, to the extent the Master Fund utilizes any acquisition vehicles, the *pro rata* share of the organizational and operational expenses of such acquisition vehicles. Also, Investors are subject to other ongoing Fund expenses, which typically include, but are not limited to: fees payable to the administrator; legal, accounting (including third-party accounting services and software), valuation, administrative, auditing, tax preparation and other professional expenses; costs and expenses of any directors and officers liability insurance and professional liability insurance obtained on behalf of the Fund, the Board of Directors, General Partner and the Adviser, as applicable; costs and expenses related to the Funds' investment program (as implemented through the Master Fund), including expenses related to research and due diligence (including expenses related to news, quotation, statistics and pricing services, hardware, software, databases and other technical and telecommunications services and equipment used in the investment management process, fees and travel expenses in connection with investigating and monitoring

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<sup>3</sup> Jafra Investors are defined to include officers, investment professionals and employees (including their estate planning vehicles and other affiliates of such persons) of the Adviser and/or their respective estate planning or other vehicles.

potential and existing investments and fees and expenses related to third-party research and consulting services), order management, portfolio management, risk management and treasury management systems expenses and other expenses related to the investment decision and monitoring process, brokerage commissions, currency and other hedging costs, spreads, mark-ups on securities, swaps and forwards, exchange fees and other transaction-related costs and interest, commitment and other fees and expenses in connection with borrowings; filing fees and expenses, custodial fees and bank services fees; expenses in connection with the ongoing offering of the interests or shares, as applicable, including the cost of producing, updating and distributing offering memoranda and other marketing materials; costs of printing and distributing periodic and annual reports and statements; regulatory and compliance expenses directly related to the Fund (including the Fund's reasonable share of the Adviser's reporting obligations directly related to the Fund, such as Form PF reporting); registered office fees and expenses; extraordinary expenses (*e.g.*, litigation costs and indemnification obligations) that the Fund may incur; and any other expenses related to the Fund's ongoing operation. The Fund, as an investor in the Master Fund, will bear its *pro rata* share of the Master Fund's ongoing expenses.

As previously noted, the expenses borne by a separately managed account are negotiated on an account-by-account basis and set forth in the applicable investment management agreement. Any such expense common to a separately managed account client and to any other funds or accounts managed by the Adviser or its affiliates generally will be paid *pro rata* by such separately managed account, funds or accounts, as pertinent, based on the approximate size of the relevant investment relating to such expense or otherwise on assets under management, as appropriate (or in any other manner deemed fair and equitable by the Adviser in its sole discretion). However, expense allocation decisions will involve potential conflicts of interest (*e.g.*, to a certain extent, expense allocations depend on inherently subjective determinations). The Adviser considers the following factors, among others, to allocate particular expenses among Clients depending on the circumstances: each Client's *pro rata* share of the expenses based on assets under management, each Client's relative participation or use related to the expense, the nature or source of the product or service, the relative benefits derived by each Client from the product or service or other relative factors. The Adviser is entitled to reimbursement to the extent it advances expenses otherwise allocable to a Client as described above or in the investment management agreement, as applicable.

A redemption by an Investor or a withdrawal by a separately managed account during the first year of the investment may be subject to a redemption or withdrawal fee, as pertinent.

Please refer to Item 12 of this brochure for a discussion of the Adviser's brokerage practices.

#### **Additional Compensation and Conflicts of Interest**

None of the Adviser, its officers, members or employees, accepts compensation (*e.g.*, brokerage commissions) for the sale of securities or other investment products.

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

As described in Item 5, the General Partner is entitled to be paid performance-based compensation by the Funds. Such performance-based compensation may create an incentive for the Adviser to make investments that are riskier or more speculative than would be the case in the absence of such performance-based compensation arrangements. In addition, it is expected that the Adviser's investment personnel will be compensated on a basis that includes a discretionary performance-based component. When the Adviser and its investment personnel manage more than one Client account, a potential exists for one Client account to be favored over another Client account. For example, the Adviser and its investment personnel may have a greater incentive to favor Client accounts that pay the Adviser (and indirectly the portfolio manager) higher fees. Currently, all of the Clients pay a performance-based incentive fee or allocation. The performance-based incentive fees or allocations paid by the Clients vary, which could create an incentive for the Adviser to favor one Client over another. The Adviser addresses this possible conflict through its investment allocation policy. Please see Item 12. "Brokerage Practices - Aggregation and Allocation."

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

As previously noted, the Adviser's Clients currently consist of the Funds and the SMA. The minimum initial investment in the Funds is \$1,000,000 and the minimum subsequent/incremental investment is \$500,000. Such subscription minimums may be negotiable by a Fund's General Partner or the Adviser (as applicable), at their sole discretion. Minimum account size for opening or maintaining an SMA is negotiable.

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

### **Methods of Analysis and Investment Strategy**

On behalf of its Clients, the Adviser seeks to deliver superior, risk-adjusted returns over time through the implementation of a global long/short equity strategy across a variety of industry sectors. The Adviser views capital preservation as paramount to its strategy and thus focuses primarily on the delivery of absolute returns as opposed to relative returns. The Adviser's process for determining the components a Client's portfolio over time will primarily be based on:

- (i) microeconomic research on ongoing dynamics within sectors and one or multiple companies;
- (ii) macroeconomic research on broader economic conditions that will either guide or otherwise inform investments in the portfolio;
- (iii) significant historical internal expertise across sectors and companies to drive a deeper understanding of prevailing investment opportunities; and
- (iv) risk management principles that the Adviser believes to be effective in a wide range of trading environments.

The Adviser will opportunistically implement whatever strategies it believes from time to time are best suited to prevailing market conditions and to the Adviser's investment approach, without material restrictions. Although the Adviser has a risk management framework relating to portfolio concentration, the Adviser has no specified diversification policies as to the percentage of assets to be invested in any particular country, asset class, issuer, instrument, market or strategy. A Client's portfolio could become more concentrated than the Adviser's risk management framework would



otherwise dictate due to market movements, and the Adviser could amend its risk management policies without providing prior notice to, or receiving the consent of, the Clients or Investors.

The Adviser employs the following investment strategies.

**Concentration on Equities.** The Adviser's equity strategy is based upon fundamental, company-specific research. On behalf of its Clients, the Adviser invests in diversified sectors globally in developed and emerging markets across all market caps. The Adviser conducts a quantitative assessment of each equity position, based on the company's expected return, to optimize position sizing and risk exposures across each Client's portfolio.

**Diversification Across Sectors.** The Adviser diversifies Client portfolios on a sector-basis, with significant representation in sectors, including, without limitation, the technology, media, telecommunications, consumer, healthcare, financial, industrials, materials and energy sectors. However, the Adviser is not restricted in the amount of its capital that it commits on behalf of a Client to any particular sector. Any concentrated position could ultimately result in significant losses to a portfolio than if a portfolio was more diversified. The concentration of Client portfolio investments in certain sectors could change from time to time as economic and market conditions evolve.

**Short Sales.** The Adviser may sell securities short. In a short sale transaction, the Adviser sells a security it does not own in anticipation that the market price of that security will decline. The Adviser makes short sales: (i) as a form of hedging to offset potential declines in long positions in similar securities; (ii) in order to maintain flexibility; and (iii) for profit.

**Hedging.** The Adviser utilizes a variety of financial instruments such as derivatives, including options and futures for, among other things, risk management purposes.

**Leverage.** The Adviser's investment program utilizes 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.

### **Material, Significant or Unusual Risks Relating to Investment Strategies**

*Investments in securities, including with respect to the strategies outlined below, involve risk of loss to the Clients, and Clients and Investors must be prepared to bear the loss of their entire investment.*

*This summary does not attempt to describe all of the risks associated with an investment or to provide a complete description of any of the individual risks referenced. Although no summary can fully describe all of the risks associated with such an investment, each private placement memorandum contains a more complete description of the risks associated with an investment in the Funds.*

*Within the long/short equity structure of the Master Fund's portfolio, there are no material restrictions on the strategies, leverage, markets or instruments that could be incorporated into the portfolio or the percentage of assets that could be committed to any particular issuer, strategy type, market or instrument. By investing in a Fund, subscribers are relying on the discretionary market judgment of the CIO, without any meaningful diversification, leverage, type of trading or strategy concentration limitations.*

Material risks related to the Adviser's investment strategy are summarized below. For more detailed information regarding the Funds' risks, potential investors should refer to the applicable Feeder Fund's Confidential Private Placement Memorandum.

**Equity Markets.** The equity markets are speculative and highly issuer-specific. Mismanagement or misconduct by corporate officers can cause the complete loss of an equity investment, and the equity markets may be particularly susceptible to subjective investment factors and market sentiment. Concentration on equities (despite the long/short character of a portfolio) will cause a portfolio to be less diversified and presumably more vulnerable to the risk of major losses than if it had a more diversified strategy. Common stock prices are directly affected by issuer-specific events, as well as general market conditions. In addition, in many countries, investing in common stocks is subject to heightened regulatory and self-regulatory scrutiny as compared to investing in debt or other financial instruments.

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

**Directional Investments.** Certain of the positions that will be taken or sectors that will be invested in will be designed to profit from forecasting absolute price movements in a particular instrument. Predicting future prices is inherently uncertain and the losses incurred, if the market moves against a position or sector, will often not be hedged. The speculative aspect of attempting to predict absolute price movements is generally perceived to exceed that involved in attempting to predict relative price fluctuations.

**High Portfolio Turnover.** The strategies employed by the Adviser are expected to lead to frequent changes in the Client's investment portfolio. Higher portfolio turnover generally involves additional expenses to a Client, including brokerage commissions, dealer mark-ups and other transaction costs on the sale of securities and reinvestments in other securities and may generate short-term capital gains.

**Reliance on Corporate Management and Financial Reporting.** The Adviser will rely on the financial information made available by the issuers in which its Clients will invest. The Adviser has no ability to independently verify the financial information disseminated by the numerous issuers in which its Clients may invest and is dependent upon the integrity of both the management of these issuers and the financial reporting process in general. Corporate mismanagement, fraud

and accounting irregularities relating to the issuers of investments held by the Clients may result in material losses. Equity prices are particularly vulnerable to corporate mismanagement.

**Hedging.** The Adviser's hedging techniques, which include the use of derivatives, involve one or more of the following risks: (i) imperfect correlation between the performance and value of the instrument and the value of the Client securities or other objective of the Adviser; (ii) possible lack of a secondary market for closing out a position in such instrument; (iii) losses resulting from interest rate, spread or other market movements not anticipated by the Adviser; (iv) the possible obligation to meet additional margin or other payment requirements, all of which could worsen the Client's position; and (v) default or refusal to perform on the part of the counterparty with which the Client trades. Furthermore, to the extent that any hedging strategy involves the use of OTC derivatives transactions, such a strategy would be affected by implementation of various regulations. The Adviser will not, in general, attempt to hedge all market or other risks inherent in the Client's positions.

**Currency Exchange Exposure and Currency Hedging.** A Client may invest in non-U.S. securities that are denominated or quoted in non-U.S. currencies, whereas the functional currency of a Client is denominated in U.S. dollars, which may cause performance to be significantly affected, either positively or negatively, by fluctuations in the relative currency exchange rates and by exchange control regulations. To the extent a Client seeks to hedge its currency exposure, it may not always be practicable to do so. There can be no guarantee that instruments suitable for hedging currency shifts will be available at the time the Adviser wishes to use them or will be able to be liquidated when the Adviser wishes to do so. In addition, the Adviser may choose not to enter into hedging transactions with respect to some or all of its positions that are exposed to currency exchange risk. Moreover, hedging may not alleviate all currency risks. Furthermore, a Client may incur costs in connection with conversions between various currencies.

**Issuer-Specific Changes.** Changes in the financial condition of an issuer or counterparty, changes in specific economic or political conditions that affect a particular type of security or issuer, and changes in general economic or political conditions can increase the risk of default by an issuer or counterparty, which can affect a security's or instrument's value. The value of securities of smaller, less well-known issuers can be more volatile than that of larger issuers. Smaller issuers can have more limited product lines, markets, or financial resources.

**Leverage/Margin Borrowing.** Leverage results in the Clients controlling substantially more assets than the Clients have equity. Leverage increases the Clients' returns if the Clients earn a greater return on investments purchased with borrowed funds than the Clients' cost of borrowing such funds. However, the use of leverage exposes the Clients to additional levels of risk, including (i) greater losses from investments than would otherwise have been the case had the Clients not borrowed to make the investments; (ii) margin calls or interim margin requirements that 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 the Clients' assets, the Clients might not be able to liquidate assets quickly enough to repay its borrowings, further magnifying its losses.

**Securities Lending.** A Client may lend securities from its portfolio to brokers, dealers and other financial institutions that need to borrow securities to complete certain transactions as a means of earning additional income. A Client is entitled to payments in amounts equal to the interest, dividends or other distributions payable on the loaned securities, which affords the Client an

opportunity to earn interest on the amount of the loan and current income on the loaned securities themselves. However, the Adviser does not vote proxies on securities that are lent. In addition, a Client might experience a loss if any institution with which the Client has engaged in a portfolio loan transaction breaches its agreement with the Client. If the borrower becomes insolvent or bankrupt, a Client could experience delays and costs in recovering loaned securities. To the extent that, in the meantime, the value of the loaned securities declines, a Client could experience further losses.

### **Material, Significant or Unusual Risks Relating to the Types of Securities that are Primarily Recommended**

Material risks associated with the types of securities that the Adviser primarily recommends are summarized below. For more detailed information regarding a Fund's risks, potential investors should refer to the Feeder Fund's respective Confidential Private Placement Memorandum.

**Equity Securities.** The value of equity securities fluctuates in response to issuer, political, market, and economic developments. Fluctuations can be dramatic over the short as well as long term, and different parts of the market and different types of equity securities can react differently to these developments. For example, large cap stocks can react differently from small cap stocks, and "growth" stocks can react differently from "value" stocks. Issuer, political or economic developments can affect a single issuer, issuers within an industry or economic sector or geographic region, or the market as a whole. Changes in the financial condition of a single issuer can impact the market as a whole. Terrorism and related geo-political risks have led, and may in the future lead, to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally. In addition, equity investments are subordinate to the claims of an issuer's creditors and, to the extent such securities are common securities, preferred stockholders. Dividends customarily paid to equity holders can be suspended or cancelled at any time. The Adviser may from time to time on behalf of a Client participate in initial public offerings of equity securities. These "new issues" are subject to certain FINRA rules that restrict the allocation of gains and losses from such securities with respect to certain investors.

**Convertible Securities.** Convertible securities are bonds, debentures, notes, preferred stocks or other securities that may be converted into or exchanged for a specified amount of common stock of the same or a different issuer within a particular period of time at a specified price or formula. Convertible securities generally: (i) have higher yields than the dividends on the underlying common stocks, but lower yields than non-convertible securities of a comparable duration; (ii) are less volatile in price than the underlying common stock due to their fixed-income characteristics; (iii) have a significant option component to their value which is directly impacted by the prevailing market volatility and interest rates; and (iv) provide the potential for capital appreciation if the market price of the underlying common stock increases. However, the market for convertible securities is typically materially less liquid than that for the underlying common stock and the value of convertible securities is more directly at risk to increases in interest rates. In addition, a convertible security may be subject to redemption at the option of the issuer. If a convertible security held by a Client is called for redemption, the Client will be required either to permit the issuer to redeem the security or convert it into the underlying common stock. Either of these actions could have an adverse effect on the value of the position.

**Depository Receipts.** Depository Receipts represent an ownership interest in securities of foreign companies that are deposited with a depository. Depository Receipts are not necessarily

denominated in the same currency as the underlying securities. Depositary Receipts include American Depositary Receipts (“ADRs”), Global Depositary Receipts (“GDRs”) and other types of depositary receipts (which, together with ADRs and GDRs, are hereinafter collectively referred to as “Depositary Receipts”). Generally, Depositary Receipts in registered form are designed for use in the U.S. securities market and Depositary Receipts in bearer form are designed for use in securities markets outside the United States. Because a Depositary Receipt represents an ownership interest in securities of a foreign company, a Depositary Receipt is subject to similar risks faced by such underlying security and the asset class to which it belongs.

**Exchange-Traded Funds (“ETFs”).** ETFs represent shares of ownership in either funds or unit investment trusts that hold portfolios of common stocks, bonds or other instruments, which are designed to generally correspond to the price and yield performance of an underlying index. A primary risk factor relating to ETFs is that the general level of stock or bond prices may decline, thus affecting the value of an equity or fixed income ETF, respectively. An ETF may also be adversely affected by the performance of the specific sector or group of industries on which it is based. Moreover, although ETFs are designed to provide investment results that generally correspond to the price and yield performance of their underlying indices, ETFs may not be able to exactly replicate the performance of the indices because of various sources of tracking error, including the expenses associated with ETFs and a number of other factors.

**Derivatives.** Swaps, 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 may involve 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 characterized by limited liquidity, which can make it difficult as well as costly to close out open positions in order to realize gains or to limit losses. Additionally, derivatives can 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 a Client or the Adviser. Further, transactions in derivative instruments may not be executed on recognized exchanges, which may expose a Client to greater risks than regulated exchange transactions that provide greater liquidity and more accurate valuation of securities.

**Futures and Options.** In connection with the use of futures contracts and options, there may be an imperfect correlation between the change in market value of the underlying security/commodity/index and the prices of the futures contracts and options in a Client’s accounts. In addition, a Client’s investments in futures and options may encounter a lack of a liquid secondary market for a futures contract and the resulting inability to close a futures position prior to its maturity date.

**Emerging Markets.** There may be greater risks associated with investments in securities of issuers located in less developed countries than investments in securities of issuers located in the United States and other developed markets. Some of the countries in which a Client may invest have experienced political, economic and/or social instability. These countries also are more likely to experience high levels of inflation, deflation, or currency devaluation, which can harm their economies and securities markets and increase volatility. Restrictions on currency trading that may

be imposed by emerging market countries may have an adverse effect on the value of the securities of companies that trade or operate in such countries.

**International Investing.** Investing outside the United States involves political and economic considerations that create greater risks than investing in the United States. These risks include, among other things, greater risks of expropriation, nationalization and general social, political and economic instability; the small relative size of the securities markets in such 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, imposition of withholdings and other taxes and certain government policies that may restrict a Client's investment opportunities. Other risks include: (i) less publicly available or reliable information (including government data); (ii) varying levels of governmental regulation and supervision; and (iii) the difficulty of enforcing legal rights in a non-U.S. jurisdiction and uncertainties as to the status, interpretation and application of laws. Moreover, non-U.S. companies are generally not subject to uniform accounting, auditing and financial reporting disclosure standards, practices and requirements comparable to those applicable to United States companies. Non-U.S. markets may also have different clearance and settlement procedures, and in certain markets there have been times when settlements have failed to keep pace with the volume of securities transactions, making it difficult to conduct such transactions. The economies of individual non-U.S. countries may also differ favorably or unfavorably from the U.S. economy in such respects as growth of gross domestic product, rate of inflation, volatility of currency exchange rates, depreciation, capital reinvestment, resources self-sufficiency and balance of payments position.

#### **Additional Risks Relating to the Adviser**

**Cybersecurity Risk.** The information and technology systems used by the Adviser and key service providers to the Adviser and the Clients to carry out routine business operations may be vulnerable to potential damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons, security breaches and usage errors by their respective professionals. Each Client and the Adviser is subject to risks associated with a breach in its cybersecurity. Although the Adviser has implemented various protections designed to manage risks relating to these types of events, if a cybersecurity breach occurs, a Client may incur substantial costs, including those associated with: forensic analysis of the origin and scope of the breach; increased and upgraded cybersecurity; investment losses from sabotaged trading systems; identity theft; unauthorized use of proprietary information; litigation; adverse investor reaction; the dissemination of confidential and proprietary information; and reputational damage. Any such breach could expose the General Partner, the Adviser and the relevant Client to civil liability, as well as regulatory inquiry and/or action. Further, any such breach could cause substantial withdrawals from the Fund. In addition, Clients and/or Investors could be exposed to additional losses as a result of unauthorized use of their personal information. 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 the Clients and result in a failure to maintain the security, confidentiality or privacy of sensitive data including personal information.

**Risk Management.** 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 the 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 the Clients. Consistent with the Adviser's focus on risk management, the Adviser will maintain a flexible approach with respect to its portfolio positioning, including, but not limited to, whether the portfolio will be either long or short in the aggregate, as well as the level of leverage that may or may not be employed.

**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. Accordingly, systems failures, whether due to third-party failures upon which such systems are dependent or the failure of the Adviser's hardware or software, could disrupt trading or make trading impossible until such failure is remedied. Any such failure, and consequential inability to trade (even for a short time), could, in certain market conditions, cause the Client to experience significant trading losses or to miss opportunities for profitable trading. Any such failures also could cause a temporary delay in reports to Investors. In addition, despite certain measures established by the Adviser and third party service providers to safeguard information in these systems, the Adviser, the 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 client trading activities, liability under applicable law, regulatory intervention or reputational damage.

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

There have been no legal or disciplinary events that are material to a prospective or current client's or investor's evaluation of the Adviser's advisory business or the integrity of the Adviser's management.

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

##### **Broker-Dealer Registration Status**

Neither the Adviser nor any of its management persons is registered, or has an application pending to register with the SEC, as a broker-dealer or a registered representative of a broker-dealer.

##### **Commodities-Related Registration**

Neither the Adviser nor any of its management persons is registered, or has an application pending to register, as futures commission merchant, commodity pool operator, commodity trading advisor, or associated person of any of the foregoing entities. The General Partner or the Adviser, as the case may be, is currently eligible for and relies on an exemption from registration with the Commodity Futures Trading Commission ("CFTC")/National Futures Association ("NFA") as a Commodity Pool Operator. The General Partner/Adviser, as applicable, also relies on an exemption from registration with the CFTC/NFA as a Commodity Trading Adviser.

## **Material Relationships or Arrangements with Industry Participants**

As noted above, the General Partner, an affiliate of the Adviser, serves as the general partner of the Onshore Feeder Fund and the general partner of the Master Fund. Any persons acting on behalf of the General Partner are subject to the supervision and control of the Adviser in connection with any investment advisory activities. In accordance with SEC guidance, the General Partner is registered as an investment adviser in reliance on the Form ADV filed by the Adviser.

**Side Letters.** From time to time, a Feeder Fund, the Adviser and/or the General Partner, as pertinent, without the approval of any Investor, has entered into, and may in the future enter into, agreements with certain Investors that provide for terms that are different from those described in the pertinent Confidential Private Placement Memorandum (“side letters”). The Feeder Fund, the Adviser or the General Partner, as pertinent, may, but is not required to, disclose the existence or terms of any such side letters to any other Investor. Rights or terms that a side letter may alter include, but are not limited to: (i) rights or terms necessary in light of particular legal, regulatory or public policy characteristics of an Investor; (ii) reporting obligations; (iii) more favorable Management Fee and/or Incentive Allocation terms; (iv) enhanced transparency and position reporting; and (v) preferential terms related to liquidity and transfer. Such side letters or similar agreements, however, do not combine preferential information rights with preferential redemption rights to the detriment of other Investors. The Adviser has entered into side letters with early Investors that provide for a reduced Management Fee and Incentive Allocation as described under Item 4 above. The Fund may also issue additional partnership interests or series of member interests, as applicable, to one or more Investors that reflect similarly different rights or terms. The Adviser may make available to Investors or prospective investors in the Funds certain portfolio information pertaining to the Funds, subject to certain limitations. Access to such information will be granted only upon receipt by the Adviser of an executed non-disclosure agreement. The Funds and the Adviser each reserve the right to withhold such information and/or cease dissemination of such information entirely at any time.

## **Material Conflicts of Interest Relating to Other Investment Advisers**

The Adviser does not recommend or select other investment advisers for its Clients for which it receives compensation directly or indirectly from those advisers, nor does the Adviser have other business relationships with those advisers that create a material conflict of interest.

## **Other Business Activities**

The Adviser and/or its principal are, and/or may in the future become, involved in other business activities. Such other activities would compete for the Adviser’s and its principal’s time and attention and could create other conflicts of interest.

The CIO is an investor in a small, start-up, algorithmic trading firm and serves on its board of members but is not involved in the day-to-day operations of this firm or its investment program. Even though the board of members does not review investment decisions with respect to the investment assets the algorithmic trading firm manages, the CIO’s services to the firm may create a potential conflict of interest with respect to the potential sharing of sensitive information. The CIO owes confidentiality duties to both the Adviser and the algorithmic trading firm. The Adviser has policies to protect against information sharing that provide for the safeguarding of proprietary and nonpublic information by the Adviser’s personnel as well as policies and procedures to detect and



prevent the misuse of material, nonpublic information.

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

### **Code of Ethics**

The Adviser has adopted a code of ethics (the “Code”), which sets forth standards of ethical and business conduct expected of the Adviser’s employees (referred to herein as “Supervised Persons”) and addresses conflicts that may arise from personal trading by the Adviser’s Supervised Persons. It is the Adviser’s policy that all Supervised Persons conduct themselves so as to avoid, to the extent possible, not only actual conflicts of interest with Clients but any conduct that could give rise to the appearance of a conflict of interest that might compromise the trust placed in the Adviser by its Clients. The Adviser’s policies and procedures have been designed to identify and properly disclose, mitigate and/or eliminate applicable conflicts of interest.

Further, the Code is designed to: (i) foster compliance with certain applicable federal statutes and regulatory requirements, including with respect to insider trading; (ii) prohibit unethical business conduct; and (iii) promote a culture of high ethical standards. Among other things, the Code governs personal securities trading by the Adviser’s Supervised Persons and prohibits, or requires pre-clearance of, certain securities transactions. The Code also requires Supervised Persons to report all trading accounts and certain securities transactions. Subject to the pre-clearance requirements and a blackout period near the time of a Client trade, the Adviser and its Supervised Persons are permitted to invest in the same securities as, or securities similar to, those recommended to the Clients.

The Adviser also maintains and implements insider trading policies and procedures (the “Insider Trading Policies”) that are designed to prevent the misuse of material, nonpublic information. The Adviser’s personnel are required to certify their compliance with the Code, and the Insider Trading Policies, on a periodic basis. The Adviser’s Insider Trading Policies prohibit the Adviser and its personnel from trading for the Clients or themselves, or recommend trading, in securities of a company while in possession of restricted material, nonpublic information about the relevant issuer in violation of the law (“Inside Information”). By reason of its various activities, the Adviser may become privy to Inside Information or be restricted from effecting transactions in investments that might otherwise have been initiated.

Prospective and current clients or investors may obtain a copy of the Code by contacting Michael Fox by email at [michael@jafracapital.com](mailto:michael@jafracapital.com) or by telephone at 212-818-8918.

### **Client Transactions in Securities Where the Adviser Has a Material Financial Interest**

It is not generally anticipated that a Client will enter into transactions in which the Adviser and/or affiliate participates or has a significant economic interest (e.g., “principal transactions”). However, if the Adviser determines it is in the best interest of one or more Clients to enter into any such transaction, the transaction will be conducted in compliance with the consent and disclosure requirements of Section 206(3) of the Investment Advisers Act. Moreover, the Adviser does not generally anticipate effecting transactions between Clients (“cross trades”). To the extent that cross trades may be viewed as principal transactions due to the ownership interest in a Fund by the Adviser, its Supervised Persons and/or other affiliates, the Adviser will effect that transaction only

in compliance with the consent and disclosure requirements of Section 206(3) of the Investment Advisers Act.

**Investing in Securities that the Adviser or a Related Person Recommends to Clients**

Please refer to Code of Ethics above for a description of the Adviser's personal trading policy.

**Conflicts of Interest Created by Contemporaneous Trading**

This is not applicable.

**Item 12. Brokerage Practices**

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

The Adviser seeks best execution on behalf of its Clients. In doing so, 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. In selecting brokers, the Adviser considers such factors as: price; execution capabilities, including efficiency of execution and willingness to execute difficult transactions; financial strength and stability; block trading and block positioning capabilities; reputation; infrastructure; reliability; quality of research products or services; and other value-added services. In selecting a broker-dealer to execute transactions (or series of transactions) and determining the reasonableness of the broker-dealer's compensation, the Adviser is not required to 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 that are included in the commission rate. The CIO, Chief Operating Officer ("COO")/Chief Financial Officer ("CFO")/Chief Compliance Officer ("CCO") and Head Trader meet periodically to evaluate the broker-dealers used by the Adviser to execute client trades.

**Research and Other Soft Dollar Benefits.** The Adviser has entered into, and may in the future enter into, soft-dollar arrangements whereby it 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. The Adviser has limited, and in the future expects to limit, the use of "soft dollars" to obtaining research and brokerage services that constitute research and brokerage within the meaning of Section 28(e) of the Securities Exchange Act of 1934 ("Section 28(e)"). Where a research or brokerage product has a mixed use, the Adviser will endeavor to make a reasonable allocation of the costs according to the Adviser's use of the product. The receipt of such mixed use products and the determination of the appropriate allocation may create a conflict of interest for the Adviser.

The use of client commissions (or certain 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. Commission rates are generally negotiable, and selecting brokers on the basis of considerations that are not limited to commission rates may result in higher transaction costs than would otherwise be obtainable. The Adviser may, subject to its best execution policy, trade with certain brokers primarily in consideration for providing research services. As previously noted, the Adviser seeks best execution

of Client transactions and in selecting a broker-dealer considers the provision of research and/or brokerage services as one, among other, pertinent factors. In selecting a broker-dealer and entering into a soft dollar arrangement, client accounts could be charged commissions greater than the amount that the broker (or different broker) would charge without such soft dollar arrangement, but still satisfy the Adviser's obligation to seek best execution. In any case, the Adviser will determine in good faith whether the commissions charged are reasonable in relation to the value of the brokerage and research products or services provided by the broker. Such arrangements, however, make it more difficult for Investors to evaluate the cost structure of the soft dollar-related products or services because the costs of such products or services are not broken out separately.

Research services within Section 28(e) 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; 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) include, but are not limited to, services related to the execution, clearing and settlement of securities transactions and functions incidental thereto (for example, 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 Securities Exchange Commission or a self-regulatory organization such as comparison services, electronic confirms or trade affirmations.

The Adviser's CIO, COO/CFO/CCO and Head Trader 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.

Any products or services that the Adviser receives from broker-dealers may be used in connection with its management of all Client accounts, not just selected accounts.

Each Investor, by subscribing in the Feeder Fund, and each Client by executing an investment management agreement with the Adviser, specifically authorizes the Adviser to enter into the soft dollar arrangements described above, *provided* that the Adviser believes that such arrangements are in, or not opposed to, the best interests of the Clients.

**Brokerage for Client Referrals.** From time to time, the Adviser may participate in capital introduction programs arranged by broker-dealers, including firms that serve as prime brokers to the Clients or recommend the Funds as an investment to such firms' clients. The Adviser may place Client portfolio transactions with firms who have made such recommendations or provided capital introduction opportunities, if the Adviser determines that it is otherwise consistent with seeking best execution.

**Directed Brokerage.** The Adviser does not permit a Client to direct the Adviser to execute client transactions with a particular broker-dealer.

## **Order Aggregation and Allocation**

In general, the Adviser aggregates trade orders on behalf of the Clients when the Adviser reasonably believes that aggregation is consistent with its duty to obtain best execution, internal risk management parameters and the terms of the investment guidelines and restrictions of each Client for which trades are being aggregated. Aggregated orders must be allocated among eligible Clients in a manner which is fair and equitable over time and does not disadvantage one Client or group of Clients over time. Generally, allocations to eligible Clients are made such that each eligible Client reaches the targeted position size in a trade order and/or in proportion to the prior day's net asset value of each eligible Client (*i.e.*, "*pro rata*"). However, allocation decisions will be made in consideration of a variety of factors, including, but not limited to, the investment objective, investment guidelines and restrictions, current portfolio holdings, concentration and liquidity considerations, legal restrictions, minimum denominations and round lot considerations and relative size of the account applicable to each Client. In determining the allocation of investment opportunities, the Adviser may also consider such factors as whether an account is actively receiving additional capital, is subject to withdrawal requests or is being liquidated. Not all factors may be relevant in connection with every investment opportunity.

Each Client that participates in an aggregated trade order participates at the average price for all of the Adviser's transactions of that type in that security on a given business day executed with the same counterparty or broker, with transaction costs shared *pro rata* based on each Client's participating in the transaction. If an order on behalf of more than one account cannot be fully executed under prevailing market conditions, the Adviser will allocate the trade among the different accounts on a basis that it considers equitable.

The Adviser provides investment advisory services to more than one Client with the same or different investment objectives, philosophies and strategies. In the future the Adviser also may trade for the General Partner's and/or the Adviser's own account. The Adviser generally intends to allocate all investment opportunities that may be appropriate for its Clients in a manner that is fair and equitable to all Clients over time, taking into account the various factors described above.

In cases where a limited amount of an instrument is available for purchase, the allocation of such instrument, as between the Clients and/or the accounts of Adviser and its affiliates, may necessarily reduce the amount available for purchase by a Client. There can be no assurance that a particular order or investment opportunity will be allocated in a particular manner. If conflicts arise in the allocation of investment opportunities, the Adviser will seek to resolve such conflicts fairly. Circumstances could occur, however, in which an allocation could have adverse effects on one or more Clients with respect to the price or size of securities positions obtainable or saleable. If the Adviser determines that it would be appropriate for more than one investment account to participate in an investment opportunity, the Adviser will seek to execute orders for all of the participating investment accounts on an equitable basis. Situations may occur where a Client could be disadvantaged because of the investment activities conducted by the Adviser for other investment accounts.

## **Trade Errors**

The Adviser's traders may on occasion experience errors with respect to trades made on behalf of

the Clients. Trade errors can result from a variety of situations, including for example, when the wrong security is purchased or sold, when the correct security is purchased or sold but for the wrong account, when the wrong amount is purchased or sold (e.g., 1,000 shares instead of 10,000 shares are traded), when a misallocation among client accounts occurs, when a security is purchased or sold in violation of investment restrictions or other failure to follow specific Client directives or the purchase of a security is not legally authorized for the Client's account. Trade errors do not include unprofitable investments, errors caught and corrected before execution, ticket rewrites and similar mistakes that incorrectly reflect properly executed trades and errors made by persons other than the Adviser (e.g., broker-dealers). Generally, the Adviser will pursue reimbursement from third parties for errors made by persons other than the Adviser (e.g., broker-dealers), unless the portfolio manager and head trader in consultation with the COO/CFO/CCO determine that reimbursement should not be pursued and such rationale is documented by the CCO. The Adviser endeavors to detect trade errors prior to settlement and correct them in an expeditious manner.

The Adviser is directly or indirectly required by the terms of the Clients' offering memoranda and/or investment management agreement, as pertinent, to reimburse certain losses suffered by a Client as a result of a trade error in accordance with the standard of care set forth therein. With respect to the Funds, the Adviser reimburses certain losses as a result of a trade error due to the Adviser's fraud, bad faith, gross negligence or reckless or intentional misconduct by the Adviser. Regarding separately managed accounts, the standard of care is negotiated on an account-by-account basis and set forth in the applicable investment management agreement. All gains recognized on trade errors are for the benefit of the Client. The CCO ensures the Adviser maintains appropriate documentation regarding a trade error and includes the rationale for the resolution of all trade errors, including reimbursement decisions. In addition, the Adviser does not correct a trade error made in one Client by reallocating the erroneous trade to another Client. The Adviser also will not directly or indirectly use soft dollars to correct trade errors. The Adviser has a conflict of interest in determining whether a trade error has occurred, as well as whether the costs of such trade error should be for the account of the Client or the Adviser.

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

#### **Frequency and Nature of Review**

The holdings in each Client's account are reviewed each business day by the CIO. These holdings are monitored in light of trading activity, significant corporate developments and other activities which may dictate a change in portfolio positions. Before deciding whether or not to purchase or sell a particular security on behalf of a client account, each client account that could or currently holds such security will be reviewed in full. In addition, Client accounts are reviewed periodically from the standpoint of the specific investment objectives of the Client and as specific conditions may dictate.

#### **Factors Prompting a Non-Periodic Review of Accounts**

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

#### **Content and Frequency of Regular Account Reports**

The Adviser provides annual audited financial statements within 120 days following the end of the

applicable Fund's fiscal year end to each Investor. In addition, all Clients and Investors receive various electronic or written reports in the ordinary course from the Adviser or from a Fund's administrator, as applicable, which include monthly estimates of the Client's performance, reports that set forth various monthly financial data and information about the Client's performance, periodic Investor letters from management and monthly capital account statements. Also, Investors in the Onshore Fund receive Schedule K-1s, preceded by account-level tax estimates to assist in tax planning. Investors in the Offshore Fund may, upon request, receive PFIC tax reporting.

The Adviser may also provide additional information to Clients and Investors from time to time that it deems advisable. The Adviser is regularly available to meet with Clients and Investors upon request to discuss the portfolio, performance, investment theses and, as applicable, the Funds generally.

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

##### **Economic Benefit for Providing Services to Clients**

The Adviser does not accept an economic benefit from third parties for providing investment advisory services to Clients.

##### **Compensation to Non-Supervised Persons for Client Referrals**

The Adviser does not currently engage the services of solicitors to assist the Adviser in securing advisory Clients, but may do so in the future. Any such arrangements would be in compliance with Rule 206(4)-3 under the Investment Advisers Act or other relevant SEC guidance.

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

The Adviser is deemed to have custody of the Funds' assets because, for example, it has the authority to obtain such assets by deducting advisory fees from a Fund's account or otherwise withdrawing assets from a Fund's account. In addition, the Adviser is deemed to have custody of its private funds due to its affiliate's capacity as the general partner of the Onshore Fund and the Master Fund. The Adviser is subject to Rule 206(4)-2 under the Investment Advisers Act (the "Custody Rule"). However, the Adviser is or is deemed to have complied with certain reporting requirements of the Custody Rule with respect to each Fund because the Adviser complies with the provisions of the so-called "audited funds exception." This exception, among other things, requires that each Fund: (i) be subject to audit at least annually, conducted in accordance with U.S. Generally Accepted Auditing Standards by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board; and (ii) distributes its audited financial statements prepared in accordance with U.S. Generally Accepted Auditing Principles to all Investors within 120 days of the end of each Fund's fiscal year.

The Adviser generally does not accept custody with respect to SMAs.

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

The Adviser provides investment advisory services on a discretionary basis to Clients. The Adviser entered into an investment management agreement with each Client, pursuant to which the Adviser was granted discretionary trading authority. The Adviser's investment decisions and advice with

respect to each Client are subject to each Client's investment objectives and guidelines, as set forth in the offering documents and or the investment management agreement, as applicable.

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

The Adviser retains proxy-voting authority for securities purchased for the Funds. The Adviser has adopted Proxy Voting Policies and Procedures (the "Proxy Policies") that are designed to ensure that in cases where the Adviser votes proxies with respect to securities purchased for the Funds or the SMA, such proxies are voted in the best interests of each Client. The Proxy Policies also require that the Adviser identify and address conflicts of interest between the Adviser and its Clients. If a material conflict of interest exists, the Adviser will determine whether voting in accordance with the guidelines set forth in the Proxy Policies is in the best interests of the Client or take some other appropriate action.

In voting proxies, the Adviser generally votes in favor of routine corporate housekeeping proposals, including election of directors (where no corporate governance issues are implicated), selection of auditors, and increases in or reclassification of common stock. Generally, the Adviser will vote against proposals that make it more difficult to replace members of a board of directors, including proposals to stagger the board, cause management to be overrepresented on the board, introduce cumulative voting, introduce unequal voting rights, and create supermajority voting. For all other proposals, the Adviser will determine whether a proposal is in the best interests of its Clients and may take into account the following factors, among others:

- (i) whether the proposal was recommended by management and Adviser's opinion of management;
- (ii) whether the proposal acts to entrench existing management; and
- (iii) whether the proposal fairly compensates management for past and future performance.

The Adviser may abstain from voting if it deems that abstaining is in the best interests of the relevant Client. For example, if a Client has a securities lending agreement, the Client may be unable to vote securities that have been lent or rehypothecated by the prime brokers. The Adviser documents the reason(s) for any abstentions.

Clients and Investors may obtain a copy of the Adviser's Proxy Policies and information about how the Adviser voted a Client's proxies, free of charge, by contacting Michael Fox by email at [michael@jafracapital.com](mailto:michael@jafracapital.com) or by telephone at 212-818-8918.

### **Item 18. Financial Information**

The Adviser is not required to include a balance sheet for its most recent fiscal year because it does not solicit the prepayment of fees greater than \$1,200 per client, six months or more in advance. Further, the Adviser is not aware of any financial condition reasonably likely to impair its ability to meet contractual commitments to clients, and has not been the subject of a bankruptcy petition at any time during the past ten years.