

# DFT Energy LP Part 2A of Form ADV (The “Brochure”)

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This brochure provides information about the qualifications and business practices of DFT Energy LP (“DFT Energy” “we” “us” “Company”). If you have any questions about the contents of this brochure, please contact us at (212) 586-1120 or [jalliger@dorsetenergy.com](mailto:jalliger@dorsetenergy.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.

Additional information about us is also available on the SEC’s website at <http://www.adviserinfo.sec.gov>. We are a registered investment adviser under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). Our registration with the SEC does not imply any level of skill or training.

## **Item 2: Material Changes**

As of August 1, 2016, DFT Energy entered into a Portfolio Advisory Agreement between DFT Energy and Optima Management Partners, L.P. (“Optima”), an unaffiliated entity, pursuant to which DFT Energy provides discretionary investment advisory services to the Dorset Energy Fund Limited, a Bermuda-based private investment fund (the “Fund” or “Client”). Additional information about this advisory relationship is included in the Items below.

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## **Item 4: Advisory Business**

DFT Energy was founded in September 2014 and commenced operations as an investment adviser in June 2016. The Company is organized as a Delaware limited partnership with its principal place of business in New York, NY. Donald F. Textor (the “Portfolio Manager”) is the founder and principal owner of DFT Energy.

Pursuant to a Portfolio Advisory Agreement between DFT Energy and Optima, DFT Energy provides discretionary investment advisory services to the Fund (i.e., the Dorset Energy Fund Limited). Shareholders in the Fund are referred to as “investors”. DFT Energy provides investment advice directly to the Fund and not individually to investors. Optima serves as the manager of the Fund. DFT Energy has the sole authority to trade and invest the assets of the Fund, but all other aspects of operating and administering the fund and its assets apart from such trading are undertaken by independent third party service providers who are supervised by Optima.

The Fund is not registered under the Securities Act of 1933, as amended (the “Securities Act”), or the Investment Company Act of 1940, as amended (the “Investment Company Act”). Interests in the Fund are offered and sold exclusively to investors satisfying the applicable eligibility and suitability requirements either in private transactions within the United States or in offshore transactions.

The investment objective of the Fund is to increase capital through superior long-term returns by investing, both long and short, primarily in equities of established energy-related companies. Pursuant to the Private Placement Memorandum (“PPM”) for the Fund and the Portfolio Advisory Agreement between DFT Energy and the Fund (collectively, the Fund’s “Governing Documents”), DFT Energy is permitted to invest in a broad array of securities, including debt securities, equity securities that are not energy related, options (whether written or purchased), index contracts, repurchase agreements and all other financial instruments, securities and intangible investment instruments and vehicles. DFT Energy also engages in short selling, margin trading, hedging and other investment strategies for the Fund. The relative level of long and short positions depends upon DFT Energy’s evaluation of the relative attractiveness of investment opportunities, perception of general market direction and other factors.

More information about the Fund and the Fund’s investment objective is available in the Fund’s Governing Documents.

As of the date of this filing, DFT Energy manages \$159,723,564 in assets on a discretionary basis pursuant to the Portfolio Advisory Agreement.

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

As described in the Fund’s Governing Documents, DFT Energy or its affiliates will receive from the Fund a Management Fee equal to 1.25% of the net asset value per year. As manager of the Fund, Optima causes the Management Fee to be paid from the Fund generally monthly in advance. Pursuant to the Portfolio Advisory Agreement, DFT Energy shares a percentage of the management fees generated by the Fund with Optima. An Investor in the Fund that withdraws all or a portion of its interest in the Fund other than at the end of a month shall be reimbursed a pro rata portion of the Management Fee for such month.

In addition and as described in the Fund’s Governing Documents, the Fund is subject to a performance based incentive fee (“Incentive Fee”) equal to 20% of net capital appreciation earned

by the investors, payable annually in arrears. For a further discussion of the Incentive Fee, please see Item 6.

DFT Energy may negotiate alternative fees or allocations on a client-by-client basis with other funds or separate account clients that it manages in the future. DFT Energy also retains the ability to, in its sole discretion, waive, reduce or rebate the Management Fee and/or Incentive Fee with respect to certain investors in the Fund, including affiliates of the manager and/or DFT Energy; provided, however, that no such waiver, reduction or rebate will adversely impact any other Investor in the Fund or cause them to bear a higher portion of the Management Fee and/or Incentive Fee than they would otherwise bear absent such waiver, reduction or rebate.

In addition to the Management Fee and the Incentive Fee, the Fund bears all of its operating expenses, which include, but are not limited to, Directors' fees, interest expenses, professional fees, administrative fees, expenses relating to compliance and preparation of regulatory filings (e.g., Form PF filings), custodial fees, insurance premiums, litigation and indemnification expenses and taxes. The Fund also bears all the expenses associated with investing and trading securities and other instruments, including brokerage commissions, "bid"/"offer" spreads and interest expense on borrowings. DFT Energy is responsible for its own expenses, including general overhead, salaries, and employee benefits and travel expenses of employees.

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

DFT Energy is entitled to receive an Incentive Fee of 20% from the investors of the Fund on an annual basis in arrears and upon withdrawals by investors in the Fund. The Incentive Fee is subject to a high-water provision further described in the Governing Documents. Pursuant to the Portfolio Advisory Agreement, under certain circumstances DFT Energy shares a percentage of the incentive fee generated by the Fund with Optima. As manager of the Fund, Optima causes the incentive fee to be paid from the Fund.

The terms and conditions of our fee arrangements are subject to individualized negotiations, and are structured in accordance with Section 205(a)(1) of the Advisers Act, which permits incentive-based fee arrangements with "qualified clients" as defined in Rule 205-3 of the Advisers Act. Incentive-based fee arrangements may create an incentive for us to recommend investments that may be riskier or more speculative than those that we might otherwise recommend in the absence of such an arrangement.

DFT Energy may waive the Incentive Fee with respect to any investments by certain investors, including its affiliates and affiliates of DFT Energy. Additional details of the Incentive Fee are described in the Fund's Governing Documents.

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

Interests in the Fund are offered pursuant to applicable exemptions from registration under the Investment Company Act and the Securities Act. Accordingly, investors in the Fund are required to be "accredited investors" (as defined in Regulation D promulgated under the Securities Act) or otherwise be permitted to invest under applicable securities laws. The minimum initial investment in the Fund is \$250,000. Minimum additional subscriptions are \$100,000. These minimum investment amounts may be waived in certain circumstances.

In addition, the Fund may enter into separate agreements, commonly referred to as “side letters”, with certain investors that amend, modify or supplement the terms of the governing documents of the Fund. Under certain circumstances, these agreements could give certain investors additional rights relative to other investors.

Investors in the Fund may include, but are not limited to, endowments, foundations, trusts, estates, charitable organizations, pension plans, high-net worth individuals, family offices, fund-of-hedge funds, limited partnerships, limited liability companies and similar entities.

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

DFT Energy makes investments based primarily on fundamental analysis, including such factors as a company’s net asset value, projected earnings, cash flow under various commodity-pricing scenarios, the potential value of a company’s investment and exploration projects and the quality and integrity of management.

Similarly, fundamental factors are utilized in evaluating possible short securities. However, DFT Energy believes that it is also important to understand the mind-set of other investors who are bullish on a particular stock. In many past cases of successful short sales, the Investment Adviser has found that unknowledgeable investors are lured into poor investments by focusing on superficial considerations. Subsequent disappointments often lead to the realization that the “emperor is not wearing any clothes”, resulting in the collapse of the stock price.

When necessary, DFT Energy uses geologists, petroleum engineers and scouts (both in North America and abroad) to provide additional analysis and information. DFT Energy has found this to be particularly useful on the short side.

DFT Energy considers the price of oil and gas when making investment decisions, but does not spend time trying to pinpoint near-term price movements, a difficult challenge best left to commodity traders. Rather, DFT Energy develops a sense of the intermediate-term range within which the commodities are likely to trade, and then keeps a close watch on what could change that.

An investment in the Fund is highly speculative and involves a high degree of risk. An Investment in the Fund is suitable only for sophisticated investors who fully understand and are capable of bearing the risks of the investment. No guarantee or representation is made that the Fund will achieve its investment objective or that investors will receive a return of their capital. The following discusses certain risks and potential conflicts of interest. However, this list is not, and is not intended to be, an exhaustive list or a comprehensive description of the types of risks that any investor in the Fund may encounter, and other risks and conflicts not discussed below may arise in connection with the management and operation of the Fund.

**General** - Markets in which the Fund may invest are subject to fluctuations, and the market value of any particular investment may be subject to substantial variation. Notwithstanding the existence of a public market for particular financial instruments, such instruments may be thinly traded or may cease to be traded after an investment is made in them. In addition to being relatively illiquid, such instruments may be issued by unstable or unseasoned issuers or may be highly speculative. No assurance can be given that the Fund or the Fund’s investments will appreciate in value.

**Economic Conditions** - Changes in economic conditions, including, for example, interest rates, inflation rates, industry conditions, competition, technological developments, political and

diplomatic events and trends, tax laws and innumerable other factors, can affect substantially and adversely the business and prospects of the Fund. None of these conditions, among other things, will be within the control of the Fund or DFT Energy.

**Securities Can Be Volatile in Price and Potentially Illiquid** - The prices of securities can be highly volatile. Prices can be influenced by such factors as changing supply and demand, government programs and policies, and political and economic events and also by the effects of speculation within the marketplace itself. Certain investments of the Fund will be made in thinly traded securities. Should DFT Energy for whatever reason be forced to liquidate such securities over a short period of time, the effect of such liquidation might be to drive the prices of those securities down sharply, resulting in the Fund receiving less money than it might have received, compared to other securities that have greater daily trading volume.

**Concentration of Investments** - Although it is the policy of the Fund to diversify its investments, the Fund may at certain times invest in relatively few securities. The Fund could be subject to significant losses if it holds a large position in a particular security or industry that declines in value or is otherwise adversely affected. As the Fund intends to concentrate its investment activities in energy-related companies, a decline in the prospects of such companies or adverse market sentiment on the sector could adversely and significantly affect the Fund's performance. In particular, in addition to the general risk factors outlined herein, investing in the energy-related industries includes, but is not limited to, the following particular risks:

- The stock prices of energy-related companies have been characterized by periods of very high volatility;
- Certain energy-related companies may be exposed to potential environmental liability risks;
- Exploration and drilling companies spend a considerable proportion of their resources on finding new reserves which ultimately may prove to be commercially unproductive or may require the injection of further funds to exploit the results of their work; and
- The growing cost of providing energy has prompted searches for ways to reduce costs. As a result, revenues generated by certain energy products may be adversely affected by new forms of energy or price controls.

**Non U.S. Investments** - Investments outside the United States or denominated in currencies other than the U.S. Dollar pose currency exchange risks (including blockage, devaluation and non-exchangeability) as well as a range of other potential risks, which could include, depending on the country involved, expropriation, confiscatory taxation, political or social instability, illiquidity, price volatility and market manipulation. In addition, less information may be available regarding non-U.S. issuers, and non-U.S. companies may not be subject to accounting, auditing and financial reporting standards and requirements comparable to or as uniform as those of U.S. companies. Further, non-U.S. securities markets may not be as liquid as U.S. markets. Transaction costs of investing outside the U.S. are generally higher than in the U.S. Higher costs result because of the cost of converting a foreign currency to U.S. dollars, the payment of fixed brokerage commissions on some foreign exchanges, the imposition of transfer taxes or transaction charges by non-U.S. exchanges and confiscatory taxation. There is generally less government supervision and regulation of exchanges, brokers and issuers than there is in the U.S. and there is greater difficulty in taking appropriate legal action in non-U.S. courts. Non-U.S. markets also have different clearance and settlement procedures, which in some markets have at times failed to keep pace with the volume of transactions, thereby creating substantial delays and settlement failures that could adversely affect the Fund's performance.

**Short Selling** - The Fund may utilize short selling. Short selling involves directly or indirectly selling (or having the equivalent exposure) securities or other instruments that may or may not be owned

and, at times, borrowing the same securities for delivery to the purchaser, with an obligation to replace any such borrowed securities at a later date. Short selling allows the Fund to profit from declines in market prices to the extent such decline exceeds the transaction costs and any costs of borrowing. However, if the borrowed assets must be replaced by purchases at market prices in order to close out the short position, any appreciation in the price of the borrowed assets would result in a loss, which is theoretically unlimited in amount. Purchasing assets to close out the short position can itself cause the price to rise further, thereby exacerbating the loss. In addition, there are rules prohibiting short sales of equity securities at prices below the last sale price, which may prevent the Fund from executing short sales at the most desirable time. Short strategies can also be implemented synthetically through various instruments, be used with respect to indices or in the over-the-counter market and with respect to futures and other instruments. They can also be implemented on a leveraged basis. Lastly, even though the Fund secures a “good borrow” of the security sold short at the time of execution, the lending institution may recall the lent security at any time, thereby forcing the Fund to purchase the security at the then-prevailing market price, which may be higher than the price at which such security was originally sold short by the Fund.

**Currency** – Interests in the Fund are denominated in U.S. dollars and redemptions are generally effected in that currency. A portion of the Fund’s net assets may be invested in non-U.S. securities and the income generated thereby will be received in non-U.S. currencies. However, the Fund will calculate its income in U.S. dollars. Consequently, the strengthening of the U.S. dollar against foreign currencies subsequent to the initial investment in each security may have an adverse impact on the net assets of the Fund.

**Option Transactions** - The purchase or sale of an option involves the payment or receipt of a premium payment by the investor and the corresponding right or obligation, as the case may be, to either purchase or sell the underlying security or other instrument for a specific price at a certain time or during a certain period. Purchasing options involves the risk that the underlying instrument does not change price in the manner expected, so that the option expires worthless and the investor loses its premium. Selling options, on the other hand, involves potentially greater risk because the investor is exposed to the extent of the actual price movement in the underlying security in excess of the premium payment received.

The Fund may purchase or sell customized options and other derivatives in the over-the-counter market that may have features different from traditional exchange-traded options (in which the Fund may also invest) though they also share the same risks. These options and derivative instruments may also subject the Fund to risk of default by the counterparty. Investments in these financial instruments may also be subject to additional risks such as interest rate and other risks.

The Fund’s ability to close out its position as purchaser of an exchange-listed option would be dependent upon the existence of a liquid secondary market on an exchange. Among the possible reasons for the absence of a liquid secondary market on an exchange are (i) insufficient trading interest in certain options, (ii) restrictions on transactions imposed by an exchange, (iii) trading halts, suspensions or other restrictions imposed with respect to particular classes or series of options or underlying securities, (iv) interruption of the normal operations on an exchange, (v) inadequacy of the facilities of an exchange or similar facility to handle current trading volume or (vi) a decision by one or more exchanges to discontinue the trading of options (or a particular class or series of options), in which event the secondary market on that exchange (or in that class or series of options) would cease to exist, although outstanding options on that exchange would generally continue to be exercisable in accordance with their terms.

**Leverage** - The Fund may borrow for investment purposes. While borrowing and leverage present opportunities for increasing total return, they have the effect of potentially increasing losses as well.



If income and appreciation on investments made with borrowed funds are less than the cost of the leverage, the value of the Fund's net assets will decrease. Accordingly, any event that adversely affects the value of an investment by the Fund would be magnified to the extent leverage is employed. The cumulative effect of the use of leverage in a market that moves adversely to a leveraged investment could result in a substantial loss that would be greater than if leverage were not used. Generally, most leveraged transactions involve the posting of collateral. Increases in the amount of margin the Fund is required to post could result in a disposition of the Fund's assets at times and prices that could be disadvantageous to the Fund and could result in substantial losses. To the extent that a creditor has a claim on the Fund, such claim would be senior to the rights of the Fund and their investors accordingly and its participating members. Leverage may be used in unlimited amounts and the equity base of the Fund could be small at times in relation to total assets, which could result in total loss of the Fund in extreme circumstances.

**Speculative Purchase of Securities** - The Fund will make certain speculative purchases of securities of companies that the DFT Energy believes to be undervalued or that may be the subject of acquisition attempts, exchange offers, cash tender offers or corporate reorganizations. There can be no assurance that securities which DFT Energy believes to be undervalued are in fact undervalued, or that undervalued securities will increase in value. Further, in such cases, a substantial period of time may elapse between the Fund's purchase of the securities and the acquisition attempt or reorganization. During this period, a portion of the Fund's capital would be committed to the securities purchased, and the Fund may finance such purchase with borrowed funds on which it would have to pay interest.

**Default and Counterparty Risk** - Some of the markets in which the Fund will effect transactions are "over the counter" or "interdealer" markets. The participants in such markets are typically not subject to credit evaluation and regulatory oversight as are members of "exchange based" markets. This exposes the Fund to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing the Fund to suffer a loss. In addition, in the case of a default, the Fund could become subject to adverse market movements while replacement transactions are executed. Such "counterparty risk" is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the Fund has concentrated its transactions with a single or small group of counterparties. The Fund does not have, and the Fund is unlikely to have, an internal credit function that evaluates the creditworthiness of its counterparties. The ability of the Fund to transact business with any one or number of counterparties, the lack of any meaningful and independent evaluation of such counterparties' financial capabilities and the absence of a regulated market to facilitate settlement may increase the potential for losses by the Fund.

**Small Companies** - The Fund may invest its assets in small and/or less well established companies. While smaller companies generally have potential for rapid growth, they often involve higher risks because they lack the management experience, financial resources, product diversification, and competitive strength of larger corporations. In addition, in many instances, the frequency and volume of their trading is substantially less than is typical of larger companies. As a result, the securities of smaller companies may be subject to wider price fluctuations. In addition, due to thin trading in some of those stocks, an investment in those stocks may be considered less liquid than an investment in many large capitalization stocks. When making large sales, the Fund may have to sell portfolio holdings at discounts from quoted prices or may have to make a series of small sales over an extended period of time due to the trading volume of smaller company securities.

**Derivatives** - The Fund may invest in complex derivative instruments that seek to modify or emulate the investment performance of particular securities, commodities, currencies, interest rates, indices or markets or specific risks thereof on a leveraged or unleveraged basis that can be equivalent to a long or short position in the underlying asset or risk. These instruments generally have counterparty risk and may not perform in the manner expected by the counterparties, thereby resulting in greater loss or gain to the Fund than might otherwise be anticipated. These investments are all subject to additional risks that may result in a loss of all or part of an investment, such as interest rate and credit risk volatility, world and local market price and demand, and general economic factors and activity. Derivatives may have very high leverage embedded in them, which may substantially magnify market movements and result in losses substantially greater than the amount of the investment and which in some cases could represent a significant portion of the Fund's assets. Some of the markets in which derivative transactions are effected are over-the-counter or interdealer markets. The participants in such markets are typically not subject to credit evaluation and regulatory oversight as are members of exchange-based markets. This exposes the Fund to the risks that a counterparty will not settle a transaction because of a credit or liquidity problem or because of disputes over the terms of the contract. The Fund cannot lend to or invest more than 20% of the value of its net assets in the securities of any one issuer (including the issuer's subsidiaries or affiliate) or expose more than 20% of its net assets to the creditworthiness or solvency of any one counterparty (including the issuer's subsidiaries or affiliate).

**Portfolio Valuation** - Because of the overall size and concentrations in particular markets and maturities of positions that may be held by the Fund from time to time, the liquidation values of the Fund's securities and other investments may differ significantly from the interim valuations of such investments derived from the valuation methods described herein. Such differences may be further affected by the time frame within which such liquidation occurs. Third-party pricing information regarding certain of the Fund's securities and other investments may at times be unavailable. Valuations of the Fund's securities and other investments may involve uncertainties and subjective judgmental determinations and if such valuations should prove to be incorrect the net asset value of the Fund could be adversely affected. In addition, valuations based on models will be affected by assumptions in the models and may not reflect the prices at which positions could, in fact, be covered or sold. Absent bad faith or manifest error, valuation determinations will be conclusive and binding.

**Portfolio Turnover** - The Fund may engage in frequent trading and thus the Fund's brokerage commission to assets ratio (indirectly through the Fund) may significantly exceed those of other investment entities.

**Interest Rate Risks** - The Fund may have exposure to interest rate risks. To the extent prevailing interest rates change, it could negatively affect the value of the Fund.

**Long/Short Equity.** Since a long/short equity strategy involves identifying securities that are generally undervalued (or, in the case of short positions, overvalued) by the marketplace, success of this strategy necessarily depends upon the market eventually recognizing such value in the price of the security, which may not necessarily occur, or may occur over extended time frames that limit profitability. Positions may undergo significant short-term declines and experience considerable price volatility during these periods. In addition, long and short positions may or may not be correlated to each other. If the long and short positions are not correlated, it is possible to have investment losses in both the long and short sides of the portfolio.

**Cybersecurity Risks** – DFT Energy, the Fund, the General Partner, and/or one or more of their respective service providers may be prone to operational, information security and related risks resulting from failures of or breaches in cybersecurity.

A failure of or breach in cybersecurity (“cyber incidents”) refers to both intentional and unintentional events that may cause the relevant party to lose proprietary information, suffer data corruption, or lose operational capacity. In general, cyber incidents can result from deliberate attacks (“cyber-attacks”) or unintentional events. Cyber-attacks include, but are not limited to, gaining unauthorized access to digital systems (e.g., through “hacking” or malicious software coding) for purposes of misappropriating assets or sensitive information, corrupting data, or causing operational disruption. Cyber-attacks may also be carried out in a manner that does not require gaining unauthorized access, such as causing denial-of-service attacks on websites (i.e., efforts to make network services unavailable to intended users). The issuers of securities and/or counterparties to other financial instruments in which the Funds may invest may also be prone to cyber incidents.

Cyber incidents may cause disruption and impact business operations, potentially resulting in financial losses, such as interference with the ability to calculate the Fund’s net asset value, impediments to trading, the inability of investors to make a capital contribution for or withdraw from the Funds, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs.

While DFT Energy, the General Partner and their respective affiliates have established business continuity plans in the event of, and risk management strategies, systems, policies and procedures to seek to prevent, cyber incidents, there are inherent limitations in such plans, strategies, systems, policies and procedures including the possibility that certain risks have not been identified. Furthermore, DFT Energy, the Funds, the General Partner and their respective affiliates cannot control the cybersecurity plans, strategies, systems, policies and procedures put in place by other service providers to the Funds and/or the issuers in which the Funds invests.

**Key Personnel of DFT Energy** - The Fund’s success will depend substantially on the skill and acumen of Mr. Donald Textor at DFT Energy. If DFT Energy or if Mr. Textor should cease to participate in the Fund’s business, the Fund’s ability to select attractive investments and manage its portfolio could be impaired. Although such employees of DFT Energy will devote as much time to the Fund as they believe is necessary to assist the Fund in achieving its investment objective and to administer the Fund’s operations, they do not expect to devote all of their working time to the affairs of the Fund.

**Investment by Affiliated Funds** - Commingled investment vehicles managed by affiliates of DFT Energy (“**Affiliated Funds**”) may make an investment in the Fund. At any time after the initial investment date of the Affiliated Funds, such Affiliated Funds may redeem its entire proprietary investment from the Fund subject to the terms of the Fund’s PPM for any reason, including finding other investment opportunities. DFT Energy is under no obligation to notify the Investors of the timing or amount of a redemption in the Fund made by an Affiliated Fund.

**Limited Management Rights** - Subject to certain limited rights of the investors, and certain other limitations imposed by law, DFT Energy has full, exclusive and complete authority to implement the Fund’s objective. Investor’s interests in the Fund are non-voting and do not permit the Investors to vote on any matters except as set forth herein.

**Fund Not Registered** - The Fund is not registered under the Investment Company Act. The Investment Company Act provides certain protections to investors and imposes certain restrictions on registered investment companies, none of which will be applicable to the Fund.

**Operating Deficits** - The expenses of operating the Fund (including management fees) could exceed its income. This would require that the difference be paid out of the Fund’s capital, reducing the Fund’s investments and potential for profitability.

**Effect of the Incentive Fee** - In addition to receiving fees for their management services, DFT Energy also receive an annual incentive fee based on the increase in the value of each Investor's interest. Because the incentive fee is based on the change in the net asset value of the Fund attributable to each Investor's interest it will increase with regard to unrealized appreciation, as well as realized gains. The incentive fee also may create an incentive for DFT Energy to make investments for the Fund that are riskier or more speculative than would be the case in the absence of a fee based on the performance of the Fund.

**Limited Ability to Liquidate Interests in the Fund** - An investment in the Fund can only be redeemed monthly after being held for at least 12 months. Accordingly, an investment in the Fund cannot be immediately liquidated. Redemptions may be temporarily suspended or deferred in certain circumstances.

**Lack of Transferability of Interests in the Fund** - Interests in the Fund offered have not been registered under the securities laws of any jurisdiction and are subject to restrictions on transfer contained in such laws and the Bye-laws. Interests in the Fund are not transferable except with the consent of DFT Energy, which DFT Energy may withhold in its sole discretion. There is not and will not be any market for Interests in the Fund.

**Compulsory Redemption of Interests in the Fund** – DFT Energy may redeem all or part of an Investor's investment in the Fund at any time upon 5 days prior written notice, including if the Fund determines that the continued ownership by such investor's interests in the Fund would be detrimental to the Fund such as by involving the Fund or any investor in litigation, causing the Fund to be required to register under the Investment Company Act or causing the assets of the Fund to be treated as "plan assets" under ERISA.

**Side Letters and Other Agreements with Investors** - The Fund may enter into separate agreements with certain investors, such as those affiliated with DFT Energy or those deemed to involve a significant or strategic relationship, to waive certain terms, or allow such investors to invest on different terms than those specifically described in the PPM, including, without limitation, with respect to fees, liquidity or depth of information provided to such investors concerning the Fund so long as such additional reporting information is subject to DFT Energy's duties under applicable law. Under certain circumstances, these agreements could create preferences or priorities for such investors with respect to other investors. In addition, DFT Energy may specifically allocate capacity with respect to some of the Fund's investments to clients or investors who desire increased exposure to such investments.

DFT Energy, its affiliates and their respective directors, officers, partners, principals and employees may offer other clients additional or different information than that offered to the investors. Similarly, the Fund may offer certain investors additional or different information and reporting than that offered to other investors. Such information may provide the recipient greater insights into the Fund's activities than is included in standard reports to investors, thereby enhancing the recipient's ability to make investment decisions with respect to the Fund.

**Risk Management; Value-at-Risk Model** - Generally, the Fund will seek to measure, monitor and control aggregate risk in the Fund's portfolio through the use of mathematical models and other analytical tools and methodologies. Certain of these models, tools and methodologies are proprietary to DFT Energy and its affiliates, and any of them may be changed, supplemented or eliminated at any time. There can be no assurance that DFT Energy's measurement of the aggregate amount of risk assumed by the Fund will be accurate. The models, tools and methodologies used to measure risk do not take into account all contingencies which might affect the value of the Fund's assets, but rather take into account broad categories of risk, such as exposure to interest rates, volatility, mortgage prepayments and credit spreads. Mathematical

models are designed to function within specified parameters set by their designers and operators and include assumptions with respect to the likelihood and relevance of the occurrence of certain events. Actual events may occur that earlier were determined by the designer or operator to be so remotely contingent that the risk they represent should be discounted to zero for purposes of the model. Similarly, movements in certain categories of risks may exceed the parameters contemplated by the model. Miscalibration by DFT Energy of the parameters and assumptions built into the model may cause the model to fail to predict actual events. Consequently, losses could exceed the measure of value at risk predicted by these models, tools, and methodologies.

**AIFM Directive** - The Alternative Investment Fund Managers Directive (the “**AIFM Directive**”) took effect across member states within the European Economic Area (“EEA”) on July 21, 2011, and was due to be transposed by EEA member states into domestic law by July 22, 2013. The AIFM Directive seeks to regulate alternative investment fund managers (“**AIFMs**”) and imposes obligations on AIFMs who manage alternative investment funds (“**AIFs**”) in the EEA or who market shares in AIFs to investors based in the EEA. The Fund is an AIF.

As at the date of this Brochure, most (but not all) EEA member states had transposed the AIFM Directive into their domestic law. The AIFM Directive is also implemented through Commission Delegated Regulation (EU) No 231/2013 and a number of implementing secondary laws and guidelines. The AIFM Directive and its associated implementation process is complex and key aspects of it remain unclear and subject to new interpretation.

AIFMs not based in the EEA may market shares in non-EEA AIFs (such as the Fund) to investors based in EEA member states only if certain conditions are satisfied (as set out in the AIFM Directive), unless an exemption applies. Among these conditions is the requirement that the home regulator of the non-EEA AIFM and (if different) the home regulator of the non-EEA AIF enter into co-operation arrangements with each of the regulators of the EEA member states into which the AIFM intends to market the AIF’s shares. In addition, the AIFM Directive allows individual EEA member states to impose additional conditions, under the relevant national private placement regime, on non-EEA AIFMs that are seeking to market the shares of their AIFs to investors in their territory. Notwithstanding the proposed harmonization intended by the AIFM Directive, the rules applicable to national private placement can vary from member state to member state within the EEA. There is also no requirement for EEA member states to make the private placement regimes available to non-EEA AIFMs. If, for any reason, any of the conditions required by the AIFM Directive or additional conditions imposed by any individual EEA member state are not satisfied (some of which are outside the control of the AIFM of the Fund), or if the national private placement regime is not available to the AIFM of the Fund in a particular EEA member state, it may not be possible to market the Fund to or to raise capital from certain investors in EEA member states. This may adversely affect DFT Energy’s ability to implement the investment objective and investment program of the Fund.

The AIFM Directive, to the extent it applies, will require the AIFM of the Fund to make certain additional investor disclosures prior to admitting EEA investors to the Fund, and prescribes the information to be included in periodic investor reports. The AIFM will also be required to make periodic regulatory filings to the competent authorities of each EEA member state in which the Fund is marketed. Compliance with these conditions, as well as any additional conditions imposed by individual EEA member states where the Fund is marketed, may lead to additional costs being borne by the Fund. Accordingly, there is a risk that investors may indirectly bear the cost of the AIFM of the Fund complying with the AIFM Directive and any additional requirements imposed by individual EEA member states.

The AIFM Directive includes a marketing “passport” which allows an AIFM to market an AIF across the EEA under harmonized rules. As at the date of this Brochure, the marketing passport is only

available to AIFMs domiciled or based within the EEA and with respect to EEA funds managed by them, and is not available in respect of the Fund. In future, it may be possible for a non-EEA AIFM to become authorized (within the meaning of the AIFM Directive) in order to benefit from an EEA-wide marketing passport. In such circumstances, it may be possible that the national private placement regimes will be phased out. To the extent any of the AIFM of the Fund, DFT Energy or one of their affiliates becomes an authorized AIFM (in accordance with the AIFM Directive) in order to market the Fund to investors in the EEA, such authorization would lead to significant additional compliance costs for both the authorized AIFM and the Fund that may ultimately be borne by investors.

## **Item 9: Disciplinary Information**

DFT Energy and its employees is not aware of any legal or disciplinary events that are material to a client's or prospective client's evaluation of DFT Energy's advisory business or the integrity of DFT Energy's management.

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

DFT Energy nor its employees have any other business activities with other financial services companies that pose material conflicts of interest.

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

### **Code of Ethics**

DFT Energy has adopted a written Code of Ethics (the "Code") that is applicable to all employees. Among other things, the Code requires DFT Energy and its employees to act in its clients' best interests, abide by all applicable regulations, avoid even the appearance of insider trading, and pre-clear and report on many types of personal securities transactions. DFT Energy's restrictions on personal securities trading apply to employees, as well as employees' family members living in the same household. A copy of DFT Energy's Code is available upon request.

### **Participation or Interest in Client Transactions**

DFT Energy, its employees or a related entity (collectively "Related Persons"), may invest in the Fund.

### **Personal Trading**

Employees must obtain written pre-clearance for certain personal securities transactions, including IPOs and private placements, before completing the transactions. DFT Energy may deny any proposed transaction, particularly if the transaction poses a conflict of interest or if DFT Energy is planning on transacting the same security at or about the same time in the Funds. Employees are also required to provide quarterly reports regarding transactions and holdings in "Reportable Securities" as defined in the Advisers Act. Employees must disclose all personal trading accounts initially upon commencement of employment and annually thereafter.

## **Item 12: Brokerage Practices**

### **Investment Discretion**

DFT Energy generally has the authority to determine for each Client:

- Which securities are to be bought or sold;
- The total amount of securities to be bought or sold;
- Through which broker(s) or dealer(s) those securities are to be bought or sold; and
- The commission rates or spreads to be paid for each transaction.

### **Best Execution**

In placing orders for the purchase and sale of securities and selecting broker-dealers to effect these transactions, DFT Energy's primary objective is to obtain prompt execution of orders at the most favorable prices reasonably obtainable. When selecting broker-dealers, DFT Energy considers a number of factors, including, among others, the overall direct net economic result to the client (including commissions, which may not be the lowest available but which ordinarily will not be higher than the generally prevailing competitive range), the financial strength, reputation and stability of the broker, the efficiency with which the transaction is effected, the ability to effect the transaction at all, the availability of the broker to stand ready to execute possibly difficult transactions in the future, error resolution, and other matters involved in the receipt of brokerage and research services, including access to research and qualified personnel. DFT Energy has no obligation to deal with any particular broker-dealer in the execution of transactions in portfolio securities.

### **Soft Dollars**

The term "soft dollars" refers to a means of paying brokerage firms for products and services through commission revenue, based on the volume of brokerage commission revenues generated from securities transactions executed through brokers by an investment manager on behalf of the Fund. DFT Energy does not participate in any formal soft dollar arrangements. However, DFT Energy might execute securities transactions on behalf of the Fund with broker-dealers that provide it with access to proprietary research reports (such as standard investment research and credit reports). To the best of DFT Energy's knowledge, these services are generally made available to all similar institutional investors doing business with such broker-dealers. To the extent DFT Energy enters into any soft dollar arrangements, DFT Energy will limit the use of "soft dollars" to obtain services that constitute research and brokerage within the meaning of Section 28(e) of the Securities Exchange Act of 1934.

### **Trade Errors**

DFT Energy has established trade processes and procedures designed to reduce the likelihood of trade errors and, in its sole discretion, will determine what constitutes a trade error. DFT Energy's general policy is to seek to identify and correct any trade errors promptly and in a way that mitigates any losses. Trade errors in a Client's account will be borne by the Client unless an error is the result of fraud, willful misconduct or gross negligence by DFT Energy.

DFT Energy will use reasonable methods to calculate the reimbursement due to the Client, if any. DFT Energy's process to correct trade errors may involve procedures required by applicable law, which may be complex and require coordination with multiple parties, and therefore DFT Energy's ability to correct trade errors promptly will be based on the specific circumstances of the error.

### **Allocation of New Issues**

DFT Energy allocates new issues or the profit and loss from new issues only to those Investors in the Funds who may, pursuant to Financial Industry Regulatory Authority Rules 5130 and 5131, participate in such allocations.

### **Item 13: Review of Accounts**

The Fund's portfolio is reviewed on a continuous basis. DFT Energy's investment personnel, including investment analysts and the Portfolio Manager, hold investment meetings to discuss investment ideas, investment strategies, economic developments, current events, and other issues related to current portfolio holdings and potential investment opportunities.

DFT Energy will provide each investor with the following reports in accordance with the terms of the Fund's Governing Documents: (i) unaudited performance information and account statements on a monthly basis; (ii) annual audited financial reports; and (iii) annual tax information necessary to complete any applicable tax returns.

### **Item 14: Client Referrals and other Compensation**

DFT Energy does not receive any economic benefits from non-clients in connection with the provision of investment advice to clients, nor does DFT Energy compensate any person for making client referrals.

### **Item 15: Custody**

All Fund assets are held by unaffiliated broker/dealers or banks, all of whom are qualified custodians, as that term is defined under the custody rule under the Investment Advisers Act. An investment adviser is deemed to have custody if it acts in any capacity that gives the adviser legal ownership of, or access to, client funds or securities. DFT Energy does not have custody of client assets as it is not the manager of the Fund and does not have access to client funds or securities. As discussed in Item 5 and 6 of this brochure only Optima is authorized to cause the payment of fees from the Fund.

### **Item 16: Investment Discretion**

DFT Energy buys and sells securities and other instruments for the Fund on a discretionary basis in a manner consistent with the Fund's investment objectives and restrictions, as set forth in the Fund's Governing Documents. Fund Investors cannot unilaterally impose any additional investment objectives, rules, restrictions or limitations beyond those contained in the Fund's Governing Documents.



## **Item 17: Voting Client Securities**

### **Voting Proxies**

In accordance with its fiduciary duty to clients and Rule 206(4)-6 of the Advisers Act, DFT Energy has adopted and implemented written policies and procedures governing the voting of client securities. The general policy is to vote proxy proposals, amendments, consents or resolutions (collectively, "Proxies"), in a prudent and diligent manner that will serve the Funds' best interest and is in line with the Fund's investment objectives. DFT Energy has retained a third party proxy voting service to assist in the proxy voting process. The proxy service processes proxies, manages and tracks proxy voting on securities held by the Fund, generates reports for reconciliation purposes, provides vote recommendations, provides research, and casts actual votes in accordance with DFT Energy's instructions and guidelines.

DFT Energy attempts to identify any conflicts of interests between the Fund's interests and our own within our proxy voting process. If DFT Energy determines that the Company or one of its employees faces a material conflict of interest in voting proxies (e.g., an employee of DFT Energy may personally benefit if the proxy is voted in a certain direction), DFT Energy's procedures provide for the Company to address matters involving such conflicts of interest.

DFT Energy's complete proxy voting policy and procedures are memorialized in writing and are available for any investors' review. In addition, DFT Energy maintains a record of all of the proxy votes cast on behalf of the Fund, which are available to investors upon request.

### **Class Actions**

DFT Energy recognizes that as a fiduciary it has a duty to act with the highest obligation of good faith, loyalty, fair dealing, and due care. When a recovery is achieved in a class action, the Fund has the option to either (i) opt out of the class action and pursue their own remedy, or (ii) participate in the recovery achieved via the class action. Collecting the recovery involves the completion of a proof of claim form which is submitted to a claims administrator. After the claims administrator receives all proof of claim forms, it dispenses the money from the settlement fund to those persons and entities with valid claims.

## **Item 18: Financial Information**

This Item does not apply to DFT Energy.