



Form ADV Part 2A - Brochure

True Positive Technologies LP

May 4th, 2018

This brochure provides information about the qualifications and business practices of True Positive Technologies LP (the "Adviser"). If you have any questions about the contents of this brochure, please contact us at (212) 646-2800. This information has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority.

Additional information about the Adviser is also available on the SEC's website at www.adviserinfo.sec.gov.

Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.

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Item 2. Material Changes

This item is not applicable.

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Item 4. Advisory Business

The Adviser is an investment adviser with its place of business in New York, NY. The principal owner of the Adviser is Marcos Lopez de Prado, the Co-Founder and Chief Executive Officer of the Adviser.

The Adviser expects to commence operations as an investment adviser in the second quarter of 2018. As a result, certain responses contained herein are based on the Adviser's expectations with respect to its investment advisory business.

The Adviser will provide investment advisory services on a discretionary basis to separately managed accounts (the "accounts") of insurance companies, asset management firms and other business entities (each, a "client", and collectively, the "clients"). The Adviser will provide advice to client accounts based on specific investment objectives and strategies. The Adviser intends to tailor advisory services to the individual needs of clients. As expressly set forth in the individual investment management agreement between the Adviser and clients, clients may impose restrictions on investing in certain securities or certain types of securities.

The Adviser does not currently manage any assets. In accordance with Rule 203A-2 of the Investment Advisers Act of 1940, as amended (the "Advisers Act"), the Adviser anticipates that it will amend this brochure within 120 days of registration to indicate that it has met the asset eligibility requirements for registration.

Item 5. Fees and Compensation

The Adviser does not deduct the investment management fee from client accounts. Rather, the Adviser requests the investment management fee to be paid by the Client.

Subject to the language of each client's investment management agreement with the Adviser, in addition to paying investment management fees, client accounts will pay other investment expenses such as custodial charges, brokerage fees, commissions and related costs; interest expenses; taxes, duties and other governmental charges; transfer and registration fees or similar expenses; costs associated with foreign exchange transactions; other portfolio expenses; and costs, expenses and fees (including, investment advisory and other fees charged by investment advisers with, or funds in, which the client's account invests) associated with products or services that may be necessary or incidental to such investments or accounts. Client account assets may be invested in money market mutual funds, exchange-traded funds ("ETFs") or other registered investment companies. In these cases, the client account will bear its pro rata share of the investment management fee and other fees of the fund, which are in addition to any fees or other compensation paid to the Adviser.

The allocation of expenses by the Adviser between it and a client and among clients represents a potential conflict of interest for the Adviser. The Adviser has adopted an expense allocation policy that is designed to address this conflict. The Adviser allocates expenses to each client in accordance with the client's investment management agreement. The Adviser seeks to allocate any shared expenses for products and services benefitting multiple clients or both the Adviser and a client, and not covered in the client's investment management agreement, in a fair and reasonable manner.

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

The Adviser does not charge performance-based fees.

The Adviser will manage multiple client accounts. Certain client accounts may have higher fees than other accounts. 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. The Adviser and its investment personnel have a greater incentive to favor client accounts that pay the Adviser (and indirectly its investment personnel) higher fees. Accordingly, the Adviser has adopted and implemented policies

and procedures intended to address conflicts of interest that may arise relating to the management of multiple accounts, including accounts with different fee arrangements, and the allocation of investment opportunities. The Adviser reviews the performance of similarly managed accounts to determine whether there are any unexplained significant discrepancies. In addition, the Adviser's procedures relating to the allocation of investment opportunities are that eligible client accounts with the same or substantially similar investment mandates and strategies participate in investment opportunities pro rata based on the relative value of the assets of each participating account to all participating accounts. However, the Adviser if it deems advisable may allocate investment opportunities to such accounts on a non-pro rata basis due to a consideration of factors including but not limited to (a) regulatory restrictions applicable to the account, (b) available cash or cash equivalents in the account at the time of the investment opportunity, (c) projected liquidity requirements of the account, and/or (d) the avoidance of odd lots or excessively small allocations.

To the extent orders are aggregated, client orders are price-averaged and allocated in accordance with the aggregated order; provided, that the aggregated order may be allocated on a different basis for reasons including without limitation partially filled orders and to avoid odd lots or excessively small allocations. Finally, the Adviser seeks to allocate investments of limited opportunity among accounts in a fair and equitable manner.

Item 7. Types of Clients

The Adviser's clients will consist of insurance companies, asset management firms and other business entities. The Adviser has a \$250,000,000 minimum account size for opening or maintaining an account.

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

A. Methods of Analysis and Investment Strategies.

The Adviser employs the following investment strategies:

Investment Strategies

The Adviser engages in both long-only and long/short strategies. Client accounts generally invest only in assets specified by the Client in the investment management agreement. These may include stocks, bonds, futures and other securities.

Quantitative Strategies

The Adviser's investment program makes considerable use of computer programs and involves highly complex mathematical calculations. The Adviser directs the purchase or sale of investments in accordance with computer-generated trades.

Leverage

To the extent permitted by the investment management agreement with the client, 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).

Short Selling

The Adviser may engage in short selling strategies if permitted by the client in its investment management agreement. 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.

The above stated investment strategies involve risk of loss to clients and clients must be prepared to bear the loss of their entire investment.

B. Material Risks (Including Significant, or Unusual Risks) Relating to Investment Strategies.

The following summary identifies the material risks related to the Adviser's significant investment strategies and should be carefully evaluated before making an investment with the Adviser; however, the following does not intend to identify all possible risks of an investment with the Adviser or provide a full description of the identified risks.

Quantitative Strategies Risk

The Adviser's investment program makes considerable use of computer programs and involves highly complex mathematical calculations. The Adviser directs the purchase or sale of investments in accordance with computer-generated trades. Although the Adviser intends to carry out such computer-generated calculations correctly, there can be no assurance that it will successfully be able to do so, nor does the use of a computer in collating information and operating a trading method assure the success of any such method. Errors, including but not limited to, inaccuracies in or corruption of data underlying trading algorithms, may occur with such complex calculations and computer programs which may be difficult to detect, and could have a material adverse effect on client profits. The magnitude of the effect of such errors may be exacerbated when the program results in a significant number of trades being executed over a short period of time. Furthermore, highly successful strategies and programs may become outdated over time, even before the Adviser is able to recognize the shift and prevent substantial loss.

Although the Adviser rarely intervenes in the computer-generated trading, there may be times when human beings must alter, correct or update the data, models, or calculations used. The complexity of the programs used may make it more difficult for the Adviser to detect any source of failure or error in such programs before material losses occur.

The Adviser's strategy uses frequent trading which results in significantly higher commissions and charges to client accounts due to increased brokerage costs, which will offset client profits.

Interest Rate Risks

Generally, the value of fixed-income securities changes inversely with changes in interest rates. As interest rates rise, the market value of fixed-income securities tends to decrease. Conversely, as interest rates fall, the market value of fixed-income securities tends to increase. This risk is greater for long-term securities than for short-term securities. The Adviser may attempt to minimize exposure to interest rate changes through the use of interest rate swaps, interest rate futures and/or interest rate options. However, there can be no guarantee that the Adviser will be successful in fully mitigating the impact of interest rate changes.

Leverage

Performance may be more volatile if a client's account employs leverage.

Short Selling Risk

To the extent permitted by the investment management agreement with the client, the Adviser's investment program may include a significant amount of short selling. Short selling transactions expose the Adviser to the risk of loss in an amount greater than the initial investment, and such losses can increase rapidly and without effective limit. There is the risk that the securities borrowed by the Adviser in connection with a short sale would need to be returned to the securities lender on short notice. If such request for return of securities occurs at a time when other short sellers of the subject security are

receiving similar requests, a “short squeeze” can occur, wherein the Adviser might be compelled, at the most disadvantageous time, to replace the borrowed securities previously sold short with purchases on the open market, possibly at prices significantly in excess of the proceeds received earlier.

Arbitrage Transaction Risks

If the requisite elements of an arbitrage strategy are not properly analyzed, or unexpected events or price movements intervene, losses can occur which can be magnified to the extent the Adviser is employing leverage. Moreover, arbitrage strategies often depend upon identifying favorable “spreads”, which can also be identified, reduced or eliminated by other market participants.

Commodity Futures and Options

Commodity futures markets are highly volatile and are influenced by factors such as changing supply and demand relationships, governmental programs and policies, national and international political and economic events and changes in interest rates. In addition, because of the low margin deposits normally required in commodity futures trading, a high degree of leverage may be typical of a pooled investment vehicle engaging in commodity futures trading. As a result, a relatively small price movement in a commodity futures contract may result in substantial losses to such a pooled investment vehicle. Commodity options, like commodity futures contracts, are speculative, and their use involves risk. Specific market movements of the cash commodity or futures contract underlying an option cannot be predicted, and no assurance can be given that a liquid offset market will exist for any particular futures option at any particular time.

Hedging

There can be no assurances that a particular hedge is appropriate, or that certain risk is measured properly. Further, while the Adviser may enter into hedging transactions to seek to reduce risk, such transactions may result in poorer overall performance and increased (rather than reduced) risk for the Adviser’s investment portfolios than if the Adviser did not engage in any such hedging transactions.

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.

Illiquid Instruments

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

Lack of Diversification

Client accounts will not be diversified among a wide range of types of securities, countries or industry sectors. Accordingly, client portfolios are subject to more rapid change in value than would be the case if the Adviser were required to maintain a wider diversification among types of securities and other instruments, geographic areas or sectors.

C. Risks Associated with Types of Securities that are Primarily Recommended (Including Significant, or Unusual Risks).

Fixed-Income and Debt Securities

Investment in fixed-income and debt securities such as investment grade corporate bonds, non-investment grade corporate bonds, and U.S. government debt securities and financial instruments that reference the price or interest rate associated with these fixed income securities subject a client's portfolios to the risk that the value of these securities overall will decline because of rising interest rates. Similarly, portfolios that hold such securities are subject to the risk that the portfolio's income will decline because of falling interest rates. Investments in these types of securities will also be subject to the credit risk created when a debt issuer fails to pay interest and principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the price of that debt to decline. The Adviser may also invest in debt securities which are not protected by financial covenants or limitations on additional indebtedness. Most fixed income instruments trade in over-the-counter transactions and lack the benefit of transparent exchange pricing. Bids and asks for these instruments are generally wider than equity securities, and trading is less frequent. These factors may cause distortions and/or volatility in the prices of fixed income-related instruments. Lastly, investments in debt securities will also subject the investments to the risk that the securities may fluctuate more in price, and are less liquid than higher-rated securities because issuers of such lower-rated debt securities are not as strong financially, and are more likely to encounter financial difficulties and be more vulnerable to adverse changes in the economy.

Derivatives

To the extent permitted by the investment management agreement with the client, the Adviser may utilize both exchange-traded and OTC derivatives, including, but not limited to, futures, forwards, swaps (including credit default swaps and foreign currency swaps), options and contracts for differences, as part of its investment approach. These instruments can be highly volatile and expose investors to a high risk of loss. Subject to the implementation of new regulations on margin requirements for OTC derivatives, at present, the low initial margin deposits normally required to establish a position in such instruments permit a high degree of leverage. As a result, depending on the type of instrument, a relatively small movement in the price of a contract may result in a profit or a loss which is high in proportion to the amount of funds actually placed as initial margin and may result in unquantifiable further loss exceeding any margin deposited. In addition, daily limits on price fluctuations and speculative position limits on exchanges may prevent prompt liquidation of positions resulting in potentially greater losses. The pricing relationships between derivatives and the instruments underlying such derivatives may not correlate with historical patterns, potentially resulting in unexpected losses. Further when used for hedging purposes there may be an imperfect correlation between these instruments and the investments or market sectors being hedged. Transactions in OTC contracts may involve additional risk as there may not be an exchange market on which to close out an open position. It may be impossible to liquidate an existing position, to assess the value of a position or to assess the exposure to risk. Contractual asymmetries and inefficiencies can also increase risk, such as break clauses, whereby a counterparty can terminate a transaction on the basis of incorrect collateral calls or delays in collateral recovery. The Adviser may also sell covered and uncovered options on securities and other assets. To the extent that such options are uncovered, the client account could incur an unlimited loss.

D. Additional Risks Relating to the Adviser.

Cybersecurity Risk

The information and technology systems of the Adviser and of key service providers to the Adviser may be vulnerable to potential damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. Although the Adviser has implemented various measures designed to manage risks relating to these types of events, if these systems are compromised, become inoperable for

extended periods of time or cease to function properly, it may be necessary for the Adviser to make a significant investment to fix or replace them and to seek to remedy the effect of these issues. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in the operations of the Adviser and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information.

Risk Management Failures

Although the Adviser attempts to identify, monitor and manage significant risks, these efforts do not take all risks into account and there can be no assurance that these efforts will be effective. Moreover, many risk management techniques, including those employed by the Adviser, are based on historical market behavior, but future market behavior may be entirely different and, accordingly, the risk management techniques employed on behalf of 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.

Systems and Operational Risk

The Adviser relies heavily 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 custodians, market counterparties and others. Many of these systems and services require manual input and are susceptible to error. These programs or systems may be subject to certain defects, failures or interruptions. For example, the Adviser and client accounts could be exposed to errors made in the confirmation or settlement of transactions, from transactions not being properly booked, evaluated or accounted for or related to other similar disruptions in the Adviser's or service provider's operations. 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 the client trading activities, liability under applicable law, regulatory intervention or reputational damage.

Item 9. Disciplinary Information

This item is not applicable.

Item 10. Other Financial Industry Activities and Affiliations

This item is not applicable.

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

Pursuant to Rule 204A-1 of the Advisers Act, the Adviser has adopted a Code of Ethics (the "Code") that obligates the Adviser and its supervised persons to put the interests of the Adviser's clients before their own interests and to act honestly and fairly in all respects in their dealings with clients. The Code includes provisions regarding general standards of conduct, as well as a number of specific issues including compliance with federal securities laws; personal trading of securities; private investments by employees; employee outside business activities; and gifts and entertainment. Each of the Adviser's principals and employees must acknowledge their understanding of, and agree to comply with, the Code initially upon employment and affirm on an annual basis that they have read and understand the Code and have complied with it. In addition to compliance with the Adviser's policies and procedures, all of the Adviser's personnel are required to comply with applicable federal securities laws. The Adviser will provide a copy of the Code to clients or prospective clients upon request.

The Code requires the Adviser's supervised persons to preclear transactions in their personal accounts (with certain limited exceptions) with the Chief Compliance Officer, who may deny permission to execute

the transaction if such transaction will have any adverse economic impact on one of its clients. In addition, the Code prohibits the Adviser or its supervised persons from executing personal securities transactions of any kind in any securities on a restricted securities list maintained by the Chief Compliance Officer. Further, employees may not acquire securities for their own account in an initial public offering or private placement without pre-approval from the Chief Compliance Officer. All of the Adviser's supervised persons are required to disclose their securities transactions on a quarterly basis. In addition, the Adviser's supervised persons are required to disclose the holdings in their personal accounts upon commencement of employment with the Adviser and on an annual basis thereafter. The Adviser's supervised persons are required to provide broker account statements containing each transaction in which they engage. Trading in the personal accounts of the Adviser's supervised persons is reviewed by the Chief Compliance Officer.

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

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

Item 12. Brokerage Practices

The Adviser is generally required to utilize the account custodian selected by the client to execute securities transactions for a client account. To the extent the client grants the Adviser discretion to trade with broker-dealers other than the client account custodian, the Adviser will consider a number of factors in selecting a broker-dealer to execute transactions (or series of transactions) and determining the reasonableness of the broker-dealer's compensation. Such factors include, but are not limited to, reputation, financial strength and stability, creditworthiness, efficiency of execution and error resolution, the actual executed price and the commission, research (including economic forecasts, fundamental and technical advice on securities, valuation advice on market analysis); custodial and other services provided for the enhancement of the Adviser's portfolio management capabilities; the size and type of the transaction; the difficulty of execution and the ability to handle difficult trades; and the operational facilities of the brokers and/or dealers involved (including back office efficiency). In selecting a broker-dealer to execute transactions (or a series of transactions) and determining the reasonableness of the broker-dealer's compensation, the Adviser need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. When applicable, the Adviser will evaluate the broker-dealers selected by the Adviser to execute client trades according to the foregoing factors.

The Adviser does not currently use commissions or "soft dollars" generated from securities transactions (including dealer markups and markdowns arising in connection with certain riskless principal transactions) to pay for research and research-related services. In the event that the Adviser elects to use "soft dollars" in the future, such arrangements will comply with the safe harbor for the use of soft dollars

set forth in Section 28(e) of the Securities Exchange Act of 1934, as amended, and the prevailing SEC guidance thereunder.

To the extent the Adviser purchases or sells the same security for multiple clients at or near the same time and using the same executing broker, the Adviser will, when possible, seek to aggregate such client orders. Such aggregation may enable the Adviser to obtain for clients a more favorable price or a better commission rate based upon the volume of a particular transaction. However, in cases where the client has negotiated the commission rate directly with the broker, the Adviser will not be able to obtain more favorable commission rates based on an aggregated trade. In such cases, the client will be precluded from receiving the benefit of any possible commission discounts that might otherwise be available as a result of the aggregated trade. In cases where trading or investment restrictions are placed on a client's account, the Adviser may be precluded from aggregating that client's transaction with others. In such a case, the client may pay a higher commission rate and/or receive less favorable prices than clients who are able to participate in an aggregated order.

When an aggregated order is completely filled, the Adviser allocates the securities purchased or proceeds of sale pro rata among the participating accounts, based on the purchase or sale order. Adjustments or changes may be made under certain circumstances, such as to avoid odd lots or excessively small allocations. If the order at a particular broker is filled at several different prices, through multiple trades, generally all such participating accounts will receive the average price and pay the average commission, subject to odd lots, rounding, and market practice. To the extent an order is price-averaged, a client account participating in the trade may pay a higher price than if the Adviser did not aggregate the order. If an aggregated order is only partially filled, the Adviser's procedures provide that the securities or proceeds are to be allocated in a manner deemed fair to clients.

Item 13. Review of Accounts

Client investments are reviewed by the Adviser on an ongoing basis to determine whether securities positions should be maintained in light of current market conditions. Client accounts are also reviewed to ensure consistency with client investment guidelines and objectives and applicable law and regulations.

Clients will receive electronic or written reports from the Adviser as set forth in the investment management agreements entered into between the client and the Adviser.

Item 14. Client Referrals and Other Compensation

The Adviser does not receive an economic benefit from someone who is not a client for providing investment advice or other advisory services to its clients. The Adviser does not currently have any arrangements in place to compensate anyone, or be compensated by anyone, for the referral of clients.

Item 15. Custody

Clients will receive account statements directly from broker-dealers, banks and/or other qualified custodians. Clients should carefully review those statements.

Item 16. Investment Discretion

The Adviser provides investment advisory services on a discretionary basis to clients. Clients do not have the ability to place any limits on the Adviser's authority beyond the limitations set forth in the client's investment management agreement. Prior to assuming full discretion in managing a client's assets, the Adviser will enter into an investment management agreement or other agreement that will set forth the scope of the Adviser's discretion.

Unless otherwise instructed or directed by a discretionary client, the Adviser has the authority to determine (i) the securities to be purchased and sold for the client account (subject to restrictions on its

activities set forth in the applicable investment management agreement and any written investment guidelines), and (ii) the amount of securities to be purchased or sold for the client account. Because of the differences in client investment objectives and strategies, risk tolerances, tax status and other criteria, there may be differences among clients in invested positions and securities held. The Adviser may consider the following factors, among others, in allocating securities among clients: (i) a client's investment objectives and strategies; (ii) risk profiles; (iii) tax status and restrictions placed on a client's portfolio by the client or by applicable law; (iv) size of the client account; (v) nature and liquidity of the security to be allocated; (vi) size of available position; (vii) current market conditions; and (viii) account liquidity, account requirements for liquidity and timing of cash flows. Although it is the Adviser's policy to allocate investment opportunities to eligible client accounts on a pro rata basis (based on the value of the assets of each participating account relative to value of the assets of all participating accounts), these factors may lead the Adviser to allocate securities to client accounts in varying amounts. Even client accounts that are typically managed on a pari passu basis may from time to time receive differing allocations of securities based on total assets of each account eligible to invest in the particular investment type divided by the total assets of all accounts eligible to invest in the particular investment.

Securities acquired by the Adviser for its clients through a limited offering will be allocated pursuant to the procedures set forth in the Adviser's allocation policy. The policy provides that the Adviser will determine the proposed allocation of limited offering securities after considering the factors described above with respect to general allocations of securities and determining those client accounts eligible to hold such securities. Eligibility will be based on the legal status of the clients and the clients' investment objectives and strategies.

The Adviser may effect cross transactions between discretionary client accounts, except as otherwise noted below. Cross transactions enable the Adviser to effect a trade between two clients for the same security at a set price, thereby possibly avoiding an unfavorable price movement that may be created through entrance into the market and saving commission costs for both accounts. Cross transactions include rebalancing transactions that are undertaken so that, after withdrawals or contributions have occurred, the portfolio compositions of similarly managed accounts remain substantially similar. The Adviser has a potentially conflicting division of loyalties and responsibilities regarding both parties to cross transactions. Cross transactions between client accounts are not permitted if they would constitute principal trades or trades for which the Adviser or its affiliates are compensated as a broker unless client consent has been obtained based upon written disclosure to the client of the capacity in which the Adviser or its affiliates will act. In addition, cross transactions are not permitted for benefit plan or other similar accounts that are subject to the Employee Retirement Income Security Act of 1974, as amended.

If it appears that a trade error has occurred, the Adviser will review the relevant facts and circumstances to determine an appropriate course of action. To the extent that trade errors occur, the Adviser's error correction procedure is to ensure that clients are treated fairly. The Adviser has discretion to resolve a particular error in any manner that it deems appropriate and consistent with the above stated policy. In the event that a client account incurs losses resulting from a trade error resulting from the Adviser's gross negligence, willful misconduct or violation of the standard of care that is applicable to the client account, the Adviser will reimburse the client. Otherwise, losses resulting from a trade error that does not result from the Adviser's gross negligence, willful misconduct or other standard of care applicable to the client account will be borne by the client account. The Adviser is not responsible for the errors of other persons, including third party brokers and custodians, unless otherwise expressly agreed to by the Adviser.

Item 17. Voting Client Securities

While the Adviser invests primarily in fixed income securities and therefore is not required to vote client proxies, the Adviser has established proxy voting policies and procedures that are designed to ensure that, when required, proxies are voted in the best interests of its clients. The Adviser will determine whether a proposal is in the best interests of the client and may take into account the following factors, among others: (i) whether the proposal was recommended by management and the 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.

Clients may obtain a copy of the Adviser's proxy voting policies and procedures and information about how the Adviser voted a client's proxies upon request.

Item 18. Financial Information

The Adviser does not require or solicit prepayment of fees in advance. The Adviser is not aware of any financial commitment reasonably likely to impair its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

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