

**Item 1 - Cover Page**

**Clarity Diversified Alternatives Portfolio Management Ltd.**

712 Fifth Avenue, 34<sup>th</sup> Floor

New York, NY 10019

Telephone: (212) 610-2104

[www.claritycap.com](http://www.claritycap.com)

FORM ADV PART 2A

FIRM BROCHURE

March 31, 2020

This brochure provides information about the qualifications and business practices of Clarity Diversified Alternatives Portfolio Management Ltd. If you have any questions about the contents of this brochure, please contact us at (212) 610-2104. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Clarity Diversified Alternatives Portfolio Management Ltd. is a registered investment adviser. Registration as an investment adviser does not imply any level of skill or training.

**Additional information about Clarity Diversified Alternatives Portfolio Management Ltd. also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## **Item 2 – Material Changes**

There have been no material changes since Clarity Diversified Alternatives Portfolio Management Ltd.'s most recent annual updating amendment to Form ADV Part 2A, which was dated March 29, 2019.

### **Item 3 – Table of Contents**

|  |    |
|--|----|
| Item 1 - Cover Page .....  | 1  |
| Item 2 – Material Changes .....  | 2  |
| Item 3 – Table of Contents .....   | 3  |
| Item 4 – Advisory Business .....   | 4  |
| Item 5 – Fees and Compensation .....   | 6  |
| Item 6 – Performance-Based Fees and Side-By-Side Management .....                                      | 7  |
| Item 7 – Types of Clients .....  | 9  |
| Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss .....                             | 10 |
| Item 9 – Disciplinary Information .....  | 15 |
| Item 10 – Other Financial Industry Activities and Affiliations .....                                   | 17 |
| Item 11 – Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading ..... | 21 |
| Item 12 – Brokerage Practices .....  | 23 |
| Item 13 – Review of Accounts .....   | 25 |
| Item 14 – Client Referrals and Other Compensation .....  | 26 |
| Item 15 – Custody .....  | 27 |
| Item 16 – Investment Discretion .....  | 28 |
| Item 17 – Voting Client Securities .....   | 29 |
| Item 18 – Financial Information .....  | 30 |
| Item 19 – Requirements for State-Registered Advisers .....   | 31 |

#### **Item 4 – Advisory Business**

Clarity Diversified Alternatives Portfolio Management Ltd. (“CDAP,” “we,” “us,” or “our”) is a privately held investment management company based in New York, NY and organized as a limited company under the laws of Delaware. CDAP is registered as an investment adviser with the SEC and was founded in 2015. Ninety percent (90%) of its interests are owned by KCPS Clarity Capital Group Ltd. (an Israeli Company).

CDAP provides discretionary investment advisory services to pooled investment vehicles, Clarity Diversified Alternatives Portfolio Ltd. (a Cayman company) (the “Cayman Fund”) and Clarity Diversified Alternatives Portfolio L.P. (a Delaware limited partnership) (the “U.S. Fund,” and together with the Cayman Fund, the “Funds”). The management of the Funds is conducted in accordance with their respective confidential private offering memoranda (“Offering Documents”).

The investment objective of the Funds is to generate consistent and attractive long-term returns through active investment in a selection of pooled investment vehicles (the “Underlying Funds”). The Underlying Funds will be chosen in accordance with a particular investment objective, as more thoroughly described in the Funds’ Offering Documents. It is anticipated that each Underlying Fund will have a distinct investment objective and approach and which, as part of a portfolio of assets, will form the Funds’ basket of hedge fund investments.

The Funds will seek to construct a portfolio of investments comprising various Underlying Funds, which is intended as means to offer the Funds’ investors the opportunity to participate in a blend of hedge fund investments, while striving to offer consistent long-term appreciation with medium levels of volatility and correlation with traditional asset-classes.

CDAP does not tailor advisory services to the individual or particular needs of the investors in the Funds. Information about the Funds, including their investment objectives and strategies, are set forth in their respective Offering Documents. We have broad investment authority with respect to the Funds. Since we do not provide individualized advice to the Funds’ investors, such investors are encouraged to consider whether the investment objectives of the Funds are in line with their individual objectives and risk tolerance prior to investment. (*See Item 16.*)

In addition to the advisory services provided to the Funds, CDAP advises separately managed accounts (each an “SMA”) on a non-discretionary basis pursuant to the terms of the investment management agreement entered into by and between CDAP and each SMA.

We do not participate in wrap programs.

As of December 31, 2019, our regulatory assets under management totaled approximately \$16.3 million. Of such amount, approximately \$12.3 million was managed by us on a discretionary basis and approximately \$4 million was managed by us on a non-discretionary basis.

## **Item 5 – Fees and Compensation**

CDAP charges a management fee on the holders of Class A Interests of the Funds, which is calculated and paid at end of each quarter, in arrears, and is equal one-fourth of 1.25% of the net asset value of such Class A Interests as of the end of the last business day of the previous calendar quarter. Class B Interests of the Funds shall not be subject to such management fee. Clarity Capital KCPS Ltd. (“Clarity KCPS”), our related person, introduces or recommends the Funds to its clients if it determines that the Funds are suitable for its clients’ risk profiles and investment guidelines (*see Item 10 below*). Currently, all of Clarity KCPS’ clients that invest in the Funds are invested through Class B Interests.

We generally deduct fees from the investors’ assets in the Funds.

We do not charge management fees or performance-based compensation to the SMAs. However, we provided non-discretionary investment advice to certain SMAs regarding an investment in a private fund managed by a third-party manager (the “Third Party Manager”). According to one of our related person’s agreement with the Third-Party Manager, we or our related persons receive a portion of the asset-based fees and performance fees our clients would have otherwise been charged directly from the Third-Party Manager with respect to their investments in the private funds it manages.

Neither our SMAs (as applicable) nor the investors in the Funds have the ability to choose to be billed directly for fees incurred.

The Funds will bear the ongoing expenses relating to their own operations. Expenses include, without limitation, all costs and expenses associated with the offering of their interests (other than placement agent fees that are borne by Clarity Diversified Alternatives Portfolio Holdings L.P. (which serves as the U.S. Fund’s general partner and has management shares in the Cayman Fund) (the “Managing Entity”) and/or CDAP), the fees of the Funds’ administrator (the “Administrator”), custodians’ fees, any independent director fees, to the extent applicable (including the director fees of any upstream affiliate), the cost of directors’ and officers’ liability insurance (for the Managing Entity), all fees relating to the purchase, holding and sale of interests in Underlying Funds (including the management fees, incentive fees and other fees, charges and expenses of the Underlying Funds), any interest, fees, and costs of the Funds’ (and the Underlying Funds’)

borrowings, all taxes, audit, accounting, record-keeping, administrative, printing and legal or professional and/or third party fees and expenses, costs and expenses related to regulatory compliance matters, fees payable to governments or agencies, and extraordinary expenses (e.g., litigation costs, indemnification obligations, and costs incurred in connection with a reorganization or restructuring of the Funds), if any.

The Funds will also pay or reimburse CDAP for the Funds' pro-rata portion of the regulatory and compliance costs of CDAP arising out of CDAP's management of the Funds, such as, but not limited to, legal, administrative, and filing costs and expenses relating to CDAP's SEC Form ADV and Form PF.

Please refer to the relevant Fund's governing documents (including the relevant Fund's Offering Documents) for a complete understanding of how management fees are calculated and deducted, as well as a discussion relating to the expenses chargeable to such Fund. The information contained herein is a summary only and is qualified in its entirety by the relevant Fund's governing documents.

To the extent that an SMA benefits from any items paid for by the Funds, CDAP currently bears the SMA's equitable portion of such expense.

#### **Item 6 – Performance-Based Fees and Side-By-Side Management**

CDAP does not charge a performance fee for the Funds, however, the Managing Entity for the Funds (which is an affiliate of CDAP), receives a performance allocation only with respect to Class A Interests in the Funds, which is generally equal to five percent (5%) of the appreciation in the net asset value of such Class A Interests during a specific period. We may, from time to time, elect to reduce, or waive the performance allocation with respect to any investor in the Funds. Currently, all of Clarity KCPS' clients that invest in the Funds are invested through Class B Interests, which are not subject to a performance allocation. Please refer to the specific Fund's Offering Documents for a more detailed description of the performance allocation payable to the Managing Entity.

In addition, as discussed in Item 5 above, one of our related persons is entitled to receive a portion of the performance fees our SMA clients would have otherwise been charged directly from the Third-Party Manager with respect to their investments in the private funds it manages.

The performance compensation arrangements described above (including with respect to the underlying funds in which the SMAs invest) create a theoretical incentive for CDAP, to recommend investments that are riskier or more speculative than would be the case in the absence of such arrangements. However, investors in each of the Funds and owners of the SMAs are provided with disclosures contained in their relevant governing documents (including their Offering Documents) or investment management agreements, as applicable, relating to the performance-based compensation ultimately received by us or our affiliates, and the risks associated with their investment with us.

It is our policy that no client for which we have investment discretion will receive preferential treatment over any other client. In allocating investment activities among client accounts, it is our policy that all client accounts should be treated fairly and, to the extent possible, should receive equivalent treatment.



## **Item 7 – Types of Clients**

We currently provide advisory services to the Funds and to the SMAs. Investors in such private funds and owners of our SMAs are generally high net worth individuals, corporations, personal trusts, and IRA accounts that qualify as “accredited investors” (as defined in Rule 501 under the Securities Act of 1933, as amended) and “qualified clients” (as defined in Rule 205-3 under the Investment Advisers Act of 1940, as amended (the “Advisers Act”)).

Currently, the minimum initial subscription amount for the U.S. Fund is \$500,000, subject to reduction in the sole discretion of the Managing Entity. Currently, the minimum initial subscription amount for shares in the Cayman Fund is \$100,000.

We may impose minimum account requirements on SMAs. Any such minimum would be described in the written investment management agreement entered into by and between the client and us. In the event that minimum requirements are imposed, we would expect that such requirements would be based on, among other factors, the investment strategy used and the time and resources allocated to the SMAs. Any requirements and restrictions would be specified in detail in each SMA’s written investment management agreement.

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

### ***Investment Strategies for the Funds***

For the Funds, CDAP strives to provide consistent long-term appreciation with medium levels of volatility and correlation with traditional asset-classes, resulting in superior risk-adjusted returns. This investment objective is met by investing in a portfolio of Underlying Funds and employing alternative investment strategies. CDAP's analysts employ a broad base of resources to evaluate the Underlying Funds and their investment strategies including, but not limited to, fund databases, market resources, direct solicitations, third party marketing firms and industry referrals.

CDAP has evaluated numerous investment funds representing many distinct approaches to alternative investments. Generally, each Underlying Fund on its own will have a distinct investment approach, and which, as part of a portfolio of assets forming a basket of alternative fund investments.

These strategies and asset classes may include but are not limited to the following: currencies, commodity futures and options, U.S and non-U.S. dollar denominated instruments, long/short equity, fixed income arbitrage, short term instruments, credit event-driven, global macro, and commodity trading advisors.

CDAP conducts thorough due diligence on the Underlying Funds investment management team based on qualitative and quantitative analysis to find managers that have proven to generate consistent skill-based returns (alpha) over time while preserving capital and limiting drawdowns. First, CDAP reviews the manager's background materials and an initial interview takes place where CDAP meets with the investment manager, including an on-site visit. Next, the manager's investment team, investment process, risk management and performance are thoroughly analyzed. Finally, CDAP performs an operational and business risk analysis.

*Investing in securities involves risk of loss that clients and investors should be prepared to bear.*

## ***Risks***

Listed below is a summary of the material risks involved in connection with our methods of analysis and investment strategies for the Funds. The discussion of material risks provided below is not meant to be a complete description of risks that may be applicable to CDAP. All investment activities involve a high degree of risk, including the possible risk of loss of an investor's entire investment. For a more detailed discussion of the material risks involving an investment in the Funds, please refer to the relevant Fund's Offering Documents. The information contained herein is a summary only and is qualified in its entirety by the Funds' governing documents (including their Offering Documents).

## ***Investment Strategy***

CDAP intends to rely primarily upon its investment experience and contacts, research, analysis and judgment in implementing a strategy that it believes will be able to deliver superior performance relative to the degree of risk assumed. While such a strategy may be expected, if successful, to produce returns on capital, conversely, if unsuccessful, the risk of investment loss might be expected to be greater than those associated with managers who followed a more orthodox or risk averse approach to investment.

## ***Availability of Investment Strategies***

The success of the Funds' investment activities will depend on the CDAP's ability to identify investment opportunities as well as to assess the importance of news and events that may affect the financial markets. Identification and exploitation of the investment strategies to be pursued by the Fund involves a high degree of uncertainty. No assurance can be given that CDAP will be able to identify suitable investment opportunities in which to deploy all of a Fund's assets or to exploit discrepancies in the currency, securities and derivatives markets.

## ***Investments in Unlisted Securities***

The Funds may invest in Underlying Funds which invest in unlisted securities. Because of the absence of any trading market for these investments, it may take longer to liquidate, or it may not be possible to liquidate these positions than would be the case for Underlying Funds investing in

publicly traded securities. Although these securities may be resold in privately negotiated transactions, the prices realized on these sales could be less than those originally paid by the Underlying Fund. Further, companies whose securities are not publicly traded will generally not be subject to public disclosure and other investor protection requirements applicable to publicly traded securities.

#### *Investments in Initial Public Offerings*

The Funds may invest in Underlying Funds that may purchase securities of companies during their initial public offerings or shortly thereafter. Special risks associated with these securities may include a limited number of shares available for trading, unseasoned trading, lack of investor knowledge of the companies and limited operating histories. These factors may contribute to substantial price volatility for the shares of these companies. The limited number of shares available for trading in some initial public offerings may make it more difficult for the Underlying Fund to buy or sell significant amounts of shares without an unfavorable impact on prevailing market prices. In addition, some companies engaged in initial public offerings are involved in relatively new industries or lines of business, which may not be widely understood by investors. Some of these companies may be undercapitalized or regarded as developmental stage companies, without revenues or operating income, or the near-term prospects of achieving them.

#### *Concentration of Investments*

Each Underlying Fund may at certain times hold relatively few investments and may itself invest in another Underlying Fund. The Funds could be subject to significant losses if it, through one or more Underlying Funds, has exposure to a large position in a particular investment that declines in value or is otherwise adversely affected, including through the default of the issuer.

The Funds itself will attempt to diversify its portfolio over time by allocating its capital among approximately 5-15 Underlying Funds. This estimate may change from time to time. The Funds may invest in fewer Underlying Funds if it does not have sufficient capital to make meaningful investments in the full complement of Underlying Funds in accordance with its investment strategy. However, there is no limit to the percentage of the Underlying Fund's net asset value that may be invested in a single investment strategy.

In addition, a number of Underlying Funds may have overlapping strategies and thus could accumulate large positions in the same or related instruments without CDAP's knowledge. Even if known, CDAP's ability to avoid such concentration would depend on its ability to reallocate Fund capital among existing or new Underlying Funds, which might not be feasible for several months until withdrawals and contributions are permitted by the Underlying Funds.

#### *Debt Securities*

The Underlying Funds may invest in debt securities which may be unrated by a recognized credit-rating agency or below investment grade and which are subject to greater risk of loss of principal and interest than higher-rated debt securities. The Underlying Funds may invest in debt securities which rank junior to other outstanding securities and obligations of the issuer, all or a significant portion of which may be secured by substantially all of that issuer's assets. The Underlying Funds may invest in debt securities which are not protected by financial covenants or limitations on additional indebtedness. The Underlying Funds may therefore be subject to credit, liquidity and interest rate risks. In addition, evaluating credit risk for debt securities involves uncertainty because credit rating agencies throughout the world have different standards, making comparison across countries difficult. Also, the market for credit spreads is often inefficient and illiquid, making it difficult to accurately calculate discounting spreads for valuing financial instruments.

#### *Cybersecurity*

Cybersecurity breaches involving CDAP or its affiliates, managers of Underlying Funds or service providers, may cause disruptions and impact business operations, potentially resulting in financial losses to clients; impediments to trading; the inability of CDAP, its affiliates, managers of Underlying Funds and/or service providers to transact business; violations of applicable privacy and other laws; as well as the inadvertent release of confidential information.

#### *Fraud*

Investments may involve structural, covenant and other contractual protections as determined appropriate under the circumstances. Investments involve reliance upon the accuracy and completeness of representations made by the counterparties and the managers of the Underlying Funds and related entities, but we cannot guarantee such accuracy or completeness. While we

and/or the Underlying Funds will conduct due diligence with respect to its counterparties there can be no assurance that the Underlying Funds' investments will not be adversely affected by such fraud or inaccuracy.

### ***Investment Strategies for the SMAs***

With respect to its non-discretionary SMAs, CDAP recommends or introduces to clients alternative investments in private fund vehicles and separate accounts managed by other investment managers. Clients should be aware that investments in such products may carry additional risks relating to the particular investment strategies employed by other investment managers in connection with such alternative investments.

*Investing in securities involves risk of loss that clients should be prepared to bear.*

There is no "risk free" investment. Investors face general market risks (detailed above with respect to the Funds), as well as risks which are specific to each investment. Investors should carefully read the relevant investment documents and take into consideration also the key investment risks below.

### ***Risk Factors - SMAs***

#### ***Market risks***

Any investment in financial instruments carries certain market risks and risks the loss of capital. The methods of mitigating such risks are based in part on the observation of historical market behavior, which may not predict market divergences that are larger than historical indicators. Also, information used to manage risks may not be accurate, complete or current, and such information may be misinterpreted.

#### ***Country risks***

Global markets are subject to on-going and substantial regulatory supervision, and it is impossible to predict what statutory, administrative or exchange imposed restrictions may become applicable in the future on a specific investment.

### *Risks of Real Estate Ownership*

The marketability and value of the fund's real property interests will depend on many factors beyond the control of the fund, including: national, regional and local economic conditions, change in applicable laws or regulations (including tax laws, land-use and zoning restrictions, rent controls or building codes), changes in interest rate levels

### *Debt-Oriented Real Estate Investments Risks Generally*

Any deterioration of real estate fundamentals, could negatively impact the performance of an investment, increasing the default risk applicable to such portfolio.

### *Fraud*

Investments may involve structural, covenant and other contractual protections as determined appropriate under the circumstances. Investments involve reliance upon the accuracy and completeness of representations made by the counterparties and the managers of the such investments, but we cannot guarantee such accuracy or completeness. While we and/or the Underlying Funds will conduct due diligence with respect to its counterparties there can be no assurance that the investments will not be adversely affected by such fraud or inaccuracy.

**Item 9 – Disciplinary Information**

*Not applicable.*



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

### Affiliated Investment Advisers and Sponsors of Private Funds

#### *Clarity KCPS, KCPS Capital, the Managing Entity and CCIS*

We are affiliated (under common control and ownership) with the following investment advisory/private fund sponsor entities (collectively with us, the “KCPS Affiliates”):

- Clarity KCPS, an Israeli limited company based in Tel Aviv, Israel, provides investment management services to a variety of clients, including high net worth individuals and institutions through separate accounts. Clarity KCPS is registered as an investment adviser with the SEC (*SEC # 801-73767*).
- KCPS Capital Management Ltd. (“KCPS Capital”), an Israeli limited company based in Tel-Aviv, Israel, provides investment management services to a variety of clients, including individuals and institutions. Additionally, KCPS Capital serves as the investment manager and general partner of private fund vehicles. KCPS Capital is registered an investment adviser with the SEC (*SEC # 801-108918*).
- The Managing Entity, a Delaware limited partnership based in New York, New York, serves as the general partner of, and holds management shares of, the Funds.
- Clarity Capital Investment Services Ltd. (“CCIS”), an Israeli limited company based in Tel Aviv, Israel and wholly owned and controlled by Clarity KCPS, serves as the general partner of, and provides discretionary investment management services to, a private fund. CCIS has applied for registration as an investment adviser with the SEC.

CDAP pursues different strategies on behalf its clients than KCPS Capital and CCIS. In general, CDAP pursues different strategies than the other KCPS Affiliates. To the extent that a client of Clarity KCPS wishes to pursue such a strategy, the client would typically gain access to such strategy by investing through a vehicle managed by KCPS Capital, CCIS or CDAP, following an introduction or recommendation by Clarity KCPS (as described in more detail below).

Some of CDAP’s employees serve as dual officers, employees or investment committee members of one or more other KCPS Affiliates. In addition, a member of our Investment Committee is also the Chief Investment Officer of Clarity KCPS and a member of the investment committee for each of KCPS Capital and CCIS. When we and our related persons concurrently manage client

accounts/investment products, and particularly when dual officers/employees/investment committee members are involved, this presents certain conflicts, as described below.

Management of client accounts by affiliated investment advisers could give rise to a variety of potential and actual conflicts of interest, including potential front-running in the same security, and potential sharing of material non-public information shared across affiliate investment managers. In addition, because the KCPS Affiliates perform investment advisory services for various clients, one KCPS Affiliate may give advice or take action in the performance of its duties with respect to its clients which differs from the advice given or action taken by another KCPS Affiliate with respect to its clients.

The KCPS Affiliates have taken a number of steps to mitigate these conflicts, including the following:

- The KCPS Affiliates have adopted and abide by the same Code of Ethics
- The KCPS Affiliates share the same Restricted List
- Each KCPS Affiliate is independently capitalized

In addition, each KCPS Affiliate has its own investment committee that is responsible for making investment decisions on behalf of the entity. Although certain investment committee members overlap between KCPS Affiliates, we believe that conflicts of interest associated with dual committee membership are mitigated because the investments pursued by each KCPS Affiliate are generally not appropriate for other KCPS Affiliates' clients that are currently making new investments. In addition, the KCPS Affiliates generally do not share specific investment recommendations, and each has taken measures to segregate its portfolio management business activities from the other affiliates.

CDAP has entered into a Consultancy Agreement with Clarity KCPS pursuant to which Clarity KCPS will provide CDAP with various administrative services relating to the Funds, including investment research, analysis and market related services and monitoring of existing investments, in return, Clarity KCPS is entitled to a certain percentage of CDAP's revenues as compensation. The Funds will not bear any of such fee.

When a client of a KCPS Affiliate invests through another KCPS Affiliate as a result of such relationship, the client will not be subject to two layers of fees in connection with such investment.

In addition, one or more KCPS Affiliates occasionally recommends that their clients invest in the Underlying Funds in which the Funds invest, as a result of clients' needs and restrictions that will not allow them to invest through the Funds. We do not believe that these side-by-side investments in the same underlying vehicles pose a conflict because we have processes in place to ensure that a client is not subject to two layers of fees in connection with such investments (see above) and we do not earn any additional benefits if a client invests through the Funds or KCPS Affiliates.

In addition, we may direct some of our advisory fees to our affiliates for legal, tax or other reasons. The Funds will not directly pay any fees to, or directly bear any expenses incurred by CDAP with respect to these arrangements.

#### KCS Partners

We are also affiliated with KCS Partners L.P., an Israeli limited partnership, which serves as the general partner of private fund vehicles managed by KCPS PE Investment Management (2006) LTD (an exempt reporting adviser with the SEC). KCPS PE Investment Management (2006) LTD pursues an investment strategy which is different from any of the KCPS Affiliates' investment strategies. In addition, we do not have any holdings or economic interest in KCPS PE Investment Management (2006) LTD. Further, our employees do not devote meaningful time providing services to either of these entities. In light of the foregoing, we do not believe that our affiliation with KCS Partners L.P. poses an actual conflict of interest.

#### Introductions and Recommendations by Affiliated Adviser

As noted above, Clarity KCPS introduces or recommends the Funds to its clients if it determines that the Funds are suitable for their risk profiles and investment guidelines. To mitigate conflicts of interest associated with such introductions/recommendations, Clarity KCPS: (i) is not compensated for these introductions, (ii) notifies its clients in writing about its affiliated relationship with the Funds and certain conflicts associated with such relationship, and (iii) requires them to acknowledge in writing that they are aware of such relationship and conflicts prior to making investments in the Funds. In addition, management fees and performance compensation are waived for Clarity KCPS clients that invest through such an introduction.

### Investments with Third-Party Manager

In general, we seek to avoid situations which might create conflicts of interest. Nonetheless, as noted above, our related persons receive a portion of the asset based fees and performance fees our clients would have otherwise been charged directly from their underlying investments in private funds managed by the Third-Party Manager. This creates an incentive for us to continue to recommend investments in such underlying private funds in order to continue to receive advisory fees. We note that these advisory fees directed to one or more KCPS Affiliates for business, legal, tax or other reasons with respect to its clients' investments in such Third-Party Manager. Further, certain of our related persons also recommend private funds managed by the Third-Party Manager to their clients. In addition, subject to our personal trading policies, certain of our related persons or employees of ours or the KCPS Affiliates may invest directly in vehicles managed by the Third-Party Managers.

We require client's consent prior to entering into a transaction for such client if we determine that such transaction would result in a potential conflict of interest between us or the KCPS Affiliates, on the one hand, and the client, on the other hand.

For additional information, please see the Funds' offering memoranda.

### Affiliation with Broker Dealer

Two persons who serve on CDAP's Investment Committee are registered representatives of an unaffiliated broker-dealer.

### Management of Multiple Accounts

The management by KCPS Affiliates of multiple client accounts may result in conflicts of interests when we and our related persons allocate time and investment opportunities among our respective clients.

### Principal Transactions

We do not engage in cross or principal transactions. If we were to engage in a cross or principal transaction in the future, we would only do so in compliance with the Advisers Act.

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

### Code of Ethics Overview

We have adopted a Code of Ethics and Employee Investment Policy (the “Code of Ethics”) which is designed to ensure that we conduct our business in accordance with all applicable laws and regulations and in an ethical and professional manner. The Code of Ethics applies to all of our employees and the employees of the KCPS Affiliates. In addition, we recognize that we have a fiduciary duty to our clients, and that all of our employees must conduct their business on our behalf in a manner that enables us to fulfill this fiduciary duty.

Among other things, the Code of Ethics governs all personal securities transactions by our employees (as further described below), and addresses certain other conflicts of interest. Employees are provided with a copy of the Code of Ethics and are required to sign and acknowledge that they will comply with its provisions.

We will provide a copy of our Code of Ethics to any client or prospective client upon request.

### Participation or Interest in Client Transactions

We make available to qualified prospective investors the opportunity to invest in the Funds. Our related persons and our respective employees have personal investments in the Funds and funds managed by other KCPS Affiliates (the “Affiliated Funds”) and the funds managed by the Third Party Manager. In addition, the KCPS Affiliates receive performance-based compensation from the Funds and other vehicles that they manage. As a result, we and the KCPS Affiliates may have a conflict of interest in allocating time and investment opportunities among our respective client accounts. CDAP feels that this conflict is mitigated because: (i) the KCPS Affiliates waive their management fees and performance-based compensation with respect to KCPS Clarity clients that invest in their Affiliated Funds through a KCPS Clarity introduction and (ii) the KCPS Affiliates and our respective employees have a responsibility to determine the appropriate investments based for each client account based on the client’s needs. (*See Item 6 above* for information about KCPS Clarity’s allocation processes.)

### Personal Trading

Employees may not engage in personal securities transactions, except for certain permitted securities, as described in the Code of Ethics. Employee trading in certain permitted securities requires the written consent of our Chief Compliance Officer (the “CCO”) (and, in the case of the CCO, the prior written consent of our Chief Executive Officer). In addition, transactions in securities on our Restricted List are prohibited.

Additionally, employees are required to provide the CCO with periodic reporting relating to their trading activity and personal accounts.

### Conflicts of Interest Relating to Investments in Clients by Related Persons

Some of our employees and certain individuals associated with our related persons have a financial interest in one or more of our clients. Such investments create a potential conflict of interest in that we may have a potential incentive to favor clients in which such persons have a more significant interest. We believe that the processes and procedures described in Items 10 and 12 (including our processes for allocating investments) mitigate such potential conflicts.

## **Item 12 – Brokerage Practices**

CDAP does not typically select or recommend brokers for SMA clients.

To the extent that our clients trade in securities through any brokers, we will seek to obtain the best execution for their accounts, taking into account the following factors: price, the ability of the brokers to effect the transactions, the brokers' facilities, reliability and financial responsibility and the provision or payment (or the rebate to the Funds for payment) of the costs of property or services (e.g., certain custodial services, research services, news and quotation services, certain publications, analytical and trading software, and trading products and services).

Managers of the Underlying Funds will select the broker-dealers, and other financial intermediaries for their trading and other accounts. Managers of Underlying Funds may benefit from various "soft dollar" arrangements between such managers and financial intermediaries.

On a regular basis, our finance team reviews the commissions paid to brokers.

### Research and Other Soft Dollar Benefits

We do not currently have any formal soft dollar arrangements. If we determine to engage in soft dollar transactions, we intend to comply with the provisions of Section 28(e) of the Securities Exchange Act of 1934, as amended.

Notwithstanding the foregoing, in connection with client transactions, broker-dealers occasionally, as part of their bundled services, provide us with research and research-related services. These products and services would be made available to us on an unsolicited basis and without regard to transaction costs paid by our clients or the volume of business that we direct to counterparties. To our knowledge, these services are generally made available to all institutional investors doing business with such broker-dealers. We believe that the receipt of such bundled services complies with the safe harbor requirements of Section 28(e) of the Securities Exchange Act of 1934, as amended.

### Aggregation of Orders

Given the nature of our clients' investments, we do not aggregate orders.

### Trade Errors

As a fiduciary, we have the responsibility to effect orders correctly, promptly, and in the best interests of our clients. In the event any error occurs in the handling of any client transactions, due to our actions, or inaction, or actions of others, we will assess each trade error on a case-by-case basis. We will reimburse each client for losses resulting from trade errors to the extent that we are required to do so under its governing documents or investment management agreement.



## **Item 13 – Review of Accounts**

### Portfolio Review

We review the Funds' accounts on an ongoing basis. In addition to our staff, the Administrator is responsible for back office procedures and reporting for the Funds. In addition, an independent public accountant audits the financial statements of the Funds annually.

### Reporting

An annual report and audited financial statements will be sent to the investors in the Funds. Capital account statements will be sent to each investor after each calendar month, or such other day as determined by the Managing Entity.

We may provide certain additional information to any investor in the Funds who requests such information. This information may be provided in response to questions and requests and in connection with due diligence meetings and other communications, but will not be distributed to other investors who do not request such information. Each investor is responsible for asking such questions as it believes are necessary in order to make its own investment decisions and must decide for itself whether the limited information provided by us is sufficient for its needs.

We provide the owners of the SMAs with periodic unaudited reports at such times as the owners of such accounts and we agree. The Third-Party Manager or the custodian of each SMA periodically sends account statements to the owner of such account.

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

CDAP or our related persons may enter into written arrangements with third party marketers for the referral of potential investors or clients. Pursuant to the terms of such arrangements, such third party marketers may be entitled to a percentage of management fees earned by CDAP or its related persons on referred assets. Currently, we do not compensate any external third-party marketers for introductions to potential investors or clients.

Employees of our related persons may receive a portion of fees charged by the Funds for investors that they introduce or refer to such Funds.

See *Item 10* above for additional information regarding potential conflicts of interest associated with the Funds' investments with the Third-Party Manager.

## **Item 15 – Custody**

CDAP does not have custody of the SMAs' assets. The custodian to each SMA provides monthly account statements directly to the owner of the SMA. In addition, the Third Party Manager provides monthly or quarterly reports to the owners of each SMA. The owner each SMA should carefully review these statements.

For purposes of Rule 206(4)-2 under the Advisers Act (the “Custody Rule”), we are deemed to have custody over the Funds' assets. In accordance with the Custody Rule, a qualified custodian is not required to deliver quarterly account statements to the Funds or their respective investors as long as (i) the Funds are audited by an independent public accountant that is registered with, and subject to inspection by, the Public Company Accounting Oversight Board, (ii) the Funds' audited financial statements are prepared in accordance with U.S. generally accepted accounting principles, and (iii) we deliver such annual audited financial statements to investors within 180 days after the end of each Fund's fiscal year.

## **Item 16 – Investment Discretion**

We have discretionary authority to manage investments on behalf of the Funds. The investors in the Funds generally may not place any limits on our authority beyond the limitations set forth in the governing documents (including the Offering Documents) of the applicable Fund.

We receive investment authority with respect to the types and amounts of securities sold or purchased by or on behalf of some our SMAs pursuant to the terms of such SMA's investment management agreements. Each SMA is non-discretionary.

## **Item 17 – Voting Client Securities**

To the extent that our clients trade in public securities, we will generally have voting discretion over securities held in their accounts. Clients are generally not able to direct their votes in a particular situation. We have adopted proxy voting policies and procedures, which are summarized below.

To the extent that we receive a proxy on behalf of a client, we will follow our proxy voting policy with respect to such proxy. The policy provides that we will act in the best interests of our clients in determining whether and how to vote on any proxy voting matter. The proxy voting policy includes voting guidelines, as well as guidelines to be followed if a material conflict arises between us and/or our employees and our clients to ensure any material conflict is resolved in the best interest of the relevant client.

Clients may obtain a copy of our proxy voting policy and information on how we voted by contacting the CCO.

## **Item 18 – Financial Information**

We do not currently have any financial commitments that might impair our current or future ability to meet our contractual commitment to our clients and we have not been the subject of a bankruptcy petition at any time during the last ten (10) years.

**Item 19 – Requirements for State-Registered Advisers**

*Not applicable.*