



**NEWPORT ASIA LLC**  
Asian Investment Management

Form ADV, Part 2A  
Item 1: Cover Sheet

# Disclosure Document

Prepared: March 25, 2020

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This brochure provides information about the qualifications and business practices of Newport Asia LLC. If you have any questions about the contents of this brochure, please contact us at the telephone number above. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or any state securities authority.

Newport Asia LLC is a registered investment advisor. Registration of an investment advisor does not imply any level of skill or training. The verbal and written communications of an investment adviser provide you with information you need to determine whether to hire or retain the advisor.

Additional information about Newport Asia LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).



**NEWPORT ASIA LLC**

Asian Investment Management

Form ADV, Part 2A  
Item 2: Material Changes

This brochure dated March 25, 2020 has been prepared by Newport Asia LLC as an amendment to the prior version of its brochure, dated March 8, 2019 (the “Prior Version”).

Please contact us at (415) 677-8620 if you would like a copy of our updated Part 2. Additional information about us is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## ITEM 3

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## **ITEM 4: ADVISORY BUSINESS**

### **Who we are**

Newport Asia LLC (referred to as “we,” “our,” “us,” the “Firm,” or “Newport Asia”) became registered as an investment advisor with the U.S. Securities and Exchange Commission (“SEC”) in February 2002. We provide investment services to private funds that are exempt from registration as investment companies under the Investment Companies Act of 1940 (referred to together as the “Newport Funds” and individually as a “Newport Fund”).

We are wholly-owned by four principal owners and officers: Michael Ellis, Christopher H. Legallet, Eric Sandlund, and Amman Fenster.

### **Services we offer**

We serve as the general partner and investment adviser to the following “Newport Funds”:

- Newport Asia Growth & Income Fund, LP (the “Growth & Income Fund”)
- Newport Asia Advisors Fund, LP (the “Advisors Fund”)
- Newport Asia Institutional Fund, LP (the “Institutional Fund”)
- Newport Asia Partners Fund, LP (the “Partners Fund”)
- Newport Asia Growth Fund, L.P. (the “Growth Fund”)

We generally focus on long-only investments in Asia’s equity market.

Advisory services are tailored to achieve the investment objectives stated in the Newport Funds offering documents but are not tailored to the individual needs of the investors in those Funds.

Newport Asia does not participate in wrap-fee programs.

### **Assets Under Management**

As of December 31, 2019, we have \$2.4 billion in discretionary assets under management all on a discretionary basis. We do not manage assets on a non-discretionary basis.

## ITEM 5: FEES AND COMPENSATION

As investment adviser to the Newport Funds, we receive an annual advisory fee, paid quarterly in advance, based on the assets of each investor's Limited Partners Capital account balance at the beginning of each calendar quarter. The fee schedule is outlined below:

<u>Fund Name</u>	<u>Annual Fee</u>
Growth & Income Fund	1.50%
Partners Fund	1.50%
Institutional Fund	1.50%
Growth Fund	1.50%
Advisors Fund	1.50%

Investors pay the annual fee in quarterly installments at the beginning of each quarter.

At its discretion, Newport Asia LLC reserves the right to apply a different management fee to different investors.

If an investor contributes capital on a day other than the first day of a calendar quarter, the Newport Fund will prorate the management fee for that contribution. For investors that withdraw capital on a date other than the end of a calendar quarter, no refund of prepaid fees will be given. Fees are paid by transferring the amount due from the investor account to the Newport Asia LLC account.

### Other Costs Involved

The Newport Funds pays or reimburses Newport Asia for all costs and expenses incurred by or on behalf of the Newport Asia Funds or for their benefit including, without limitation, all costs and expenses of organizing the Newport Asia Funds and subsequently selling additional interests (including without limitation legal and accounting fees); all costs and expenses associated with negotiating and entering into contracts and arrangements in the ordinary course of the Newport Asia Funds' business; legal, accounting expert and consulting fees and expenses arising in connection with the Newport Asia Funds' business; interest on the Newport Asia Funds' borrowings and other obligations and direct trading expenses such as expenses relating to brokerage commissions, custodian fees, closing and settlement charges and margin interest.

Additional information about brokerage costs and what services provided by brokers is provided in "Item 12: Brokerage Practices."

Neither We nor any of our supervised persons accept compensation for the sale of securities or other investment products outside of its association with Newport Asia.

## **ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

We do not receive performance fees for managing accounts.

## **ITEM 7: TYPES OF CLIENTS**

Our only clients are the Newport Funds, which are each organized as private funds exempt from registration under the Investment Company Act of 1940 (“1940 Act”). The Newport Funds’ investors are limited to individuals and entities that meet certain suitability criteria including “accredited investors” and “qualified purchasers”. Investors in the Growth & Income Fund and the Growth Fund are required to have a minimum net worth of \$1.5 million. Investors in the balance of the Funds are required to have a net worth of \$5 million. Investors in the Newport Funds can include public pension plans, corporate pension plans, endowments and foundations, and other institutional Investors and high net worth individuals.

In addition to the net worth requirements shown above, each of the Newport Funds has a minimum level for initial and additional investments. Newport Asia, as the General Partner of each Newport Fund, may waive the investment level at its sole discretion as long as such waiver does not affect the prospective investor’s qualification to invest in a particular fund.

Currently, the Newport Funds have the following minimum initial investment levels:

<u>Fund Name</u>	<u>Minimum Investment</u>
Advisors Fund	\$1,000,000
Growth Fund	\$100,000
Growth & Income Fund	\$1,000,000
Institutional Fund	\$1,000,000
Partners Fund	\$1,000,000

## **ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

### **Methods of Analysis**

We have clearly defined investment styles in the Newport Funds. Rather than trying to capture a specific anomaly or inefficiency, we seek to provide the investors in the Newport Funds with exposure to long-term, above-average growth trends and to concentrate our portfolios in those high-quality growth companies that serve as proxies for the underlying trend. We, for the most part, invest in blue chip, high transparency companies with proven management, high predictable growth rates and low levels of debt. A straightforward, top-down/bottom-up strategy is employed, focusing on capturing growth and minimizing risk.

We assess and analyze securities and portfolio risks using several internal and external resources, extensively using brokerage research departments and company visits when conducting company analysis, as well as consulting annual reports, periodicals and financial databases.

### **Investment Strategies**

Our investment strategy is to concentrate portfolio investments in industries and companies with, what we believe to be, strong growth prospects and sound fundamentals. We believe that this strategy will be successful in the future due to its rigorous focus on growth. Benchmark weightings do not drive our investments as benchmarks tend to over-weight countries, industries and stocks after growth and strong returns have already occurred. We believe that better returns can be achieved by concentrating in the areas with strong growth prospects and sound fundamentals.

### **Investment Risks**

The Newport Funds' offering documents also describe the specific investment strategy of each Newport Fund and the risks inherent in investing in the particular strategy. The following describe some of the risks to which the Newport Funds will, or may, be subject. It does not purport to be a complete explanation of all the risks involved and investors should carefully review the applicable governing documents relating to their investment and consult their own financial, legal and tax advisers.

All investments involve different degrees of risk. You should be aware of your risk tolerance level and financial situations at all times. We cannot guarantee the successful performance of an investment and we are expressly prohibited from guaranteeing accounts against losses arising from market conditions.

**General Economic and Market Conditions.** The Newport Funds' investments may be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws, developments in governmental regulation and national and international political circumstances. These factors may affect the success of the businesses in which the Newport Funds' portfolio companies are engaged as well as the markets for the securities the Newport Funds holds. Unexpected volatility or illiquidity could impair the Newport Funds' profitability or result in losses.

**Non-U.S. Investments.** The Newport Funds intend to invest its assets in securities of non-U.S. companies and/or securities denominated in currencies other than U.S. dollars, and more particularly in securities of the Asian markets and region. These include securities issued by companies in, and traded in, so-called "emerging markets." Non-U.S. investing, and investing in emerging markets in particular, will subject the Newport Funds to certain risks not typically associated with investing in securities in the U.S. The following discussion sets forth some of the more significant risks associated with this type of investing.

**Characteristics of Non-U.S. Securities Markets.** The Newport Funds generally buy and sell securities on the principal stock exchange or over-the-counter market of the country in which the principal offices of the issuer of the security are located. Non-U.S. stock markets generally are not as developed or efficient as those in the United States and may be more volatile than the U.S. markets. In particular, there is generally less government supervision and regulation of non-U.S. exchanges, brokers and listed companies than there is in the United States. Further, as compared with trading volumes in U.S. markets, trading volumes in non-U.S. markets are usually lower and therefore are characterized by less liquidity and more rapid and erratic price fluctuations. Commissions for trades on non-U.S. stock exchanges are generally higher than negotiated commissions on U.S. exchanges, and custody expenses are generally higher as well. Settlement practices for transactions in non-U.S. markets may involve delays beyond periods customary in the United States, and the Newport Funds may be required to borrow funds or securities to satisfy its obligations arising out of other transactions. In addition, there could be more "failed settlements," which can result in losses to the Newport Funds.

**Economic Considerations.** The Asia-Pacific Region has experienced rapid economic growth rates and in many cases stock market valuations have followed this. There can be no assurance that this will continue, or that the rapid growth in China has not led to structural imbalances that may lead to another crisis. The region has in the past been profoundly impacted by growth rates in the United States and Western Europe, and a slowdown or recession in those regions would likely have significant impact on Asian economies.

**Economic and Political Dislocations in Asia.** Many Asian economies are generally less stable than the U.S. economy, due to, among other things, volatile internal political environments, less stable monetary systems and/or external political risks. The Asian crisis, coups in several countries and geopolitical



instability have at times had significant impact on these markets and are likely to do so again. Among other things, include but are not necessarily limited to, political and economic risks may arise from tensions between China, Hong Kong, and Taiwan, North Korea's nuclear ambitions, attempted coups in Thailand and the Philippines, and economic nationalism. In addition, in some countries, political or diplomatic developments could lead to programs that would adversely affect investments, such as confiscatory taxation or expropriation. Any of these factors may lead to unfavorable investment climates across the region.

**Limited Availability of Information; Due Diligence.** Financial statements are prepared in accordance with local accounting standards, which in many cases differ in certain respects from U.S. GAAP. In addition, the securities and exchange laws in many Asian countries, which govern public companies, impose disclosure requirements that in many cases are more limited than those in the United States in certain important respects. The result is that it is likely that financial statements and reported earnings of companies in which the Newport Funds will invest will generally contain less information than what would be reported based on U.S. accounting and reporting standards. Moreover, there is less experience in Asia with the extensive legal and business due diligence that is typically conducted in the United States. As a result, in considering a prospective investment, it may be difficult for the Investment Manager to conduct the level of due diligence that it customarily conducts as to U.S. investments.

**Equity Securities.** The equity and equity-linked securities in which the Newport Funds invests will be subject to general movements in the stock market. Equity security prices fluctuate for several reasons, including changes in the financial condition of a particular issuer, investors' perceptions of the issuer's industry, the general condition of the relevant stock market, changes in interest rates, or when political or economic events affecting the issuers occur.

**Convertible Securities.** The Newport Funds may invest in convertible securities, including convertible bonds, convertible preferred stocks and other fixed income instruments that have conversion features. Convertible securities and preferred stock combine the fixed income characteristics of bonds with some of the potential for capital appreciation of equities, and thus may be subject to greater risk than pure fixed income instruments. Unlike bonds, preferred stock and some convertible securities do not have a fixed par value at maturity, and in this respect may be considered riskier than bonds.

Convertible debt securities and preferred stocks may depreciate in value if the market value of the underlying equity security declines or if rates of interest increase. In addition, although debt securities are liabilities of a corporation which the corporation is generally obligated to repay at a specified time, debt securities, particularly convertible debt securities, are often subordinated to the claims of some or all of the other creditors of the corporation.

**Debt Securities.** The Newport Funds may invest in convertible debt and other fixed income securities. These securities are generally bonds or other debt instruments issuers use as a means of borrowing money. The issuer generally pays the investor a fixed, variable or floating rate of interest and, at the maturity of the instrument, must repay the amount borrowed. Some debt securities (e.g., zero coupon bonds) do not pay current interest, but are sold at a discount to their face values. Debt securities have varying levels of sensitivity to changes in interest rates and varying degrees of credit quality. Assuming other factors remain constant (e.g., the credit worthiness of the issuer), bond values generally rise (increase in value) when interest rates fall and fall (decrease in value) when interest rates rise.

**Investment in Small- and Medium-Capitalization Companies.** The Newport Funds may invest a portion of its assets (either directly or through derivative securities) in stocks of companies with relatively small market capitalizations. Small- and medium-capitalization companies often are not well-known to the investing public, may not have significant institutional ownership, and may have cyclical, static or only moderate growth prospects. Their securities may be traded in the over-the-counter market. These “secondary” securities often involve significantly greater risks than the securities of larger, better-known companies in that their prices may decline over short or even extended periods and may otherwise be volatile, and they generally have lower trading volumes than the securities of larger capitalization companies. Accordingly, Limited Partners should have long-term investment horizons.

In addition, the Newport Funds may invest in small- or medium-capitalization securities that are followed by relatively few securities analysts, with the result that there will tend to be less publicly available information concerning the securities compared to what is available for exchange-listed or larger companies. The securities of these companies may have limited trading volumes and be subject to more abrupt or erratic market movements than the securities of larger, more established companies or the market averages in general, and the Newport Funds may be required to deal with only a few market-makers when purchasing and selling these securities. Transaction costs in small- and medium-capitalization stocks may be higher than in those of larger capitalization companies. Companies in which the Newport Funds is likely to invest also may have limited product lines, markets or financial resources, and may lack management depth and may be more vulnerable to adverse business or market developments.

**Cybersecurity Threats.** The Newport Funds, and their portfolio companies may face cybersecurity threats to gain unauthorized access to sensitive information, including, without limitation, information regarding the limited partners and the Newport Funds’ investment activities, or to render data or systems unusable, which could result in significant losses. If such events were to materialize, they could lead to losses of sensitive information or capabilities essential to the Newport Funds, and/or the portfolio company’s operations and could have a material adverse effect on their reputations, financial positions, results of operations, or cash flows, and also could lead to financial losses from remedial actions, loss of

business, or potential liability, or could lead to the disclosure of limited partners' personal information. Cybersecurity attacks are evolving and include, but are not limited to: (i) malicious software, (ii) attempts to gain unauthorized access to data, (iii) other electronic security breaches that could lead to disruptions in critical systems, unauthorized release of confidential or otherwise protected information and corruption of data, and (iv) phishing emails to collect sensitive information or impersonate authorized persons of the Firm with the intention to defraud and gain unauthorized access to funds. The Newport Funds' or a portfolio company's controls and procedures, business continuity systems, and data security systems could prove to be inadequate. These problems may arise in both the Newport Funds' or a portfolio company's internally developed systems and the systems of third-party service providers.

**Trade Errors by the Newport Asia.** Newport Asia places orders for the purchase and sale of securities on behalf of the Newport Asia Funds. The trading process is complex and can vary for different types of securities. Moreover, Newport Asia may break up orders, or may buy or sell the same security for more than one client, further complicating the trading process. Newport Asia might make trading errors. The Newport Asia Funds are generally responsible for any such trade errors, whether the error benefits or hurts the Newport Asia Funds. Newport Asia generally will not bear the cost of any trade error or reimburse the Newport Asia Funds for resulting costs or losses unless it results from the Newport Asia's gross negligence or willful misconduct or Newport Asia did not believe the trade was in the Newport Asia Funds' best interest at the time of the trade.

**Investment Selection.** Newport Asia selects all Newport Asia Fund investments and strategies. Limited Partners have no opportunity to select or evaluate any Partnership investments or strategies. The likelihood that Limited Partners will realize income or gain depends on the skill and expertise of the General Partner and Michael Ellis, Christopher Legallet, Eric Sandlund and Amman Fenster, the portfolio managers they engage, and on the investment processes and risk management strategies the General Partner implements.

## **ITEM 9: DISCIPLINARY INFORMATION**

Registered investment advisors are required to disclose any material facts regarding any legal or disciplinary actions that would be material to your evaluation of the investment advisor and each investment advisor representative providing investment advice to you. We have no information of this type to report.

## **ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

Our principals do not have any material financial industry affiliations outside of Newport Asia.

## **ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

### **Code of Ethics**

We have adopted a set of enforceable guidelines (Code of Ethics), which describes unacceptable conduct by and/or its partners, officers and employees (referred to as “Employees”). Summarized, this Code of Ethics prohibits us from:

- placing our interests before yours,
- using non-public information gathered when providing services to you for our own gains, or
- engaging in any act, practice or course of business that is, or might be considered, fraudulent, deceptive, manipulative, or in violation of any applicable law, rule or regulation of a governmental agency.

We serve as the general partner and investment adviser to the Newport Funds. Currently, our only clients are the Newport Funds.

### **Personal Trading for Employees**

Employees may invest in the same securities that we trade on behalf of the Newport Funds. In addition, our partners have invested in the Newport Funds, either directly or indirectly. We require that all such personal Employee transactions be carried out in a way that does not harm the interests of any Newport Fund. In order to address any actual or potential conflicts of interest, we have adopted a Code of Ethics that includes procedures with respect to transactions placed by Employees for their personal accounts. The term “personal account” includes the accounts in which our Employees and their spouses, minor children or other dependents residing in the same household have a beneficial interest. We monitor Employee compliance with our Code of Ethics primarily through review of holdings reports and quarterly personal trading reporting.

Clients or prospective clients may obtain a copy of Newport Asia’s Code of Ethics upon request.

## **ITEM 12: BROKERAGE PRACTICES**

### **Selection of Brokers**

In selecting brokers to execute portfolio transactions for the Newport Funds, we make a good faith judgment of about which broker would be appropriate. We take into consideration not only the available prices and rates of brokerage commissions, but also other relevant factors that may include (without limitation):

- the execution capabilities of the broker/dealer,
- research (including economic forecasts, investment strategy advice, fundamental and technical advice on individual securities, valuation advice and market analysis),
- other services provided by the broker/dealer that are expected to enhance our general portfolio management capabilities,
- the size of the transaction,
- the difficulty of execution,
- the operational facilities of the broker-dealers involved,
- the risk in positioning a block of securities, and
- the quality of the overall brokerage and research services provided by the broker/dealer.

When we select the broker/dealer for a transaction, we may cause a Newport Fund to pay a higher commission for effecting a transaction than another broker/dealer would have charged for effecting that transaction. We do this if we determine in good faith that the amount of the commission is reasonable in relation to the value of the brokerage and research services provided by the broker-dealer. The determination is viewed in terms of either the particular transaction or our overall responsibilities with respect to the Newport Funds.

We currently do not allow for directed brokerage.

### **Aggregation of Orders**

There are occasions on which portfolio transactions may be executed as part of concurrent authorizations to purchase or sell the same security for one or more Newport Funds. In these cases, the trades will be aggregated and placed as one trade with the broker/dealer. Each of the Newport Funds participating in an

aggregated trade will receive the same share price for the transaction. Due to the averaging of price over all of the participating Newport Funds, aggregated trades could be either advantageous or disadvantageous to any one or more particular Newport Funds. When aggregated trades are placed, they will be effected only when we believe that to do so will be in the best interest of the affected accounts. The objective of the aggregated orders will be to allocate the executions in a manner that is deemed equitable to the accounts involved.

## Soft Dollars

### General Information

We have a fiduciary duty to our clients to obtain best execution, on an overall basis, for any securities transactions. When determining whether we have obtained best execution, we rely on Section 28(e) of the Securities Exchange Act of 1934, as amended (the “Safe Harbor”). A safe harbor is a provision of a statute or a regulation that reduces or eliminates a party's liability on the grounds that the party performed its actions in good faith. Legislators include safe-harbor provisions to protect legitimate or excusable violations.

This Safe Harbor is provided to an investment advisor like us that has “investment discretion” over client accounts. It provides us protection against certain state and federal breach of fiduciary obligation claims (including ERISA claims) because we, the advisor, caused a client to pay more than the lowest available commission when executing a securities trade in exchange for receiving investment research services and products which helped us make investment decisions of benefit to our clients. To rely on the Safe Harbor provision, we must determine in good faith that the amount of the commissions paid is reasonable in relation to the value of the research services we have received. We take into account not only the costs for a specific transaction but also our overall responsibility to you. When we cause an account to pay more than the lowest available commission to a broker/dealer in return for research products and services, these payments are commonly referred to as “soft dollar” benefits. The broker/dealer tracks the soft dollar benefits generated to be used on our behalf. Not all trades generate soft dollar benefits, and we try to limit “soft dollar” trades whenever preferable.

For purposes of the Safe Harbor, “research services” means “advice,” “analyses,” and “reports” which meet the following criteria:

- The research is related to the market for securities, such as trade analytics (including analytics available through order management systems) and advice on market color and execution strategies; or

- The research constitutes market, financial, economic or similar data.

For the purposes of the Safe Harbor, “brokerage services” are those products and services that relate to the execution of a trade from the point at which the investment manager communicates with the broker-dealer for the purpose of transmitting an order for execution, through the point at which funds or securities are delivered or credited to an account under our management.

See section entitled “How We Use Soft Dollars” for additional details.

### Conflicts of Interest

We may have a conflict of interest in allocating your brokerage business to certain broker/dealers, including an incentive to cause Newport Funds to effect more transactions than they might otherwise do in order to obtain soft dollar benefits. The extent of that conflict depends in large part on the nature and uses of the services and products acquired with soft dollars. When a particular service or product provides benefits to other Newport Funds and/or us, we may (but are not obligated to) allocate the cost among the persons receiving the benefits. Our agreement with the Newport Funds may authorize us to use the soft dollars generated by the Funds to acquire a wide range of services and products, including services which might also benefit other Newport Funds.

### How We Use Soft Dollars

We use soft dollars in accordance with the Safe Harbor provisions outlined above. We primarily use soft dollars to obtain proprietary written research reports regarding specific securities and sectors. In addition, we direct brokerage to broker/dealers that provide telephone access to analysts and access to conferences primarily held in Asia. Access to these analysts and conferences would not be available to us without the use of soft dollars. We pay for all associated costs, including travel costs, lodging, and meals when attending conferences.

### Soft Dollar Procedures

We have informal arrangements with broker/dealers who provide the services listed above. Based on our relationships with these firms, developed over several years, we allocate trades according to our needs. None of the broker/dealers have requested minimum trading levels, either verbally or in writing.

### **ITEM 13: REVIEW OF ACCOUNTS**

The principals of the firm are Michael Ellis, Christopher H. Legallet, and Eric Sandlund. All principals collaborate to determine the securities held in the Newport Funds. In addition, they review general world economic conditions for potential or actual impact on investments at least weekly. Any changes that are warranted by new information (i.e., changes in objectives, in cyclical economic or investment outlook in any national economy, or in securities held in a Newport Fund or contemplated for purchase) are discussed.

In addition, the principal(s) will also review each Newport Fund's holdings periodically or upon any event that may have a material effect on a client's portfolio.

We provide investors in each Newport Fund with quarterly fund holdings as well as investment outlook and monthly unaudited statements of their investments in the Fund. Annually, investors receive K-1s of their respective interests in the Newport Funds and audited financial statements of the Newport Funds in which they are invested. We will provide an investor in the Newport Funds with information on a more frequent basis if agreed to.

### **ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION**

We do not receive any economic benefit, directly or indirectly from any third party for advice rendered to the Newport Funds.

We do not directly or indirectly compensate anyone for client referrals.

### **ITEM 15: CUSTODY**

As the general partner for the Newport Funds, we have custody of our clients' assets. In order to comply with the regulatory requirements, we provide all investors in each of the Newport Funds with audited financials. The audited financial statements are sent to investors within 120 days of each Newport Fund's fiscal year-end.

### **ITEM 16: INVESTMENT DISCRETION**

We have discretionary authority to make investment decisions on behalf of each of the Newport Funds. Potential investors receive an Offering Memorandum before investing which provides important



disclosure information. After reviewing the Offering Memorandum, potential investors are required to complete and return a Subscription Agreement. The Subscription Agreement provides information to us about the background of the investor so we can determine if the investor is qualified to invest in the Newport Fund. Once the Subscription Agreement has been reviewed and accepted, the investor contributes to the Newport Fund.

### **ITEM 17: VOTING CLIENT SECURITIES**

We vote all proxies that, in our reasonable judgment alone, we determine affect the value of a Newport Fund's interest. In so doing, we generally cast proxy votes in favor of proposals that increase shareholder value and generally cast against proposals having the opposite effect. We also reserve the right to abstain from a proxy vote if we feel that it is in the best interest of Funds. Michael Ellis will oversee the person responsible for our decisions on proxy voting. Mr. Ellis verifies that the proxies are voted in a prudent and diligent fashion and only after a careful evaluation of the issue presented on the ballot. Investors may not provide direction regarding any particular proxy solicitation. Investors have already delegated the responsibility to vote proxies in the offering documents of each Newport Fund.

Investors may request a copy of our Proxy Policies and Procedures and/or information about how a proxy was voted at any time by contacting Annie Schieding at 415.677.8620.

### **ITEM 18: FINANCIAL INFORMATION**

We do not charge or solicit pre-payment of more than \$1,200 in fees per client six months or more in advance. We have never filed for bankruptcy and are not aware of any financial conditions that are reasonably likely to impair our ability to meet our contractual obligations to clients.