

Pavlik Capital Management LLC

Part 2A of Form ADV

The Brochure

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This brochure provides information about the qualifications and business practices of Pavlik Capital Management LLC (“PCM” or the “Manager”). If you have any questions about the contents of this brochure, please contact us at (630) 785-6537. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”), United States Commodity Futures Trading Commission (“CFTC”), National Futures Association (“NFA”), or by any state securities authority.

Additional information about Pavlik Capital Management LLC is available on the SEC’s website at www.adviserinfo.sec.gov. You can search these sites by using unique identifying numbers, known as the Company’s CRD number.

Material Changes

This is the brochure compiled by Pavlik Capital Management LLC to provide new and prospective clients and investors with disclosure of the Company's business practices. We encourage all recipients to read this brochure carefully in its entirety. The Firm Brochure for Pavlik Capital Management LLC is also available upon request by contacting our CCO at (630) 785-6537, or by e-mailing spavlik@pavlikcapital.com.

In particular, this section will only identify the material changes to this brochure since the last update to make clients and investors aware of these changes. There have been no material changes to this brochure since the last annual amendment filed on March 29, 2019.

No material changes.

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Advisory Business

PCM was founded in October of 2007. PCM is owned by Sandra Pavlik and Jeffrey Pavlik (51% and 49% respectively). PCM is organized under the laws of the State of Delaware and is domiciled in Oakbrook Terrace, Illinois.

Huber Capital Investments LLC (“Huber”), a Delaware based Limited Liability Company, has a contractual right to receive payments from PCM based on a percentage of PCM’s revenues. Huber’s interest in PCM does not represent any form of equity interest in PCM or in any Fund. Huber does not control PCM or participate in any of its investment decisions.

We provide discretionary investment management to private funds as well as separate accounts for high net worth individuals and institutions (collectively, our “Clients”). PCM is the manager of Pavlik Capital Partners LLC (“Fund I”) and Pavlik Capital Partners II LLC (“Fund II”) (collectively, the “Funds”). Fund II is managed with the same investment approach with 2.5 times the maximum notional exposure.

The Funds employ both quantitative and qualitative investment approaches by utilizing a broad array of option strategies on ETFs (exchange traded funds) to establish both long and short exposures to different sectors, market capitalizations, interest rates, commodities, currencies and geographies. Absent client-imposed restrictions, the Funds and corresponding separate account are managed *pari passu* and therefore will maintain the same portfolio holdings.

Investors are not allowed to impose restrictions on the investments within the Funds; however, PCM allows separate account clients to impose reasonable restrictions on the management of their accounts.

As of December 31, 2019, PCM’s regulatory assets under management were approximately \$36,094,361 on a discretionary basis.

Fees and Compensation

The Funds

The Funds will ordinarily debit from each Capital Account and pay to PCM a quarterly Management Fee, in arrears, in an amount equal to 0.25% (approximately 1.00% annually) of the NAV of such Account, determined as of the last Business Day of the calendar quarter. The Management Fee is charged against a Capital Account regardless of whether such Capital Account increases or decreases in value over time.

The Funds will also debit from each Capital Account and pay to PCM (and/or the Strategic Member) a performance based fee of 15% of any “Net New Profits” (high water mark) as of the end of the calendar year.

PCM may, in its sole discretion, waive or reduce these fees for affiliates, family members or its principal owners and employees and/or certain strategic investors. The compensation method is explained and agreed with the Funds' investors in advance before any services are rendered.

Separate Account Clients

The fee terms for our separate account clients may differ from the Fund. All management fee and performance fees for separate account clients are negotiable on a client's assets under management with PCM.

Unless PCM has permission from a separate account client to debit automatically the client's custodial, banking or brokerage account(s), as the case may be, the Company will invoice each client for services rendered including management and performance based fees.

All fees paid to PCM are separate and distinct from the fees and expenses charged to the Fund.

Management fees may be paid in advance. In the event, PCM does not provide services for the entire period the management fee is required to be returned. In general, the amount of fees returned is calculated based on the number of days remaining in the applicable period.

Other Fees

The Funds are subject to the limitations described below and will pay such costs and expenses as the Manager shall reasonably determine to be necessary, appropriate, advisable, incidental or convenient to effect the Funds' formation, carry on its business and realize its objective, including without limitation: (a) Management Fees; (b) costs and expenses incurred by the Manager in connection with investigating investment opportunities for the Funds and reviewing the continuing suitability of the Funds' investments in light of the Funds' investment objectives; (c) costs and expenses incurred in connection with the investment and reinvestment of the Funds' assets, including brokerage commissions, dealer mark-ups, mark-downs and spreads, and related clearing and settlement charges (including costs and expenses associated with obtaining systems and other information designed to facilitate the Funds accounting or record-keeping, including related hardware and software); fees, costs and expenses of third-party service providers that provide such services; insurance costs and expenses (including premiums for liability insurance covering the Funds and other persons); bank service fees; (d) all administrative, accounting, record-keeping, tax form preparation, compliance and consulting costs and expenses; fees, costs and expenses of third-party service providers that provide such services; (e) costs and expenses, including printing and mailing costs, associated with preparing investor communications; (f) the Funds' indemnification obligations under the LLC Agreement; and (g) extraordinary costs and expenses, if any.

For our separately managed accounts clients will directly bear various costs as listed above. Clients that do not pay expenses may benefit from services paid for by other clients or the firm.

For more information on PCM's Brokerage Practices, please refer to Page 14.

Performance Based Fees and Side-by-Side Management

As stated above, PCM charges all clients a performance-based fee. PCM manages each Fund and separate account *pari passu* (absent client-imposed restrictions in the separate accounts), which means that no Fund or account is favored over another. Additionally, PCM has policies and procedures in place to help ensure it does not unfairly favor or discriminate against any of its other clients in the trading and allocation process.

Types of Clients

Interests in the Funds, which are a collective investment vehicle sponsored by PCM, are not registered under the Securities Act of 1933, as amended (the "Securities Act"), and the Funds are not registered under the Investment Company Act of 1940, as amended (the "Investment Company Act"). Accordingly, interests in the Funds are offered and sold exclusively to investors satisfying the applicable eligibility and suitability requirements in private transactions within the United States. Typically, these investors are high net worth individuals, institutions and other entities. Additionally, PCM only provides investment advisory services to individuals that are deemed to be "accredited investors" and as defined by the SEC. Details concerning applicable suitability criteria are set forth in the respective Funds' offering and/or governing documents.

The minimum initial investment requirement in the Funds is \$250,000 U.S. The minimum investment to open a separately managed account is \$10,000,000. PCM may raise or lower these minimums from time to time and accept initial capital contributions below the established minimums at its discretion.

Methods of Analysis, Investment Strategies and Risk of Loss

The Funds' objective is to realize consistently positive absolute returns with low variance, through a diversified portfolio of options on ETFs. The Funds may also engage in selective hedging techniques to control downside risk in the equity investments while simultaneously holding to a diversified portfolio of option positions.

The Manager employs both quantitative and qualitative investment approaches to pursue the Funds' objective by utilizing a broad array of option strategies on ETFs (exchange traded funds) to establish both long and short exposures to different sectors, market capitalizations, interest rates, commodities, currencies and geographies.

Why do we use options? First, options allow us to make money during circumstances in which our underlying exposure selections are not necessarily correct – an attribute highly significant in generating absolute returns over the long-run. Second, options allow us to take advantage of volatility, potentially dampening overall portfolio volatility and allowing us to avoid much of the cyclicalities of other strategies. Third, options are what we know; much of the portfolio is dynamic and our success is very much rooted in our 25 years of option trading, risk management focus, and portfolio management experience.

The Manager's multi-disciplined investment process consists of three steps:

1. First, we select ETFs expected to provide a diversified overall portfolio exposure based on our macro view of the markets – both long and short. The portfolio construction process includes the utilization of quantitative methods such as covariance matrices and portfolio optimization techniques. These methods are employed to support portfolio allocations with an emphasis on the ETFs that the Manager believes have the most attractive risk-adjusted returns. The Manager seeks to employ this strategic objective with a focus on long-term ETF movements and valuations while simultaneously remaining cognizant of investment opportunities presented by short-term fluctuations.
2. Second, the Manager implements a proprietary matrix of implied versus historical levels of volatility. This matrix helps provide the Manager with the specific selection of unique strike prices and expiration months necessary to construct the portfolio of options required to capture its predetermined underlying ETF exposures. This is our volatility arbitrage background at work, and although we do not run a volatility arbitrage book per se, the ultimate selection of option positions is grounded in this analysis. Our option portfolio construction processes are designed to further insulate the underlying ETF exposures from less predictable macroeconomic factors such as market direction and interest rates.
3. Finally, the Manager actively rebalances the Funds option positions as underlying portfolio exposures change and/or implied volatility movements create opportunities to improve the reward/risk attributes of the entire portfolio. The Manager may also purchase put options to mitigate the downside market risk of the entire portfolios of the Funds.

The Manager's trading strategies and models may be revised from time to time as a result of ongoing research and development that seeks to devise new strategies and systems, as well as to improve current methods. The strategies and systems used by the Manager in the future may differ from those presently used, due to changes resulting from this research. Investors generally will not be informed of these changes as they occur.

Risk Factors

The Funds' investment strategies are speculative and entail substantial risk of loss. There can be no assurance that the investment objectives of the Funds will be achieved.

Accordingly, the Funds' strategies could result in substantial losses under certain circumstances.

In considering an investment in the Funds, prospective investors should be aware of certain special considerations and risk factors, which include, but are not limited to, the following:

- General Investment Risk;
- Strategy Risk, i.e., the risk that the Funds' investment strategies and/or investment techniques may not work as intended

Certain special considerations and risk factors that fall under these general categories are described below. Others are referred to elsewhere in the Private Placement Memorandums and will not be repeated here. Prospective investors should therefore read the entire Memorandums before subscribing for Interests. In addition, the inclusion of specific special considerations and risk factors both here and in the Memorandums should not be construed to imply they are described in complete detail, or that there are not other special considerations or risk factors that apply to an investment in the Funds.

General Investment Risk

All investments in securities and other financial instruments involves substantial risk of volatility (potentially resulting in rapid declines in market prices and significant losses) arising from any number of factors that are beyond the control of the Manager, such as: changing market sentiment; changes in industrial conditions, competition and technology; changes in inflation, exchange or interest rates; changing domestic or international economic or political conditions or events; changes in tax laws and governmental regulation; and changes in trade, fiscal, monetary or exchange control programs or policies of governments or their agencies (including their central banks). Changes such as these, as well as innumerable other factors, are often unpredictable and unforeseeable, rendering it difficult or impossible to predict or foresee future market movements. Unexpected volatility or illiquidity in the markets in which the Funds hold positions could impair its ability to achieve its objectives and cause it to incur losses.

Although the Manager believes that the Funds' investment program should mitigate the risk of loss through a careful selection and monitoring of investments, an investment in the Funds is nevertheless subject to loss, including possible loss of the entire amount invested. No guarantee or representation is made that the Funds will be successful, and the Funds' investment results may vary substantially over time.

Strategy Risk

The business of investing in securities is highly competitive and the identification of attractive investment opportunities is difficult and involves a high degree of uncertainty.

Long Positions

The success of the long positions established for the Funds by the Manager depends in large part on the Manager's ability to accurately assess the fundamental value of those positions. An accurate assessment of fundamental value depends on a complex analysis of a number of financial and legal factors. No assurance can be given that the Funds will be in a position to assess the nature and magnitude of all material factors having a bearing on the value of the Funds' long positions, or that the Manager will accurately assess the impact of all factors of which it is aware.

Investment Techniques

In implementing the Funds' investment strategy, the Manager may utilize techniques to increase the Funds' equity exposure and investing and trading in financial futures contracts, options, forward contracts, swaps and other derivative instruments.

Non-Diversification and Sector Concentration

The Funds may invest in a limited number of issuers, without regard to the percentage of the Funds' assets invested with any single issuer or within any single industry. The Funds will concentrate its investments with a particular issuer or in a particular market sector only if the Funds believe the investment return available from concentration with that issuer or in that sector justify any additional risk associated with such concentration. Non-diversification among issuers involves an increased risk of loss to the Funds if the market value of a security should decline. Moreover, when the Funds concentrate its investments in a market sector, financial, economic, business, and other developments affecting issuers in that sector will have a greater effect on the Funds than if it had not concentrated its assets in that sector.

Portfolio Turnover

The length of time the Funds have held a particular security is not generally a consideration in investment decisions. The Funds' investment policies may lead to frequent changes in the Funds' investments, particularly in periods of volatile market movements. Portfolio turnover generally involves some expense to the Funds, including brokerage commissions, dealer mark-ups and other transaction costs on the sale of securities and reinvestment in other securities. The Funds' annual portfolio turnover rate will exceed 100%.

Exchange Traded Fund Risk

Although the ETFs in which the Funds invest are listed for trading on a listing exchange, there can be no assurance that an active trading market for such ETFs will be maintained. Secondary market trading in ETFs may be halted by an exchange because of market conditions or for other reasons. In addition, trading in ETFs is subject to trading halts caused by extraordinary market volatility pursuant to "circuit breaker" rules. These restrictions on trading may impede the Manager's efforts to effect the Funds' strategy. ETFs may trade at, above or below their most recent NAV. While ETFs'

creation/redemption feature is designed to make it likely that an ETF's shares normally will trade close to the its NAV, exchange prices are not expected to correlate exactly with a ETFs' NAV due to timing reasons as well as market supply and demand factors. In addition, disruptions to creations and redemptions or the existence of extreme volatility may result in trading prices that differ significantly from NAV.

"Uninvested" Capital

The Manager may from time to time invest assets of the Funds in high quality short-term instruments such as U.S. Treasury securities because suitable investments for the Funds are not then available or margin deposits are required. It is not possible to determine or even estimate the degree to which the Funds' assets will be "uninvested" from time to time, but the percentage of Funds' assets invested in short-term instruments may be high from time to time. Such periods of "uninvestment" may have a negative impact on the Funds' rate of return.

Use of Derivatives

The Funds may use derivative instruments, including without limitation, option contracts, swap agreements and forward contracts, and derivative techniques, including without limitation, synthetic short sales, for various hedging and/or speculative purposes.

Among other things, the prices of derivative instruments can be highly volatile. Price movements of derivative instruments are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. In addition, governments from time to time intervene, directly and by regulation, in certain markets, particularly those in currencies, financial futures and options. Such intervention often is intended directly to influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations.

Uncertainties remain as to how the markets for these instruments will perform during periods of unusual price volatility or instability, market illiquidity or credit distress. Market movements are difficult to predict and financing sources and related interest rates are subject to rapid change. One or more markets may move against the derivatives positions held by the Funds, thereby causing substantial losses.

Options

The Funds may purchase "put" and "call" options with respect to securities which it may otherwise purchase and with respect to various stock indices. If the Funds purchase a put option, the Funds acquire the right to sell the underlying security at a specified price at any time during the term of the option (for "American-style" options) or on the option expiration date (for "European-style" options). Purchasing put options may be used as a portfolio investment strategy when the Manager perceives significant short-term risk but

substantial capital appreciation potential for the underlying security. The put option acts as an insurance policy, as it protects against significant downward price movement while it allows full participation in any upward movement. If the Funds are holding a stock which it feels has strong fundamentals, but for some reason may be weak in the near term, the Funds may purchase a put option on such security, thereby giving itself the right to sell such security at a certain strike price, and the market price of the underlying security on the date the Funds exercise the put, less transaction costs, will be the amount by which the Funds will be able to hedge against a decline in the underlying security. If during the period of the option the market price for the underlying security remains at or above the put's strike price, the put will expire worthless, representing a loss of the price the Funds paid for the put, plus transaction costs. If the price of the underlying security increases, the profit the Funds realize on the sale of the security will be reduced by the premium paid for the put option less any amount for which the put may be sold.

If the Funds purchase a call option, it acquires the right to purchase the underlying security at a specified price at any time during the term of the option. The purchase of a call option is a type of insurance policy to hedge against losses that could occur if the Funds have a short position in the underlying security and the security thereafter increases in price. The Funds will exercise a call option only if the price of the underlying security is above the strike price at the time of exercise. If during the option period the market price for the underlying security remains at or below the strike price of the call option, the option will expire worthless, representing a loss of the price paid for the option, plus transaction costs. If the call option has been purchased to hedge a short position of the Funds in the underlying security and the price of the underlying security thereafter falls, the profit the Funds realize on the cover of the short position in the security will be reduced the premium paid of the call option less any amount for which such option may be sold.

Prior to exercise or expiration, an option may be sold when it has remaining value by a purchaser through a "closing sale transaction," which is accomplished by selling an option of the same services as the option previously purchased. The Funds generally will purchase only those options for which the Manager believes there is an active secondary market to facilitate closing transactions.

Writing Call Options. The Funds may write "covered" and "naked" call options. A call option is "covered" if the Funds own the security underlying the call or has an absolute right to acquire the security without additional cash consideration. A call option is "naked" if and to the extent that it is not "covered." The writer of a call option receives a premium and gives the purchaser the right to buy the security underlying the option at the exercise price. The writer has the obligation upon exercise of the option to deliver the underlying security against payment of the exercise price during the option period. If the writer of an exchange-traded option wishes to terminate his obligation, he may effect a "closing purchase transaction." This is accomplished by buying an option of the same series as the option previously written. A writer may not effect a closing purchase transaction after it has been notified of the exercise of an option.

The Funds will realize a gain from a closing transaction if the act of the closing transaction is less than the premium received from writing the option or if the proceeds from the closing transaction are more than the premium paid to purchase the option. The Funds will realize a loss from a closing transaction if the cost of the closing transaction is more than the premium received from writing the option or if the proceeds from the closing transaction are less than the premium paid to purchase the option; however, because increase in the market price of a call option will generally reflect increases in the market price of the underlying security, any loss to the Funds resulting from the repurchase of a call option is likely to be offset in whole or in part by appreciation for the underlying security owned by the Funds in the case of a "covered" call option. The writer of a "naked" option bears the risk that the price of the security underlying the call will rise in value above the option exercise price. To the extent the call price plus the option premium is exceeded by the market price of the underlying security, the writer of a naked option will suffer a loss.

Risks of Investing in Securities and Securities Index Options. There are several risks associated with transactions in options on securities and indices. Options may be more volatile than the underlying instruments and, therefore, on a percentage basis, an investment in options may be subject to greater fluctuation than an investment in the underlying instruments themselves. There are also significant differences between the securities and options markets that could result in an imperfect correlation between these markets, causing a given transaction not to achieve its objective. In addition, a liquid secondary market for particular options may be absent for reasons which include the following: there may be insufficient trading interest in certain options; restrictions may be imposed by an exchange on opening transactions or closing transactions or both; trading halts, suspensions or other restrictions may be imposed with respect to particular classes or series of option of underlying securities; unusual or unforeseen circumstances may interrupt normal operations on an exchange; the facilities of an exchange or clearing corporation may not at all times be adequate to handle current trading volume; or one or more exchanges could, for economic or other reasons, decide or be compelled at some future date to discontinue the trading of options (or a particular class or series of options), in which event the secondary market on that exchange (or in that class or series of options) would cease to exist, although outstanding options that had been issued by a clearing corporation as a result of trades on that exchange would continue to be exercisable in accordance with their terms.

A decision as to whether, when and how to use options involves the exercise of skill and judgment and even a well-conceived transaction may be unsuccessful to some degree because of market behavior or unexpected events. Although the purchase of an option cannot lose more than the amount of the premium plus related transaction costs, this entire amount could be lost. Moreover, the Funds as option writers could lose amounts substantially in excess of its initial investment, due to the margin and collateral requirements typically associated with such option writing.

Hedging

The Manager may (but is not obligated to) hedge the Funds' positions as a way to obtain protection against adverse price movements. However, hedging is not without its costs and limitations. For example, hedging lowers the profit potential of the investment just as it lowers the loss potential. For this reason, the Manager may choose to hedge only part of the Funds' portfolios and only for a limited period of time. Also, hedging involves expense. The Funds will have to absorb the cost of purchasing the hedge instruments as well as the brokerage and related transaction charges. At times, such costs may outweigh the benefits of obtaining the hedges.

Hedges are most effective when the hedge instrument is similar or identical to the position being hedged. A number of factors may cause the correlation between the hedging instrument and primary position to decline. These include the differential effects of volatility between various instruments and uncorrelated changes in spreads between instruments. Failure of the hedging strategy in a leveraged portfolio may cause the portfolio to incur losses exceeding its NAV.

Disciplinary Information

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management. Neither our firm nor our management personnel have responsible events to disclose.

Other Financial Industry Activities and Affiliations

Pavlik Capital Management LLC, "PCM" (Manager) manages Pavlik Capital Partners LLC ("Fund I") and Pavlik Capital Partners II ("Fund II"), which are U.S. Limited Liability Companies. Owners of PCM hold interests in both Funds. Investors receive specific disclosure of PCM's involvement in any investment partnership or company in the investment products Offering Memorandums or other governing documents prior to any investment.

PCM has not identified any material conflicts of interest as a result of these relationships or arrangements.

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

Participation or Interest in Client Transactions

PCM, its employees, or a related entity have committed their own capital to the Funds. Thus, although the Funds may, at times, buy or sell securities in which Related Persons have a material financial interest, the capital that Related Persons have in the

Funds aligns the interests of the Funds and Related Persons, and helps to eliminate potential conflicts that may exist.

Code of Ethics and Personal Trading

PCM strives to adhere to the highest industry standards of conduct based on principles of professionalism, integrity, honesty, and trust. In seeking to meet these standards, PCM has adopted a Code of Ethics. The Code of Ethics requires all employees to act with competence, dignity, integrity, and in an ethical manner when interfacing with the public, current or potential investors, third-party service providers, and fellow employees. Employees must use reasonable care and exercise independent judgment when conducting investment analysis, making investment recommendations, making investment transactions, promoting PCM's services, and engaging in other professional activities. PCM expects all employees to adhere to the highest standards with respect to any potential conflicts of interest with either the Funds or investors.

The Code of Ethics places restrictions on personal trades by employees, including that employees disclose their personal securities holdings and transactions to PCM on a periodic basis. PCM monitors employees' investment patterns in an effort to detect potentially abusive behavior. Further, to mitigate potential conflicts of interest, PCM restricts what securities employees may transact in for their personal accounts.

The Code of Ethics includes restrictions designed to supervise the giving or receiving of gifts and entertainment, political and charitable donations, and employees' outside business activities. Policies and procedures for reporting, investigating, and treating violations are included in the Code of Ethics. The Code of Ethics also includes insider trading policies and procedures that are designed to prevent the misuse of material non-public information. PCM employees are required to certify their compliance with the Code of Ethics, including PCM's insider trading policies, on a periodic basis.

Investors or prospective investors may request a copy of the Code of Ethics by contacting PCM at the address or telephone number listed on the first page of this document.

PCM requires that all individuals must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices. Any individual not in observance of the above may be subject to termination.

Brokerage Practices

Directed Brokerage

As the Manager of the Funds, PCM selects the broker-dealer with high-quality services to execute the Funds' transactions and determines the rate paid by the Funds to the broker-dealer. PCM selects the broker-dealer based on various factors. The main factors are generally quality of trade execution (including trade execution software), commission

rates, market knowledge, financial condition, potential referral of prospective Funds investors and custodial relationships.

PCM does not engage in formal soft dollar arrangements with brokers.

PCM may receive products or services from brokers that, to the best of PCM's knowledge, are of the type that are generally made available to similarly situated institutional clients of such brokers. Products and services provided to PCM by brokers may include, without limitation, proprietary or third-party research, economic and market information, industry and company and sector comments, technical data, general reports, error resolution, the availability of stocks to borrow for short sales, access to capital introduction services, consultations and similar services. Many of these products and services are made available to PCM on an unsolicited basis and without regard to transaction costs charged or the volume of business PCM directs to brokers. However, PCM may not receive those products and services provided by a prime broker or custodian if Client accounts were not held at such prime broker or custodian.

For separately managed accounts, PCM does not exercise the discretionary authority to select prime or clearing brokers for client accounts. While PCM will not accept a client account held by a prime or clearing broker with services and fees deemed unacceptable by PCM, clients should be aware that their direction of a particular broker may result in higher fees and costs than could be achieved elsewhere.

PCM will, however, typically request approval from clients to arrange transactions and negotiate commissions and fees for such transactions on behalf of clients through certain introducing parties. When exercising this limited discretion, PCM will use its best efforts to obtain best execution and brokerage services at competitive rates, taking into consideration, the reliability and quality of the execution and research services of the broker and its financial responsibility. PCM will not arrange for a client transaction through any introducing party not approved by the client. Clients are responsible for all trading costs, including mark-ups and mark-downs by counter-parties.

Clients may also designate a banking institution as their account custodian. Clients designating a bank as account custodian should understand that PCM may not have the authority to trade client accounts through any third parties outside of the banking institution and the client may not necessarily obtain commission rates and execution as favorable as those that would be obtained if PCM was able to place transactions with other broker-dealers. By directing the use of a banking institution, clients are relying solely on the banking institution's transactional capabilities. PCM will be prevented from negotiating transaction costs (including commissions) and such accounts will likely be precluded from participation in PCM's trade allocation methods.

Sequence of Order Placement

When purchasing the same order for more than one client, PCM will generally aggregate the order to ensure each client receives the same price. By aggregating orders it ensures that no particular client is favored over other clients. Specifically, each client

that participates in an aggregated order will participate at the average contract or share price for all transactions in the interests on that business day. In the event an order is partially filled, PCM will allocate interests *pro rata* with beginning of day notional AUM per account. However, the Company may increase or decrease the amount of interests allocated if it would be impractical to allocate a small number of commodity interests among the accounts participating in the transaction.

For any additional sub-advised separate accounts that either have mandated self-directed brokerage and/or custodial relationships PCM will first place orders for both Funds. Due to the sequence of placing trades for accounts it is possible that accounts that are traded first may receive more favorable pricing than accounts that are traded last, and vice versa.

Review of Accounts

All client accounts, including the Funds, are reviewed daily and intra-day to ensure adherence to our stated limits and risk management as well as any client-imposed restrictions. Our introducing broker provides daily risk and portfolio reports. PCM reviews these reports each day.

For the Funds, the fund administrator calculates the NAV at month end based on asset pricing and activity as provided by the Funds' custodians. PCM reviews the calculation of the outside administrator's NAV, expenses and performance.

For separate accounts, asset pricing is provided by the Client's custodian and/or broker and reviewed by the outside administrator. PCM reviews the calculation of the administrator's NAV, expenses and performance.

For the Funds, investors receive monthly statements from the administrator detailing net asset value, expenses and performance.

Client Referrals and Other Compensation

PCM does not pay any referral fees or any relationships in place to compensate a third party for clients or investors gained through their efforts.

Custody

All client assets are held in custody by unaffiliated broker/dealers or banks; however PCM may have access to client accounts since it serves as the manager and/or general partner of the Funds. Limited partners of the Funds will not receive statements from the custodians. Instead, the Funds are subject to annual audits and the audited financial statements are distributed to each limited partner. The audited financial statements will be prepared in accordance with generally accepted accounting principles and distributed within 120 days of the partnership's fiscal year end.

Investment Discretion

PCM has full discretionary authority to manage the assets of its Clients. This authority is granted to PCM through a subscription similar agreement, signed by the Client and PCM. Limitations on PCM's discretionary authority are included in such subscription agreement, Funds offering documents and/or PCM's internal compliance policies and procedures.

Voting Client Securities

Due to the nature of its investment activities, PCM will seldom be called upon to vote client proxies. PCM will vote any proxies in accordance with its fiduciary duty to its clients. PCM will generally seek to vote proxies in a way that maximizes the value of clients' assets. The Chief Compliance Officer coordinates PCM's proxy voting process. Clients may obtain a copy of PCM's proxy voting policies or a record of our proxy votes, if applicable, free of charge by calling 630-785-6537 or by writing to PCM at the address listed on Page 1.

For separately managed accounts PCM generally does not accept proxy voting authority, formally advise on particular solicitations or forward proxies.

Financial Information

PCM has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts, including the Funds.