

# **KCL Capital, L.P.**

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New York, NY 10022**

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This “**Brochure**” provides information about the qualifications and business practices of KCL Capital, L.P. If you have any questions about the contents of this Brochure, please contact our Chief Compliance Officer (“**CCO**”), Charlie Murphy, by email at [charlie.murphy@kclcapital.com](mailto:charlie.murphy@kclcapital.com). Information in this Brochure has not been approved or verified by the U.S. Securities and Exchange Commission (“**SEC**”) or by any state securities authority.

KCL Capital, L.P. is a Registered Investment Adviser with the SEC. Registration as an investment adviser does not imply that KCL Capital, L.P. or any of its principals or employees possesses a particular level of skill or training in the investment advisory business or any other business.

Additional information about KCL Capital, L.P. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Item 2: Material Changes**

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This Brochure is KCL's annual updating amendment. The last annual amendment was filed in March 2019, and an other-than-annual amendment was filed in December 2019 to reflect the addition of a new office.

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**Item 4: Advisory Business**

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KCL Capital, L.P. is a Delaware limited partnership (hereinafter “**KCL**”, “**we**”, “**us**”, “**our**”, the “**Firm**”, or the “**Investment Manager**”) founded in 2017. KCL serves as the investment adviser, with discretionary trading authority to the following private pooled vehicles: KCL Capital Fund, L.P., a Delaware limited partnership (the “**Onshore Fund**”); KCL Capital Offshore Fund, Ltd., a Cayman Islands exempted company (the “**Offshore Fund**”); and KCL Capital Master Fund, L.P., a Cayman Islands exempted limited partnership (the “**Master Fund**” and, together with the Onshore Fund and the Offshore Fund, the “**Funds**” and each, a “**Fund**”). KCL Capital Fund GP, L.P., a Delaware limited partnership (the “**General Partner**”), serves as the General Partner of the Onshore Fund and the Master Fund. KCL Capital Fund GP, LLC, a Delaware limited liability company, serves as the general partner of the General Partner. KCL Capital Partners, LLC, a Delaware limited liability company, serves as the general partner of the Investment Manager. Kevin Cottrell and Christopher LaSusa (each, a “**Principal**” and together, the “**Principals**”), each serves as a managing member of KCL Capital Fund GP, LLC and KCL Partners, LLC. KCL also acts as a sub-adviser to portfolios in private funds managed by registered investment advisers unaffiliated with KCL (the “**Sub-Advisory Accounts**”).

The Onshore Fund’s “**Limited Partners**” and the Offshore Fund’s “**Shareholders**” are hereafter collectively referred to as the “**Investors**” where appropriate. We do not tailor our advisory services to the individual needs of any particular Investor.

*This Brochure does not constitute an offer to sell or a solicitation of an offer to buy any securities. The Funds’ securities are offered and sold on a private placement basis under exemptions promulgated under the “**Securities Act**” of 1933 and other applicable state, federal or non-U.S. laws. Significant suitability requirements apply to prospective investors in the Funds, including requirements that they be “**accredited investors**” as defined in Securities Act and “**qualified purchasers**” as defined in the Investment Company Act of 1940. Persons reviewing this Brochure should not construe this as an offer to sell or a solicitation of an offer to buy the securities of any of the Funds described herein. Any such offer or solicitation will be made only by means of a confidential private placement memorandum.*

Our investment decisions and advice with respect to each Fund are subject to each Fund’s investment objectives and guidelines, as set forth in its respective offering documents.

We do not currently participate in any Wrap Fee Programs.

The Firm has regulatory assets under management of \$734,361,477.

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**Item 5: Fees and Compensation**

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KCL’s compensation for the investment advisory services it provides to the Sub-Advisory Accounts is comprised of an asset-based management fee and an incentive allocation that is based on the performance achieved for the account. The fees, expenses and incentive allocation with respect to the Sub-Advisory Accounts are set forth in the agreements between KCL and the investment advisers of the private funds.

The fees applicable to each Fund are set forth in detail in each Fund’s offering documents. A brief summary of such fees is provided below.

**Management Fee**

KCL is paid a management fee, payable in advance of each quarterly period, as compensation for the services to be performed by the Investment Manager (the “**Management Fee**”). Unless otherwise determined by the General Partner, the Management Fee will be calculated at the Onshore Fund and Offshore Fund level on an interest-by-interest and series-by-series basis, paid at the Master Fund level and charged at the Master Fund level to the corresponding sub-capital accounts attributable to each underlying Investor.

The Management Fee will range between 1.00% to 1.75% on an annualized basis, depending on the class of interests or shares. The Management Fee is equal to a percentage on an annualized basis of the net asset value of the interests or shares, as applicable, and is determined as of the beginning of each quarterly period.

**Adjustments to the Management Fee**

The amount of any accrued Incentive Allocation (defined below) will be excluded from the calculation of the Management Fee.

If a new Investor makes an initial investment at any time other than the first day of a quarterly period, or an existing Investor makes an additional subscription at any time other than the first day of a quarterly period, the portion of the Management Fee payable with respect to such new Investor, or with respect to such existing Investor with respect to its additional subscription, for the partial quarterly period will be *prorated* based on the number of days then-remaining in such quarterly period. For the avoidance of doubt, there will be no adjustment to the Management Fee paid with respect to any Investors to reflect such additional investment until the start of the following quarterly period.

The Investment Manager may reduce, waive, assign, participate or otherwise share or modify the Management Fee payable with respect to any Investor (including the General Partner and any affiliates of the General Partner or Investment Manager) without the consent of or notice to any Investor.

The General Partner and/or Investment Manager, as applicable, shall have the authority to alter or change the manner and method of calculating and/or paying the Management Fees for the purpose of ease of administration, including, without limitation, charging such Management Fees at the Master Fund level.

The Sub-Advisory accounts provide for payment to us of a management fee calculated based on “Notional Capital”<sup>1</sup> as of the beginning of each month calculating separately with respect to dollar-denominated tranches and paid within 15 days following the last day of the month.

***Incentive Allocation and Performance Fees***

The Master Fund General Partner will be entitled to an incentive allocation (the “**Incentive Allocation**”). The “**Incentive Allocation Percentage**” will be between seventeen point five and twenty percent (17.5-20%) with respect to all classes of interest and shares in the Funds.

The Incentive Allocation will be allocated at the Master Fund level but will be calculated with respect to each interest or series of share in the Onshore Fund and Offshore Fund such that

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<sup>1</sup> Generally, “Notional Capital” is the amount of capital that the Portfolio Manager is deemed to be investing for the benefit of the Accounts in line with the Investment Program.

any feeder fund-level income and expenses will be taken into account for purposes of calculating such Incentive Allocation. The Incentive Allocation will be debited from the Onshore Fund's and Offshore Fund's capital account in the Master Fund (and from the corresponding sub-capital accounts with respect to the portion of such Incentive Allocation attributable to each interest in the Onshore Fund and series of shares in the Offshore Fund) and credited to the capital account of the General Partner at the Master Fund level. The Incentive Allocation will be allocated on a sub-capital account by sub-capital account basis at the Master Fund level with respect to each interest in the Onshore Fund and series of shares in the Offshore Fund.

Upon final allocation thereof, the General Partner may withdraw the Incentive Allocation at any time, including, without limitation, to satisfy tax liabilities with respect thereto, without the consent of or notice to any Investor.

The Sub-Advisory accounts generally provide for payment to us of:

- (i) An annual "**Performance Fee**" equal to 20% of net profits over any loss carryforward through the end of such period.
- (ii) We are entitled to an advance "**Draw**" on our Performance Fee that is carried forward as a reduction to future Performance Fees until the full amount of the aggregate unearned Draw is earned, and subsequently reduces dollar-for-dollar, such Performance Fees.

The General Partner and/or Investment Manager, as applicable, will have the right to reduce, waive, assign, participate, share, reallocate or modify the Incentive Allocation allocable with respect to any Investor (including the General Partner and any affiliates of the General Partner or the Investment Manager) without the consent of or notice to any Investor.

#### ***Other Types of Fees or Expenses***

KCL will pay, without reimbursement by the Funds, all of its own ordinary administrative and overhead expenses, including, without limitation, all costs and expenses related to rent, salaries, office equipment, computer equipment, supplies, wages, bonuses, and other employee benefits.

The Onshore Fund and Offshore Fund each will bear all of its organizational expenses and offering expenses and its *pro rata* share of the organizational and offering expenses of the Master Fund and will reimburse the General Partner, the Investment Manager and/or the Principals, as applicable, to the extent that any of them bears organizational or offering expenses on behalf of the Partnership. Each of the Funds may amortize such organizational expenses and offering expenses for accounting purposes over a period of sixty (60) months from the date the Funds, as applicable, commences operations, or such other period of time as determined by General Partner or the Investment Manager, as applicable, in its sole and absolute discretion.

In the event that the Fund, as applicable, is wound up before such expenses are fully amortized, the unamortized portion of such expenses will be accelerated and debited against the Funds' assets, as applicable, at such time.

In addition, in general, each of the Onshore Fund and Offshore Fund will bear all of its operating expenses and its *pro rata* share of the operating expenses of the Master Fund, which will include, without limitation:

- (a) organizational and offering expenses;
- (b) expenses associated with all investments and transactions considered, evaluated and/or consummated by the such Fund or the Master Fund, as applicable, including, but not limited to, expenses associated with sourcing, negotiating, investigating, researching, financing and structuring of investments and potential investments, whether or not consummated, including third-party research, data, analytics, modeling, structuring, pricing, execution and other third-party information systems, software and service fees (including data feeds, subscriptions and reports);
- (c) research-related computer hardware and software expenses, including Bloomberg terminals and subscriptions relating to, among other things, trading and order management, other technology and services and the such Fund's pro rata share of the Investment Manager's portfolio management system;
- (d) expenses associated with holding, financing, monitoring, hedging, maintaining and disposing all investments of such Fund and the Master Fund and all transaction and other costs associated therewith;
- (e) travel and related expenses associated with investments and potential investments;
- (f) professional fees associated with investments and potential investments, including, but not limited to, consulting, due diligence, investment banking, accounting, valuation, financial, legal, and other advisory fees and expenses;
- (g) transaction fees, brokerage commissions, custodial fees, clearing and settlement charges and similar fees and expenses associated with the acquisition, disposition and settling of investments and potential investments;
- (h) expenses associated with legal and regulatory filings of such Fund or Master Fund (including, without limitation, pursuant to Sections 13 and 16 of the Securities Exchange Act of 1934, as amended, including Form 13F and Form 13H);
- (i) administrative, custodial, appraisal, valuation, legal, regulatory, compliance, consulting, advisory and similar fees and expenses associated with such Fund's or the Master Fund's operations, investments and transactions, including fees and expenses of the administrator;
- (j) broken-deal, failed transaction, break-up and similar fees, costs and expenses, subject to consultation with the advisory committee with respect to such fees;
- (k) costs and expenses of leverage or any other borrowings of such Fund or Master Fund, including interest charges and fees;
- (l) expenses incurred in the collection of monies owed to such Fund or the Master Fund, as applicable;
- (m) auditing and accounting expenses of such Fund and Master Fund, including expenses associated with the preparation of financial statements, tax returns and Schedules K-1 and the fees and expenses of the auditor;

- (n) any entity level taxes, fees, or other governmental charges on such Fund or the Master Fund, including any withholding taxes not due to the status or noncompliance of a particular Investor;
- (o) Advisory committee fees and expenses, including, without limitation, the fees of the independent members of the advisory committee;
- (p) Director's fees, as applicable;
- (q) costs and expenses associated with investor communications and reports and the delivery thereof to Investors;
- (r) the costs of service providers engaged to measure or monitor risk metrics, to aggregate positions and/or to provide reporting with respect to risk metrics and/or positions;
- (s) costs and expenses associated with any Investor meetings;
- (t) insurance expenses, including, but not limited to, directors' and officers' liability insurance, general partner liability insurance, errors and omissions insurance and other policies, if any;
- (u) costs and expenses (including entity-level taxes, fees or other governmental charges) associated with the formation, organization and operation of any subsidiary, special purpose vehicle, alternative investment vehicle, holding company, or similar entity formed with respect to investments, credit facilities or other transactions entered into for the benefit of such Fund;
- (v) wind-up, liquidation, termination and dissolution expenses;
- (w) costs, fees and expenses related to registration, qualification and/or exemption under any applicable U.S. federal, state, local, or non-U.S. laws, rules or regulations, including blue sky fees, Form D, Form 8.3, CFTC filings and notices and other securities and/or investment-related filing expenses;
- (x) costs related to any transfers of Interests, unless otherwise charged to or borne by the applicable transferor and/or transferee;
- (y) expenses incurred in connection with the preparation of any amendment to the partnership agreement, memorandum and articles, and confidential private placement memorandum of such Fund, as applicable;
- (z) any extraordinary expenses (including all litigation-related and indemnification and contribution expenses, including the amount of any judgment or settlement paid in connection therewith);
- (aa) the Management Fee; and
- (bb) all other fees, costs, charges and expenses associated with the business, affairs and/or operations of such Fund or Master Fund.

In general, each Investor will bear its proportionate share of the expenses of the Fund on a pro rata basis with respect to the relative capital account balances of net asset value of the



funds. The General Partner or Investment Manager, as applicable, may, however, allocate expenses on another basis, including by allocating certain expenses to certain (but not all) Investors, if the General Partner or Investment Manager, as applicable, determines that such an allocation is more equitable.

Neither KCL nor any of our employees accepts compensation for the sale of securities or other investment products.

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**Item 6: Performance-Based Fees and Side-By-Side Management**

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We and our affiliates accept performance-based compensation from each of the Funds (other than with respect to investments by certain Investors for which such compensation has been waived, including, for example, our friends and family).

The General Partner is entitled to receive an Incentive Allocation. The amount allocated to the General Partner is variable and cannot be determined in advance.

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**Item 7: Types of Clients**

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Our clients are the Funds, as described above.

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

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The descriptions set forth in this Brochure of specific advisory services that we offer to clients, and investment strategies pursued, and investments made by us on behalf of our clients, should not be understood to limit in any way our investment activities. We may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this Brochure, that we consider appropriate, subject to each client's investment objectives and guidelines. The investment strategies we pursue are speculative and entail substantial risks. Clients should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any client will be achieved.

***Investment Objective and Strategy***

The investment objective our Clients is to generate superior, risk-adjusted returns by employing a fundamental, low net exposure, long/short equity strategy focused on the global technology, media and telecommunications sectors.

The Investment Manager intends to invest Clients' assets primarily in publicly-traded equity and equity-related securities, and will be focused on, but not limited to, companies with a market capitalization of Three Billion U.S. Dollars (USD \$3,000,000,000) or greater in the U.S. and non-U.S. markets. We will employ short-selling, margin trading, hedging and other investment strategies.

To identify the most attractive investment opportunities, the Investment Manager conducts rigorous fundamental research on adjacent sectors and companies to leverage the compounding of knowledge. A multi-level risk management framework is designed to limit the frequency and magnitude of drawdowns and to avoid permanent loss of capital.

The investment strategies described herein are those that the Investment Manager expects to employ on behalf of the Clients. However, there are no limitations on the investment

strategies that we may employ, and the Investment Manager may adjust the strategy that it pursues opportunistically to respond to, or to take advantage of, changing market conditions and new investment opportunities. Further, the Investment Manager may invest opportunistically in securities or transactions that vary from the core strategy of the Clients. There can be no assurance that our Clients' investment objective will be achieved, and investment results may vary substantially on a monthly, quarterly and annual basis.

***Risk Management***

The Clients' investment program is speculative and entails substantial risks. There can be no assurance that the investment objectives of our Clients will be achieved or that the Client accounts will be profitable, and results may vary substantially over time. The Investment Manager will focus on managing risk through the quality of its investment process and monitoring of investments. The Investment Manager may not broadly diversify the portfolio, and, in such event, our Clients will bear greater risk with respect to each investment than would be the case with respect to a diversified portfolio.

***Risk Factors***

Our investment strategy involves substantial risks due in part to the highly speculative nature of investing in securities. Other risks include the Clients' reliance upon the Investment Manager's judgment in selecting investments and, for the Funds, limitations on withdrawal/redemption from the Onshore Fund and Offshore Fund. There can be no assurance that our Clients' investment objective will be achieved or that Investors will receive any return of capital. Investment results may vary substantially on a monthly, quarterly or annual basis.

Except where the context otherwise requires, references to the Onshore Fund or Offshore Fund and its investment and trading activities are intended to refer, as appropriate, equally to the Master Fund and activities conducted by, and expenses and liabilities incurred through, the Master Fund, and references herein to the Master Fund and its investment and trading activities are intended to refer, as appropriate, equally to the Onshore Fund and/or Offshore Fund and the activities conducted by, and expenses and liabilities incurred through, the Onshore Fund and/or Offshore Fund.

Fund interests are a potentially suitable investment only for sophisticated investors for whom an investment in the Funds does not represent a complete investment program and who, in consultation with their own investment and tax advisors, fully understand and are capable of assuming the risks of an investment in the Interests.

Prior to investing in the Onshore Fund or Offshore Fund, each Investor must carefully consider and evaluate the risk factors to be set forth in the definitive offering and organizational documents of the Funds.

***Trading Risks***

*General Investment and Trading Risks.* All securities investments present a risk of loss of capital. Volatile financial markets increase that risk. If the Investment Manager's evaluation of an investment opportunity should prove incorrect, our Clients could experience losses as a result of a decline in the market value of securities in which the Master Fund holds a long position or an increase in the value of securities in which the Master Fund holds a short position. Our Clients' investment program will include short sales, which can involve

substantial volatility and can, in certain circumstances, substantially increase the adverse impact to which our Clients may be subject. The risk management techniques that may be used by the Investment Manager do not provide any assurance that the Clients will not be exposed to a risk of significant investment losses. No guarantee or representation is made that the Clients' investment program will be successful, that Clients will achieve their targeted returns or that there will be any return of capital invested to Investors in the Onshore Fund or Offshore Fund. In addition, investment results may vary substantially over time.

*Investment Judgment.* The profitability of a significant portion of the Clients' investment program depends to a great extent upon correctly assessing the future profitability and the price movements of securities and other investments. There can be no assurance that the Investment Manager will be able to accurately predict the long-term results of any security or other investment.

*General Economic Conditions.* The success of our Clients' activities will be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of the Funds' investments), trade barriers, currency exchange controls and national and international political circumstances (including wars, terrorist acts and security operations). These factors may affect the level and volatility of the prices and liquidity of our investments and could impair the Clients' profitability or result in losses. Our Clients could incur material losses even if the Investment Manager reacts quickly to difficult market conditions, and there can be no assurance that Clients will not suffer material losses and other adverse effects from broad and rapid changes in market conditions in the future. Clients should realize that markets for the financial instruments in which we seek to invest can correlate strongly with each other at times or in ways that are difficult for the Investment Manager to predict. Even a well-analyzed approach may not protect Clients from significant losses under certain market conditions.

*Availability of Suitable Investments.* The success of Clients' investment and trading activities depend on the ability of the Investment Manager to identify overvalued and undervalued investment opportunities and to manage market exposure risk. Identification and exploitation of the investment strategies we pursue involve a high degree of uncertainty. No assurance can be given that the Investment Manager will be able to identify suitable investment opportunities in which to deploy capital. A reduction in overall market volatility and liquidity, as well as other market factors, may reduce the pool of profitable investments. Certain of the investment strategies we employ may be based on historical relationships among securities prices, exchange rates, interest rates and bond prices. There can be no assurance that these historical relationships will continue, and no representation is made by the Investment Manager as to what results Clients will or are likely to achieve based on these trends and relationships.

*Available Information.* The Investment Manager may select investments, in part, on the basis of information and data filed by the issuers of securities with various government regulators or made directly available to the Investment Manager by such issuers, or through sources other than the issuers. Although the Investment Manager evaluates all such information and data and seeks independent corroboration when the Investment Manager considers it appropriate and when it is reasonably available, the Investment Manager is not in a position to confirm the completeness, genuineness or accuracy of such information and data, and in some cases complete and accurate information is not readily available.

*Concentration of Investments; Limited Diversification and Sector Investing.* Although it is expected that the Master Fund's portfolio generally will be diversified, the Master Fund

may hold a limited amount of positions (both long and short) at any given time. As a result of the possible lack of diversification, a significant loss in any one position may have a material adverse effect on Clients' rate of return. Therefore, any fluctuation in the overall value of securities in specific industries or sectors likely will have a material effect on performance. The Investment Manager's specialized investment strategy and potential lack of diversification may be more vulnerable to changes in the economy or those industries or other factors than a broad-based portfolio, and, as a result, performance results may be highly volatile and may result in our investments significantly outperforming, or under-performing, the market as a whole.

*Equity Securities.* Equity securities fluctuate in value in response to many factors, including the activities and financial condition of individual companies, the business market in which individual companies compete, industry market conditions, interest rates and general economic environments.

*Short Sales.* Short selling involves selling securities that may or may not be owned and borrowing the same securities for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the investor to profit from a decline in market prices to the extent such decline exceeds the transaction costs and the costs of borrowing the securities. However, since the borrowed securities must be replaced by purchases at market prices to close out the short position, any appreciation in the price of the borrowed securities would result in a loss. A short sale involves the risk of a theoretically unlimited increase in the market price of the security. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss.

In addition, short sellers are subject to the risk of a "short squeeze." A short squeeze is a situation in which the short seller is prematurely forced out of a short position. The lender of a security used to cover a short generally has the right to demand the return of the security that has been loaned at any time. If a lender were to demand the return of securities that the Master Fund had borrowed, the Master Fund would be required to replace the borrowed securities by borrowing identical securities from another lender. If the Master Fund were unable to replace the borrowed securities, it would be required to close out the short sale by buying identical securities in the market to make delivery. In such event, the Master Fund could incur significant losses if the securities sold short had increased in value.

The Master Fund also could be forced to close out a short sale prematurely as a result of an increase in margin requirements, coupled with an inability to provide the required additional margin on short notice.

*Hedging.* The Master Fund may engage in certain hedging transactions, including derivatives, options and swaps. Hedges can be more difficult to implement than many other types of transactions, and the possibilities for errors may be greater than for other transactions. Additionally, there is no guarantee that these hedging transactions will prevent losses. The success of the Master Fund's hedging strategy will be subject to the Investment Manager's ability to correctly assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the investments in the portfolio being hedged. Since the characteristics of many securities change as markets change or time passes, the success of the Master Fund's hedging strategy will also be subject to the Investment Manager's ability to continually recalculate, readjust and execute hedges in an efficient and timely manner. In addition, hedging transactions may result in poorer overall performance than if no such hedging transactions were executed. Moreover, the Investment

Manager may determine not to hedge against, or may not anticipate, certain risks. Finally, Clients may be exposed to certain risks that cannot be hedged, such as credit risk (relating both to particular investments and counterparties).

*Options.* The Master Fund may engage in the trading of options when appropriate. Such trading involves risks substantially similar to those involved in trading margined securities in that options are speculative and highly leveraged. Specific market movements of the securities underlying an option cannot accurately be predicted. The purchaser of an option is subject to the risk of losing the entire purchase price of the option. The writer of an option is subject to the risk of loss resulting from the difference between the premium received for the option and the price of the security underlying the option which the writer must purchase or deliver upon exercise of the option.

*Derivatives.* The Master Fund may invest in derivative financial instruments. In addition, the Master Fund may, from time to time, utilize both exchange-traded and over-the-counter futures, options and contracts for differences, for hedging purposes, as well as other derivatives. Regulatory restraints may restrict the instruments that the Master Fund may trade. Such derivative instruments are highly volatile, involve certain special risks and expose investors to a high risk of loss. The low initial margin deposits normally required to establish a position in such instruments permit a high degree of leverage. As a result, a relatively small movement in the price of a contract may result in a gain or a loss which is high in proportion to the amount of funds actually placed as initial margin and may result in unquantifiable further losses exceeding any margin deposited. Further, when used for hedging purposes, there may be an imperfect correlation between these instruments and the investments or market sectors being hedged.

*Leverage.* The Onshore Fund, Offshore Fund and/or the Master Fund, as applicable, may employ leverage in connection with its investment strategies or for any other purpose deemed necessary, desirable or appropriate at such times, in such amounts and subject to such terms and conditions as the General Partner and/or Investment Manager, as applicable, may determine in its sole and absolute discretion. Such leverage may take a variety of forms, including loans, repurchase agreements, derivative instruments that are inherently leveraged, margin borrowing from securities brokers and dealers and other financing arrangements, as determined by the General Partner and/or Investment Manager, as applicable, in its sole and absolute discretion. The use of leverage increases both the possibility for gain and the risk of loss. Leverage may be secured by securities and other assets. Under certain circumstances, a lender may demand an increase in the collateral that secures such obligations, and if we are unable to provide additional collateral, the lender could liquidate assets held in the account to satisfy such obligations. Liquidation in that manner could have extremely adverse consequences. In addition, the amount of borrowing and the interest rates on that borrowing, both of which will fluctuate, may have an effect on profitability. In addition, the use of leverage may cause a U.S. tax-exempt Investor to realize unrelated business taxable income.

*Securities Lending and Borrowing.* The Master Fund may lend securities to securities brokers and other institutions as a means of earning additional income or may borrow securities from securities brokers or other institutions to cover short positions. If the other party to such transaction becomes insolvent or bankrupt, the Master Fund could experience delays and extra costs in recovering payment or the securities. To the extent that, in the meantime, the value of securities changes, the Master Fund could experience further losses. Security loans must be fully collateralized, and the Investment Manager must be satisfied with the creditworthiness of the other party to the transaction.

*Price and Liquidity Fluctuations of Investments.* It is expected that the Master Fund's investments will generally be in public securities. However, the market value of the Master Fund's investments may fluctuate with, among other things, changes in prevailing interest rates, general economic conditions, the condition of financial markets, developments or trends in the securities markets and the financial condition of the issuers of the securities in which the Master Fund invests. During periods of limited liquidity and higher price volatility, the Master Fund's ability to acquire or dispose of its investments at a price and time that the Master Fund deems advantageous may be impaired. As a result, in periods of rising market prices, the Master Fund may be unable to participate in price increases fully to the extent that it is unable to acquire the desired positions quickly; the Master Fund's inability to dispose fully and promptly of positions in declining markets will conversely cause its net asset value to decline as the value of unsold positions is marked to lower prices.

*Competition.* The securities industry is extremely competitive. The Investment Manager will compete for investment opportunities against various other investors, including many of the larger securities and investment banking firms, which have substantially greater financial resources and research staffs. Competitive investment activity by other firms may reduce the Master Fund's opportunity for profit by reducing the availability of or increasing the price of what the Master Fund believes to be, based on its investment criteria, exceptional investment opportunities.

*Securities Market Volatility.* Securities markets are volatile and may decline significantly in response to adverse issuer, political, regulatory, market or economic developments. Different parts of the market and different types of debt and equity securities may react differently to these developments. For example, small cap stocks may react differently than large cap stocks. Issuer, political or economic developments may affect a single issuer, issuers within an industry, sector or geographic region, or the market as a whole.

*Risk of Operations/Liquidity Risks.* Although the securities that the Master Fund may acquire will be traded on public exchanges, each exchange typically has the right to suspend or limit trading in all securities that it lists. Such a suspension could render it difficult or impossible for the Master Fund to liquidate its positions and would thereby expose it to losses. In addition, some of the securities in which the Master Fund may invest may be thinly traded, potentially making it difficult for the Master Fund to dispose of a position at the time or price desired. Moreover, in periods of extreme market volatility, the bid/ask spreads for some securities that ordinarily are liquid may widen, making it difficult or undesirable to sell the securities. Furthermore, if investors elect to withdraw/redeem a substantial amount, the Master Fund might be forced to close out existing positions at a time when it was disadvantageous to do so. There can be no assurance that the trading markets will remain liquid enough for management to close out existing positions at any time there is a need to do so.

*Risks of Foreign Investments.* The Master Fund may invest in securities of foreign companies, governments and government agencies. Investing in such securities, which are generally denominated in foreign currencies, and the use of forward foreign currency exchange contracts, involves unusual risk not typically associated with investing in securities issued by U.S. companies or by the U.S. government or its agencies or instrumentalities. Investing in emerging markets poses greater risks and a greater potential for returns than investing in developed countries. Securities of companies in these emerging markets are generally more volatile and may be much more volatile than securities issued by companies located in developed countries. The Master Fund may be affected favorably or unfavorably by exchange control regulations or changes in the exchange rate between such currencies and



the U.S. dollar. Moreover, individual foreign economies may compare unfavorably with the U.S. economy in growth of gross national product, rate of inflation, rate of savings and capital reinvestment, resource self-sufficiency, balance-of-payment positions and in other respects. Some of the countries in which the Master Fund may invest have laws and regulations that currently preclude or severely restrict direct foreign investment in securities of their companies. Securities of some foreign companies are less liquid, and their prices are more volatile than securities of comparable U.S. companies. Investing in foreign securities creates a greater risk of securities clearance and settlement problems. Further, some of the securities in which the Master Fund may invest may be thinly traded and relatively illiquid or may cease to be traded after the Master Fund invests in them. In addition to being illiquid, such securities may be issued by unseasoned companies and may be highly speculative. In addition, the Master Fund occasionally may acquire relatively large positions in a few securities. In such cases, and in the event of extreme market activity, the Master Fund may not be able to liquidate investments promptly, if the need should arise, which could materially and adversely affect the results of such investments.

*Small Capitalization Companies.* Although the Master Fund generally intends to invest in companies with large capitalization, the Master Fund may invest in securities of companies with small market capitalizations where such companies meet the investment criteria described herein. While such companies may provide significant potential for appreciation, such investments, particularly small-capitalization securities, involve higher risks in some respects than do investments in securities of larger companies. The prices of small capitalization and even medium-capitalization securities are often more volatile than prices of large capitalization securities and the risk of bankruptcy or insolvency of many smaller companies (with the attendant losses to long investors) is higher than for larger, “blue-chip” companies. In addition, due to thin trading in some medium or small-capitalization securities, an investment in those securities may be illiquid. The small to medium-sized market capitalization securities may, at times, significantly underperform the large capitalization securities and may do so in the future. A related concern for short sale risk is that smaller companies tend to be more readily acquired.

*Securities of Sub-Investment Grade Companies.* Special risks may arise if the Master Fund invests in the securities of sub-investment grade and highly leveraged companies. Although such investments may result in significant returns to the Master Fund, they involve a substantial degree of risk. If the “natural leverage” created by a company’s high level of borrowing work against a Master Fund short position, the Master Fund’s losses would be heightened. If the Master Fund purchases distressed and/or non-performing debt securities, and subsequent to purchasing them finds that they are no longer readily traded by broker-dealers, these securities may not show any return for a considerable period of time. Many distressed and/or non-performing securities ordinarily remain unpaid while the company is in bankruptcy and may not ultimately be paid unless and until the company reorganizes and/or emerges from bankruptcy proceedings. As a result, if they are no longer readily traded by broker-dealers, such securities may have to be held for an extended period of time. There is no assurance that the Investment Manager will correctly evaluate the nature and magnitude of the various factors that could affect the prospects for a successful reorganization or similar action. In any reorganization or liquidation proceeding relating to a company in which the Master Fund invests, the Master Fund may lose its entire investment. Under such circumstances, the returns generated from the Master Fund’s investments may not compensate the investors adequately for the risks assumed.

*Special Situation Investments.* The Master Fund may invest in companies involved in, or the target of, acquisition attempts or tender offers or in companies involved in or

undergoing work-outs, liquidations, spin-offs, reorganizations, bankruptcies or other catalytic changes or similar transactions. In any investment opportunity involving any such type of special situation, there exists the risk that the contemplated transaction either will be unsuccessful, take considerable time or will result in a distribution of cash or a new security, the value of which will be less than the purchase price to the Master Fund of the security or other financial instrument in respect of which such distribution is received. Similarly, if an anticipated transaction does not in fact occur, the Master Fund may be required to sell its investment at a loss. Because there is substantial uncertainty concerning the outcome of the transactions involving financially troubled companies in which the Master Fund may invest, there is a potential risk of loss by the Master Fund of its entire investment in such companies.

*Borrowing; Interest Rates; Margin.* The General Partner and/or the Investment Manager may borrow funds from brokerage firms and banks on behalf of the Onshore Fund, Offshore Fund and/or the Master Fund to be able to increase the amount of capital available for marketable securities investments. The rates at which the Onshore Fund, Offshore Fund or the Master Fund can borrow, in particular, will affect the operating results of the Funds. Even if the Master Fund makes a profit on a trade, the interest expense incurred in carrying the position may exceed the profit generated by the trade. Any use of short-term borrowings or repurchase agreements will result in certain additional risks to the Funds. For example, should the securities pledged to brokers to secure the Master Fund's margin accounts or repurchase obligation decline in value, the Master Fund could be subject to a "margin call," pursuant to which the Master Fund must either deposit additional funds with the broker or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a sudden drop in the value of the Master Fund's assets, the Master Fund might not be able to liquidate assets quickly enough to pay off its margin debt.

*Institutional Risks; Counterparty Risk.* Institutions will have custody of the assets of the Funds. Certain assets of the Funds will be exposed to the credit risk of the dealers, brokers and exchanges through which the Investment Manager deals, whether the Investment Manager engages in exchange-traded or off-exchange transactions. These firms and/or financial institutions, regardless of how large or well-capitalized, may encounter financial difficulties that impair the operating capabilities or the capital position of the Funds. If any broker-dealer or other financial institution holding the Clients' assets were to become bankrupt or insolvent, it is possible that the Client would be able to recover only a portion, or in certain circumstances, none of its assets held by such bankrupt or insolvent entity.

*Discretion and Changes in Investment Strategy.* The Investment Manager has considerable discretion in choosing the securities that may be acquired, and it has the right to modify the investment strategy, selection criteria or hedging techniques used by the Clients without the consent of the Investors.

*Business Continuity and Disaster Recovery.* The General Partner, the Investment Manager, their affiliates, the Clients' and their portfolio companies' business operations may be vulnerable to disruption in the case of catastrophic events such as fires, natural disaster (e.g., tornadoes, floods, hurricanes and earthquakes), terrorist attacks or other circumstances resulting in property damage, network interruption and / or prolonged power outages. Although the General Partner, the Investment Manager and/or their affiliates have implemented various measures to manage risks relating to these types of events, there can be no assurances that all contingencies can be planned for. If such business operations are disrupted or suspended for extended periods of time, Clients may be adversely affected.



*Cyber Security Breaches and Identity Theft.* The General Partner, the Investment Manager, their affiliates, the Clients' and their service providers' and portfolio companies' information and technology systems may be vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons, other security breaches and/or usage errors by their respective professionals. Although the General Partner, the Investment Manager and/or their affiliates have implemented various measures to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, the General Partner, the Investment Manager, their affiliates, one or more Funds, their service providers and/or their portfolio companies may have to make a significant investment to fix or replace them. The failure of these systems for any reason could cause significant interruptions in such parties' operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors (and the beneficial owners of investors). Such a failure could harm the reputation of the General Partner, the Investment Manager, their affiliates, the Clients and/or their portfolio companies, subject any such entity and their respective affiliates to legal claims and/or otherwise affect their business and financial performance. Specifically, cyberattacks and the failure of such systems may interfere with the processing of investor subscriptions or withdrawals/redemptions, impact the Clients' ability to value their assets, cause the release of confidential information and/or subject the Funds to regulatory fines, penalties or financial losses, reimbursement or other compensation costs, and/or additional compliance costs. The Funds also may incur substantial costs for cyber-security risk management to prevent any cyber incidents in the future. The Funds and their investors could be negatively impacted as a result.

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**Item 9: Disciplinary Information**

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There are no 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.

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

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Neither we nor our management persons are registered as broker-dealers, and neither of us has any application pending to register with the SEC as a broker-dealer or registered representative of a broker-dealer, respectively.

The General Partner has delegated its responsibility as commodity pool operator ("CPO") of the Onshore Fund and the Master Fund to the Investment Manager, and the directors of the Offshore Fund have delegated their responsibility as CPO of the Offshore Fund to the Investment Manager. In such role, the Investment Manager is exempt from registration with the U.S. Commodity Futures Trading Commission (the "CFTC") as a CPO pursuant to CFTC Rule 4.13(a)(3). Pursuant to an applicable exemption, the Investment Manager is also exempt from registration with the CFTC as a commodity trading advisor.

We do not recommend or select other investment advisers for our clients.

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

KCL has adopted a “**Code of Ethics**” that establishes the high standard of conduct that we expect of our employees and procedures regarding our employees’ personal trading of securities. Our employees are required to certify their adherence to the terms set forth in the Code of Ethics upon commencement of employment and annually thereafter. Employees also are required to provide quarterly certifications of compliance with certain Code of Ethics provisions.

The foundation of our Code of Ethics is based upon the following underlying fiduciary principles:

- Employees must at all times place Clients’ interests first;
- Employees must ensure that all personal securities transactions are conducted consistent with the Code of Ethics’ Employee Investment Policy (described below); and
- Employees should not take inappropriate advantage of their position at the Firm.

***Personal Securities Trading***

Employees, their spouses, immediate family members and other dependents are required to request that their brokers send duplicate copies of personal discretionary brokerage account statements to the CCO. These records are used to monitor compliance with the KCL “**Employee Investment Policy**.” The Employee Investment Policy restricts employees’ personal securities trading to only liquidating trades of securities held by the employee at the time of employment with the Firm (a “**Liquidating Trade**”) subject to the CCO’s pre-approval. Employees are prohibited from trading in any single securities other than government and municipal-focused securities. Employees are permitted to trade ETFs and ETNs subject to the CCO’s pre-approval. ETF and ETN transactions are subject to a minimum holding period of at least 90 days.

Employees must obtain pre-approval from the CCO before: (i) making a Liquidating Trade; (ii) engaging in any outside business activities that may present a conflict with the employees’ duties at the Firm; or (iii) making any private investments.

We will provide a copy of our Code of Ethics to our Investors, or any prospective investor or client, upon request, to be viewed on the premises.

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

Neither we nor our related persons generally purchase any securities for our own accounts from, or sell any securities for our own accounts to, the Funds. We may solicit qualified clients to invest in a Fund. We will inform each client of our relationship with a Fund prior to the client’s investment, but we do not intend to advise clients as to the appropriateness of the investment and we will not receive any compensation for selling interests in a Fund (except to the extent that we receive our Management Fee and Incentive Allocation from the Funds).

We disclose these, and other potential conflicts of interest, to Investors in the Fund’s offering documents. Offering documents are delivered to Investors prior to their investment and

Investors are given the opportunity to ask questions and seek answers regarding, among other things, potential conflicts involving us, our affiliates, or the executive officers of the foregoing.

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**Item 12: Brokerage Practices**

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KCL is authorized to determine the broker-dealer to be used for executing securities transactions for Clients. In selecting broker-dealers to execute transactions, we do not need to solicit competitive bids and do not have an obligation to seek the lowest available commission cost. The Funds' securities and other assets are held in securities accounts at our prime brokers that are "Qualified Custodians" as defined in the Investment Advisers Act of 1940, as amended (the "**Advisers Act**").

***Best Execution***

In selecting brokers and negotiating commission rates, the Investment Manager will take into account the financial stability and reputation of brokerage firms, and the research, brokerage, or other services provided by such brokers.

The Master Fund will maintain an account with the Prime Brokers, through which the Master Fund may execute trades, borrow securities and maintain custody of its securities. The Investment Manager reserves the right to change the brokerage and custodial arrangements described above.

In selecting an appropriate broker-dealer to effect a client trade, we seek to obtain "**Best Execution**," meaning generally the execution of a securities transaction for a client in such a manner that a client's total costs or proceeds in the transaction are most favourable under the circumstances. Accordingly, in seeking Best Execution, we will take into consideration a number of qualitative and quantitative factors, including: the ability to achieve prompt and reliable executions; the ability to obtain access to a security; the financial stability and reputation of the particular broker-dealer; the quality, comprehensiveness, frequency of available research and related services considered to be of value to the Master Fund; and the competitiveness of commission rates in comparison with other broker-dealers satisfying the other selection criteria. Research and related services furnished by broker-dealers may include written information and analyses concerning specific securities, companies or sectors; market, financial and economic studies and forecasts; statistics and pricing services, and discussions with research personnel.

***Soft Dollars***

The Firm may use "**Soft Dollars**". In such cases, Soft Dollar credits, generated by the Master Fund's trading activities, would be used to purchase brokerage and research services or products that would otherwise have been Client expenses. We intend to keep any such arrangements within the parameters of the safe harbor of Section 28(e) of the Securities Exchange Act of 1934.

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**Item 13: Review of Accounts**

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Our portfolio manager and investment professionals continuously monitor and analyze the transactions, positions, and investment levels to ensure that they conform with the investment objectives and guidelines that are stated in the Funds' offering documents. In

these reviews, we pay particular attention to any changes in the investment's fundamentals, overall risk management and changes in the markets that may affect price levels.

***Account Reporting***

We perform various periodic reviews of each client's portfolio. Such reviews are conducted by our officers.

We will distribute annual audited financial statements with respect to the previous fiscal year to all Investors within 120 days of the relevant Fund's fiscal year end. We intend to distribute other interim reports to Investors.

**Item 14: Client Referrals and Other Compensation**

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We do not receive economic benefits from non-clients for providing investment advice and other advisory services. Neither we nor any of our related persons, directly or indirectly, compensate any person who is not a supervised person for client referrals.

**Item 15: Custody**

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We will comply with Advisers Act's Custody Rule by meeting the conditions of the pooled vehicle annual audit approach. Upon completion of the relevant Fund's annual audit by an independent auditor that is registered with, and subject to inspection by, the Public Company Accounting Oversight Board (PCAOB), we will distribute the Fund's audited financials to Investors within 120 days of the Fund's fiscal year end.

**Item 16: Investment Discretion**

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We will have full discretionary authority over the Master Fund including authority to make decisions with respect to which securities to be bought and sold, as well as the amount and price of those securities.

**Item 17: Voting Client Securities**

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In compliance with the Advisers Act's Proxy Voting Rule, we have adopted proxy voting policies and procedures. The general policy is to vote all proxy proposals, amendments, consents or resolutions (collectively, "**Proxies**") in a prudent and diligent manner that will serve the applicable client's best interests and is in line with each client's investment objectives.

We may take into account all relevant factors, as determined by us in our discretion, including, without limitation:

- the impact on the value of the securities or instruments owned by the relevant client and the returns on those securities;
- the anticipated associated costs and benefits;
- the continued or increased availability of portfolio information; and
- industry and business practices.

Generally, clients may not direct our vote in a particular solicitation.

Clients may obtain a copy of our Proxy voting policies and our Proxy voting record upon request.

**Item 18: Financial Information**

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We are not required to include a balance sheet for our most recent fiscal year, are not aware of any financial condition reasonably likely to impair our ability to meet contractual commitments to clients and have not been the subject of a bankruptcy petition at any time during the past ten years.