

**Part 2A of Form ADV: Firm Brochure**

**Item 1 - Cover Page**

**KCPS Capital Management Ltd.**

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This brochure provides information about the qualifications and business practices of KCPS Capital Management Ltd. If you have any questions about the contents of this brochure, please contact Adi Birk, the Chief Compliance Officer, either by telephone at +972-3-777-9000 or by e-mail at [adi@claritycap.com](mailto:adi@claritycap.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

KCPS Capital Management Ltd. is a registered investment adviser. Registration as an investment adviser reflects only that a firm has registered with the SEC and does not imply a certain level of skill or training.

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

**Item 2 - Material Changes**

There have been no material changes since KCPS Capital Management Ltd.'s recent annual updating amendment to the Form ADV Part 2A, which was filed on March 29, 2019.

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#### **Item 4 - Advisory Business**

KCPS Capital Management Ltd. (“we,” “us” or “our”) is an Israeli limited company that was formed in March 2007. We are 100% owned and controlled by KCPS Clarity Capital Group Ltd., formerly KCPS & Company (2007) Ltd.

We serve as general partner of, and provide discretionary investment advice to, Clarity Private Income Portfolio (Cayman) LP (the “CPIP Fund”). The investment objective of the CPIP Fund is to generate excess risk adjusted returns, with an emphasis on current income. The CPIP Fund is no longer accepting capital commitments and is no longer making new investments. The CPIP Fund holds existing investments in third-party managed investment funds (the “Underlying Funds”) that are predominantly focused on private debt opportunities as well as financial instruments that are uncorrelated to the public markets. The CPIP Fund has two classes of limited partnership interests: one that is suitable for U.S. taxable investors and another that is suitable for non-U.S. or U.S. tax exempt investors. Although these classes invested on a side-by-side basis, their investments differ for relevant legal, tax, regulatory or other considerations. (*See Item 6.*) Accordingly, the returns and profits for these classes may vary.

We do not tailor advisory services to individual or particular needs of investors in the CPIP Fund. We have broad investment authority with respect to the CPIP Fund. Since we do not provide individualized advice to the CPIP Fund’s investors, such investors are encouraged to consider whether the investment objectives of the CPIP Fund are in line with their individual objectives and risk tolerance prior to investment. (*See Item 16.*)

In addition to the advisory services provided to CPIP, we advise a separately managed account (the “SMA”) on a non-discretionary basis pursuant to the terms of the investment management agreement entered into by and between us and the SMA.

We do not participate in wrap fee programs.

As of December 31, 2019, our regulatory assets under management totaled approximately \$33 million. Of such amount, approximately \$32 million was managed by us on a discretionary basis and approximately \$1 million was managed by us on a non-discretionary basis.

## **Item 5 - Fees and Compensation**

### Management Fee

We are entitled to receive a management fee from the CPIP Fund at a rate of 1.25% per annum of the net asset value of the CPIP Fund. Such fee is calculated and payable by the CPIP Fund in advance on a quarterly basis. We may waive the CPIP Fund's management fee with respect to any investor. Clarity Capital KCPS Ltd. ("Clarity KCPS"), our related person, introduces or recommends the CPIP Fund to its clients if it determines that the CPIP Fund is suitable for their risk profiles and investment guidelines (see *Item 10* below). Currently, we waive the CPIP Fund's management fee for such investors.

We also receive performance allocations from the CPIP Fund, as further described in *Item 6* below.

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

The CPIP Fund also holds an investment in a private fund managed by the Third-Party Manager.

We are also entitled to receive referral fee for distribution of two private funds.

### Expenses

The CPIP Fund will bear all of the costs and expenses incurred in connection with its organization and the organization of any other parallel or alternative entities, as well as for us in our capacity as the general partner of the CPIP Fund and any other entity pertaining to the foregoing, as well as the offering of limited partnership interests, including legal and accounting fees, expenses and fees related to our registration as an investment adviser with the SEC and any applicable U.S. state securities authority, printing costs, travel, filing and other administration expenses. Additionally, the CPIP Fund will bear all of the costs and expenses directly related to its investment activities, including, as applicable, any third-party research costs, interest expense, any costs and expenses that are not capitalized as part of the cost of an investment or reimbursed by another party, any costs and expenses directly related to proposed investments which were not consummated (*i.e.*, broken-deal expenses), and brokerage costs (*see Item 12* for additional information on brokerage practices). In addition, the CPIP Fund will bear all of the costs and expenses relating to its administration, including accounting, audit, administration, custodian and legal expenses, our regulatory compliance fees and expenses to the extent related to the CPIP Fund, any insurance, indemnity or

litigation expenses, and costs associated with reporting and providing information to its existing and prospective investors.

In addition, the CPIP Fund may in the future bear a portion of our operating and overhead expenses in an amount equal to 0.1% per annum of the net asset value of the CPIP Fund.

As noted herein, the CPIP Fund makes investments in Underlying Funds. In addition to the fees and expenses described above, the CPIP Fund incurs indirectly similar fees and expenses when we invest its capital in Underlying Funds, as those entities in turn pay similar fees and expenses to their investment managers and other service providers.

Please refer to the CPIP Fund's offering memorandum or governing documents for a complete understanding of how management fees are calculated and deducted, as well as a discussion relating to the expenses chargeable to the CPIP Fund and its investors. The information contained herein is a summary only and is qualified in its entirety by such document.

As of today we bear all the SMA pro rata expenses that should have been shared between the SMA and the Funds.

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

The CPIP Fund is subject to a performance allocation, which is generally equal to ten percent (10%) of the cash proceeds or marketable securities received by the CPIP Fund after a return of investors' capital commitment and subject to a five percent (5%) hurdle rate. We may, from time to time, elect to reduce, or waive the performance allocation with respect to any investor in the CPIP Fund. Currently, we waive the performance allocation for each Clarity KCPS client that invested in the CPIP Fund through an introduction or recommendation by Clarity KCPS as long as such client remains Clarity KCPS' client. Please refer to the CPIP Fund's offering memorandum or governing documents for a more detailed description of the performance allocation.

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

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

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

As noted above, the two classes of the CPIP Fund generally invested on a side-by-side basis in each investment in proportion to their respective amount of capital commitments available for such investment. It is possible, however, based on any relevant legal, tax, regulatory or other considerations, that in our sole discretion (i) both classes will not participate in every investment, (ii) investments may be allocated on a different basis determined by us, (iii) a class may invest in an investment at a different time, and/or (iv) the manner in which investments are structured may vary among the classes.

## **Item 7 - Types of Clients**

We provide investment advice to the CPIP Fund and to the SMA. Investors in the CPIP Fund and the owner of our SMA are generally high net worth individuals, corporations, personal trusts, and IRA accounts that qualify as “accredited investors” (as defined in Rule 501 under the Securities Act of 1933, as amended) and “qualified clients” (as defined in Rule 205-3 under the Investment Advisers Act of 1940, as amended (the “Advisers Act”)). CPIP Fund is no longer accepting new investments.

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



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

### Methods of Analysis and Investment Strategies Generally

#### ***The CPIP Fund***

The investment objective of the CPIP Fund is to generate excess risk adjusted returns, with an emphasis on current income. The CPIP Fund is no longer making new investments, but holds existing investments in Underlying Funds, which are predominantly focused on private debt opportunities as well as financial instruments that are uncorrelated to the public markets. The CPIP Fund targeted a diversified pool of assets with moderate risk and relatively uncorrelated investments.

The composition of the CPIP Fund's portfolio, including the selection of the Underlying Funds, has been an iterative process combining both top-down asset allocation considerations and bottom-up Underlying Fund selection. Through the investment process, we sought to ensure appropriate diversification by strategies and collateral type, geographic regions and number of Underlying Funds. The process also looked to balance these considerations with expected returns per strategy and Underlying Fund in order to design a portfolio exhibiting an attractive risk/return profile.

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

### Risk Factors

*General Market Risk.* An investment in the CPIP Fund is speculative and involves a high degree of risk. There can be no assurance that the investment objectives of the CPIP Fund will be achieved or that an investment in the CPIP Fund will generate positive returns. The CPIP Fund has substantial limitations on investors' ability to withdraw or transfer their interests, and no secondary market for the CPIP Fund's interests exists or is expected to develop. The CPIP Fund's investment techniques involve significant risks which are described in detail in its offering documents or other governing documents. Prospective investors are strongly urged to review the applicable offering memorandum or other governing documents carefully and consult with their own financial, legal and tax advisers before investing in a Fund.

*Risks associated with the Fund's Investment Strategies.* The success of the CPIP Fund's investment activities may depend, in part or to a greater extent, on our ability to identify investments that have the potential for superior relative returns. There can be no assurance that we will be able to identify at any time a sufficient number of Underlying Funds to permit the CPIP Fund to invest all of its capital or to diversify its portfolio of investments to the extent required to achieve efficient portfolio management. The CPIP Fund may be subject to significant competition in seeking investments.

*Portfolio Valuation.* The Underlying Funds hold loans or privately placed securities for which no public market exists. Because of overall size, concentration in particular markets and maturities of positions held by the Underlying Funds, the value at which its investments can be liquidated may differ, sometimes significantly, from the interim valuations arrived at by the investment managers to such Underlying Funds in accordance with their valuation methodologies. In addition, the timing of liquidations may also affect the values obtained thereon. Generally, third party pricing information may not be available for most positions held by the Underlying Funds. We are entitled to rely on the information and valuation data provided by the Underlying Funds, which data may not always be provided in a timely manner and which may contain valuation errors.

*Risk of Borrower Default.* An Underlying Fund's failure to satisfy financial or operating covenants imposed by the lenders could lead to defaults and, potentially, acceleration of the time when the loans are due. Foreclosure on its assets representing collateral for its obligations, which could trigger cross defaults under other agreements and result in prepayment of the loans or jeopardize a portfolio company's ability to meet its obligations under the debt that the CPIP Fund holds and the value of any equity securities it owns. An Underlying Fund may also incur substantial litigation and other expenses to the extent necessary to seek recovery upon default or to negotiate new terms with a defaulting portfolio company.

*Corporate Debt Obligations.* Underlying Funds may make loans to middle market companies, including companies experiencing financial trouble or those undergoing significant change or expansion. Such loans are typically expected to be term loans. Most of these loans are expected to be below investment grade or not rated. Underlying Funds also may invest directly or through participations in loans with revolving credit features or other commitments or guarantees to lend funds in the future. Failure by an Underlying Fund to advance requested funds to a borrower could result in claims against the Underlying Fund and in possible assertions of offsets against amounts previously lent.

*Investments in Debt Obligations are Subject to Credit and Interest Rate Risks.* Underlying Funds that invest in debt instruments are subject to credit and interest rate risks. "Credit risk" refers to the likelihood that an issuer will default in the payment of principal and/or interest on an instrument and how this risk changes over time. "Interest rate risk" refers to the risks associated with market changes in interest rates.

*Fraud.* Investments may involve structural, covenant and other contractual protections as determined appropriate under the circumstances. Of paramount concern in private debt investments is the possibility of material misrepresentation or omission on the part of a counterparty, such counterparty's affiliates or

other credit support providers or breach of covenant by such parties. Such inaccuracy or incompleteness or breach of covenants may adversely affect the valuation of collateral underlying the investment or may adversely affect the ability of an Underlying Fund to perfect or foreclose a lien on the collateral securing the investment or otherwise realize on the investment. Investments involve reliance upon the accuracy and completeness of representations made by the counterparties and the managers of the Underlying Funds and related entities, but we cannot guarantee such accuracy or completeness. While we and/or the Underlying Funds will conduct due diligence with respect to its counterparties and their collateral before investing, including, if applicable, obtaining third party valuation reports, and will seek to obtain appropriate monitoring rights, there can be no assurance that we or the Underlying Funds will detect such fraud or inaccuracy or that the Underlying Funds' investments will not be adversely affected by such fraud or inaccuracy.

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

*Lack of Control Over the Borrowers.* An Underlying Fund generally will not be in a position to control any borrower by investing in its equity securities and/or providing debt financing. As a result, each Underlying Fund is subject to the risk that a borrower in which the Underlying Fund invests may make business decisions with which the Underlying Fund disagrees and the management of such borrower, as representatives of the holders of their common equity, may take risks or otherwise act in ways that do not serve the interests of the Underlying Fund as a minority stakeholder and/or creditor

### ***Investment Strategies for the SMA***

With respect to SMA, we recommend or introduce alternative investments in private fund vehicles and separate accounts managed by other investment managers on a non-discretionary basis. The owner of the SMA should be aware that investments in such products may carry additional risks relating to the particular investment strategies employed by other investment managers in connection with such alternative investments.

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

### **Risk Factors - SMAs**

An investment in an SMA is generally subject to the same risks detailed above for the CPIP Fund, which can be found above.

**Item 9 - Disciplinary Information**

*Not applicable.*

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

### Affiliated Investment Advisers and Sponsors of Private Funds

#### *Clarity KCPS, CDAP, CDAP-GP Company and CCIS*

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

- Clarity KCPS, an Israeli limited company based in Tel Aviv, Israel, provides investment management services to a variety of clients, including high net worth individuals and institutions through separate accounts. Clarity KCPS is registered as an investment adviser with the SEC (SEC # 801-73767).
- Clarity Diversified Alternatives Portfolio Management Ltd. (“CDAP”), a Delaware corporation based in New York, New York, provides discretionary investment management services to private fund vehicles and also to individuals and institutions through separate accounts. CDAP is registered as an investment adviser with the SEC (SEC # 801-107107).
- Clarity Diversified Alternatives Portfolio Holdings L.P., a Delaware limited partnership based in New York, New York, serves as the general partner of, and holds management shares of, private fund vehicles managed by CDAP.
- Clarity Capital Investment Services Ltd. (“CCIS”), an Israeli limited company based in Tel Aviv, Israel and wholly owned and controlled by Clarity KCPS, serves as the general partner of, and provides discretionary investment management services to, a private fund (the “CCIS Fund”). CCIS has applied for registration as an investment adviser with the SEC.

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

The CCIS pursues a strategy that is, in some respects, similar to that of the CPIP Fund. As noted above, the investment term for the CPIP Fund has expired and such fund is in the process of liquidating investments. As a result, the CPIP Fund may already hold certain investments that are managed by the same manager made by CCIS Fund and may liquidate such investments at a time when the CCIS Fund continues to hold them.

Some of our employees serve as dual officers, employees or investment committee members of one or more other KCPS Affiliates. In addition, a member of our Investment Committee is also the Chief Investment Officer of Clarity KCPS and a member of the investment committee for each of CDAP and CCIS. When we and our related persons concurrently manage client accounts/investment products, and particularly when dual officers/employees/investment committee members are involved, this presents certain conflicts, as described below.

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

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

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

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

In providing advisory services to our clients, we may enter into consultancy agreements with other KCPS Affiliates with respect to the provision of administration, research, analysis and monitoring services to us.

When a client of a KCPS Affiliate invests through another KCPS Affiliate as a result of such relationship, the client will not be subject to two layers of fees in connection with such investment. In addition, one or more KCPS Affiliates may recommend that their clients invest in Underlying Funds in which the CPIP Fund invests as a result of clients' needs and restrictions that will not allow them to invest through the CPIP Fund. We do not believe that these side-by-side investments in the same underlying vehicles pose a conflict

because we have processes in place to ensure that a client is not subject to two layers of fees in connection with such investments (see above) and we do not earn any additional benefits if a client invests through the CPIP Fund or KCPS Affiliates.

In addition, CDAP directs to us some of its advisory fees for legal, tax or other reasons. None of our clients will pay any fees to, or directly bear any expenses incurred by us with respect to these arrangements

#### *KCS Partners*

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

#### Introductions and Recommendations by Affiliated Adviser

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

#### Non-Discretionary Investment Advice Regarding Private Funds

In general, we seek to avoid situations which might create conflicts of interest. Nonetheless, as noted above, we or our related persons receive a portion of the asset based fees and performance fees our clients would have otherwise been charged directly from their underlying investments in private funds managed by the Third-Party Manager. This creates an incentive for us to continue to recommend investments in such underlying private funds in order to continue to receive advisory fees. We note that these advisory fees may be directed or passed on (portion or whole) to one or more KCPS Affiliates for business, legal, tax or other reasons and that CDAP directs to us some of its advisory fees for legal, tax or other reasons with respect to its clients' investments in such Third-Party Manager.



Investments by the CPIP Fund contemplated by this section are subject to our investment committee's review and approval.

In addition, subject to our personal trading policies, certain of our related persons or employees of ours or the KCPS Affiliates may invest directly in vehicles managed by the Third-Party Managers.

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

For additional information, please see the CPIP Fund's offering memorandum.

#### Management of Multiple Accounts

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

#### Principal Transactions

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

#### Affiliation with Broker Dealer

Two of our supervised persons are registered representatives of an unaffiliated broker-dealer.

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

### Code of Ethics Overview

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

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

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

### Participation or Interest in Client Transactions

Our related persons and our respective employees have personal investments in certain client accounts (including the CPIP Fund). In addition, we and our affiliates receive performance-based allocations from the CPIP Fund and other vehicles managed by the KCPS Affiliates. As a result, we and the KCPS Affiliates may have a conflict of interest in allocating time and investment opportunities among our respective client accounts. We feel that this conflict is mitigated because the KCPS Affiliates and our respective employees have a responsibility to determine the appropriate investments based for each client account based on the client’s needs. (*See Item 6 above* for information about our allocation processes.)

### Personal Trading

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

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

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

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

## **Item 12 - Brokerage Practices**

### Selection of Brokers

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

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

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

### Research and Other Soft Dollar Benefits

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

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

### Aggregation

The aggregation or blocking of client transactions may allow an adviser to execute transactions in a more timely, equitable, and efficient manner and seeks to reduce overall commission charges to clients. When both classes of the CPIP Fund participate in the same trades, we will generally aggregate such trades, unless aggregation is not possible or not consistent with our duty to seek best execution. Each class will participate at the average price for all of the transactions in the relevant security on a given business day, with

transaction costs shared *pro rata* based on the respective participation in the transaction by each class.

#### Trade Errors

As a fiduciary, we have the responsibility to effect orders correctly, promptly, and in the best interests of our clients. In the event any error occurs in the handling of any client transactions, due to our actions, or inaction, or actions of others, we will assess each trade error on a case-by-case basis.

### **Item 13 - Review of Accounts**

#### Portfolio Review

We review the CPIP Fund's account on an ongoing basis. In addition to our staff, we have an independent fund administrator for the CPIP Fund, which is responsible for back office procedures and reporting for the CPIP Fund.

#### Reporting

We will furnish to the CPIP Fund's investors (i) the balance of each investor's capital account as of the end of each fiscal quarter within 60 days thereafter, (ii) annual audited financial statements within 180 days after the end of each fiscal year and (iii) annual tax information for the completion of income tax returns.

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

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

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

Currently, we do not compensate any external third-party marketers for introductions to potential investors or clients.

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

We or our related persons entered into written arrangements with third party marketers for the referral of potential investors to the CPIP Fund. Pursuant to the terms of such arrangements, such third party marketers are entitled to a percentage of management fees earned by us or our related persons on referred assets.

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

## **Item 15 - Custody**

For purposes of Rule 206(4)-2 under the Advisers Act (the “Custody Rule”), we are deemed to have custody over the CPIP Fund’s assets. In accordance with the Custody Rule, a qualified custodian is not required to deliver quarterly account statements to the CPIP Fund or its investors as long as (i) the CPIP Fund is audited by an independent public accountant that is registered with, and subject to inspection by, the Public Company Accounting Oversight Board, (ii) the CPIP Fund’s audited financial statements are prepared in accordance with U.S. generally accepted accounting principles, and (iii) we deliver such annual audited financial statements to investors within 120 days (or 180 days in the case of a multi-manager vehicle) after the end of the CPIP Fund’s fiscal year.

We do not have custody over the SMA’s assets. The Third-Party Manager or the custodian of the SMA periodically provide account statements to us and/or directly to the owner of the SMA. In turn, we or our related persons provide quarterly reports to the owner of the SMA. The owner of the SMA should carefully review these statements.



**Item 16 - Investment Discretion**

We have discretionary authority to manage investments on behalf of the CPIP Fund. The investors in the CPIP Fund generally may not place any limits on our authority beyond the limitations set forth in the governing documents and/or offering memorandum of the CPIP Fund.

We receive investment authority with respect to the types and amounts of securities sold or purchased by or on behalf of the SMA pursuant to the terms of its investment management agreement. Our SMA is non-discretionary.

### **Item 17 - Voting Client Securities**

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

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

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

**Item 18 - Financial Information**

*Not applicable.*

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

*Not applicable.*