

# Leucadia Asset Management LLC

## Point Bonita Capital Division

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## FORM ADV PART 2A

The Brochure

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**This brochure provides information about the qualifications and business practices of Leucadia Asset Management LLC (f/k/a Jefferies Investment Advisers, LLC) ("LAM"). If you have any questions about the contents of this brochure, please contact us at (212) 323-3380. 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. LAM is registered as an investment adviser with the SEC. Registration does not imply that a registered adviser has achieved a certain level of skill, expertise, or training in providing advisory services to its clients.**

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

## **Item 2. Material Changes**

This is an annual filing for the Point Bonita Capital Division of Leucadia Asset Management LLC. We have included the following updates in this Brochure:

\*Item 4 has been updated to reflect Regulatory Assets Under Management as of December 31, 2020 of \$222,923,113.00

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#### Item 4. Advisory Business

Leucadia Asset Management LLC (f/k/a Jefferies Investment Advisers, LLC) (“LAM” or “we” or the “Manager”), is a registered investment adviser, and is a wholly-owned subsidiary of Jefferies Group LLC (an indirect wholly-owned subsidiary of Jefferies Financial Group Inc. (“Jefferies”). LAM, established in 2002, has been registered as an investment adviser with the Securities and Exchange Commission (the “SEC”) since January 2003. This Brochure relates to our Point Bonita Capital Division (“Point Bonita”). Point Bonita engages in the business of offering advisory and portfolio management services to institutional clients through separately managed accounts (“SMAs”) and private funds (each, a “Fund” and collectively “Funds”, and each SMA and Fund, collectively, “Accounts”). Other brochures describe other services which we offer outside of Point Bonita.

Our principal place of business is in New York, New York, where we perform portfolio management, research, quantitative analysis, systems development, trading, operations, accounting, legal and compliance functions. Point Bonita also maintains an office in San Francisco, California. Various affiliates of LAM perform administrative functions and services (such as Human Resources, Information Technology, Accounts Payable, Treasury, and Purchasing) in New York, New York, Jersey City, New Jersey and other U.S. locations of Jefferies Group LLC and its subsidiaries.

LAM currently serves as the investment manager of an affiliated SMA (the “Affiliated SMA”). LAM also serves as the manager of Point Bonita Capital Fund LLC, a Delaware limited liability company (the “Onshore Feeder Fund”), PBC1 Fund LLC, a Delaware limited liability company, and Point Bonita Capital Master Fund A LLC, a Delaware limited liability company (“Master Fund A”), and the investment manager for Point Bonita Capital Fund (Cayman) LP, a Cayman Islands exempted limited partnership (the “Offshore Feeder Fund” and, together with the Onshore Feeder Fund, the “Feeder Funds”), PBC2 Fund Ltd., a Cayman Islands exempted company, and Point Bonita Capital Master Fund B Ltd., a Cayman Islands exempted company. Fund interests in the Feeder Funds are privately offered to persons which are both “accredited investors” under the Securities Act of 1933 and “qualified purchasers” under the Investment Company Act of 1940, as amended.

The Point Bonita strategy seeks to capitalize on market inefficiencies in trade finance. Trade finance facilitates commerce by closing the trade cycle funding gap (*i.e.*, the time between delivery of goods or services and payment for those goods or services) experienced by sellers of such goods and services (“Suppliers”) throughout the supply chain. Over the years, payment periods on receivables and payables have grown from shorter time periods to longer time periods for Suppliers, which the Manager believes is draining liquidity and creating an opportunity for disintermediation. Point Bonita’s investment strategy seeks to provide a steady, high-quality return to investors by addressing a persistent need for focused funding of receivables and payables. The Fund intends to focus primarily on investments in short-term trade receivables (“Trade Receivables”) and short-term trade payables (“Trade Payables” and, together with the Trade Receivables, “Trade Finance Investments”). Trade Finance Investments invested in by the Fund are expected to generally be outstanding between 90-120 days and the average portfolio duration of Trade Finance Investments is expected to be significantly less than one year. Investments in Trade Finance Investments can take the form of direct purchases, participations, options and other derivatives, and other structures. The Fund may also make short-term investments in credit instruments (including bonds, notes, and loans) and derivatives that the Manager believes to be trade-finance focused and in cash equivalents, such as U.S. government securities and/or money market funds, for cash management purposes (“Short-Term Investments” and, together with the Trade Finance Investments, the “Investments”).

As part of the investment program, the Fund may use leverage when deemed it appropriate. Leverage may take the form of the use of a subscription facility and entering into other forms of direct or indirect financing. The Fund may utilize leverage in the general management of its assets. The exact amount and nature of such leverage and the form or structure of such leverage may vary from time to time and will be dependent upon market conditions and the terms and restrictions imposed by the leverage providers. The Fund’s use of leverage may be significantly changed from time to time solely at the discretion of the Manager.

The Fund may, in some circumstances, also purchase credit protection and/or implement certain hedges in respect of credit, market or other risks that are inherent in the Fund’s Investments, including purchasing credit

insurance and/or utilizing credit-default swaps or other derivatives. However, the Fund is not required to acquire any level of credit insurance or engage in any level of hedging and may elect to leave certain risks unhedged.

As of December 31, 2020, Point Bonita has Regulatory Assets Under Management totaling \$222,923,113.00 on a discretionary basis. Point Bonita does not manage assets on a non-discretionary basis. The term “Regulatory Assets Under Management” is defined by the SEC in the instructions to Form ADV and is calculated in accordance with the requirements prescribed by the SEC.

## Item 5. Fees and Compensation

We typically receive management fees and/or incentive fees, which can vary by Fund and by SMA.

For Funds, management fees, which accrue monthly and are payable monthly in arrears, are generally 1.5% per annum of an investor's net invested capital. With respect to the Fund, the incentive allocation is generally 17% of the increase of the Net Asset Value attributable to each investor's capital account in the Fund. The incentive allocation is generally allocated at the end of the calendar year or upon redemption. With the assistance of the Funds' third party administrator, we deduct our fees directly from the accounts of our Fund clients. Management and incentive fees with respect to SMAs are generally similar to those charged to our private funds; however, we may agree with our SMA clients to alternate fee structures, including fee structures that involve only an incentive fee with no management fee. We directly invoice our SMA clients for any management fees periodically in arrears (typically quarterly), although we may agree to alternate billing arrangements. We do not deduct fees directly from SMA client accounts.

The fees received by us are explained more fully in the offering memorandum for the Fund (the "Offering Memorandum") or, in the case of an SMA, are set forth in the investment management agreement between the client and ourselves (together with any Offering Memorandum, the "Disclosure Document").

The fees described above are our typical fee rates for the Fund. We may, in our sole discretion, waive, reduce, rebate or calculate differently in respect of an investor, all or a portion of the fees due to us. Each Fund has the right to enter into agreements with one or more of its investors providing for a waiver or modification of certain terms of the Fund. Such arrangements are documented in the offering documents or side letter agreements with particular investors in certain Funds.

When we consider appropriate, we may invest a portion of an Account's assets in one or more money market funds. When any such investments are made, the Account will be paying, in addition to the compensation payable to us, the Account's proportionate share of any management fees charged by the manager of such money market fund, mutual fund or exchange-traded fund.

Our SMA clients bear their own trading and operational expenses directly, and Funds generally bear all such expenses (other than initial organizational and offering expenses), as well as the costs related to the pro rata share of their respective master fund's operations. For both Funds and SMAs, we bear our own overhead costs (such as rent and salaries). Operational expenses borne by Accounts include audit, tax, administration, execution, exchange, financing, clearing and custody fees.

## **Item 6. Performance-Based Fees and Side-by-Side Management**

### **PERFORMANCE BASED FEES.**

We receive performance-based fees from all of our clients in the form of incentive fees. Prospective investors should note that (i) the fact that incentive fees may be payable out of increases in net trading profits may create an incentive for us to make investments that are riskier or more speculative than would be the case if we were compensated solely based on a flat percentage of capital and (ii) we may receive increased compensation because the incentive fees are calculated on a basis that includes unrealized appreciation as well as realized gains.

### **SIDE-BY-SIDE MANAGEMENT.**

We currently do not expect to trade on behalf of multiple client Accounts, however we expect to continue to manage an Affiliated SMA for the time being. As described in “Fees and Compensation” above, we receive performance-based incentive fees from all Accounts. Some Accounts also pay us management fees. As a result, we could have a conflict of interest, because we can potentially receive proportionately greater compensation from those Accounts that pay us incentive fees and management fees than from those Accounts that pay us incentive fees only.

We owe a fiduciary duty to our clients not to favor one Account over another, without regard to the types and amounts of fees paid by those Accounts. In light of the conflicts of interest described above, we have allocation policies and procedures in place to ensure that Accounts are treated fairly. However, we do not necessarily trade for Accounts on a pari passu basis, as some Accounts may be distinguished from one another by their investment objectives, investment methodology, fee terms or other investment or trading parameters. In particular, we currently manage an Affiliated SMA, which is subject to specified investment guidelines and is not required to trade on a pari passu basis with other Accounts. Accordingly, our investment professionals may cause purchases or sales to be effected for one or more Accounts while not causing such purchases or sales to be effected for other Accounts. We may determine also to use substantially different degrees of leverage in certain Accounts when effecting a transaction, when maintaining a position, or in conducting an Accounts activities generally. Discretion as to which Accounts will receive allocations of particular positions may occur whether investment opportunities are limited or unlimited, and opportunities to participate in transactions may not necessarily be allocated among the Accounts in any particular proportion. For example, but without limitation, proprietary accounts of our affiliates or client Accounts, in trading a new, experimental or different strategies, may enter the same markets earlier than (either days before or on the same day as) other Accounts.

Common trades on the same day for Accounts managed by the same portfolio management group generally are allocated, where possible, on the basis of the relative assets committed to the strategy at the average price per share among such Accounts. While no Account will be given investment priority over any other Account, each Account may have separate investment objectives and investment restrictions which we are required to follow; as a result, certain investment opportunities may be appropriate for certain Accounts and not for others. We apply such considerations as we deem appropriate, including relative size of such entities, amount of available capital, size of existing positions in the same or similar securities, leverage and tax considerations and other factors. Nevertheless, prospective investors should understand that we, and our investment professionals, may have an incentive to favor certain Accounts over others.

## Item 7. Types of Clients

We provide advisory services to the following types of clients:

- Private funds (e.g., hedge funds);
- Corporations and other business entities; and
- Other institutional investors.

Private funds are generally organized as “master-feeder” structures whereby a U.S. feeder fund domiciled in Delaware and a non-U.S. feeder fund domiciled in the Cayman Islands invest in a master fund that may be a Cayman Islands exempted company. Each private fund is excepted from the definition of an “investment company” pursuant to Section 3(c)(7) of the Investment Company Act of 1940 (the “Company Act”). The investors in these private funds are generally “accredited investors,” as that term is defined in Regulation D promulgated under the Securities Act of 1933, and “qualified purchasers” as that term is defined in the Company Act and the rules promulgated thereunder. Each of the private funds sets minimum investment requirements for the investors in such vehicle. These minimum investments are typically \$10,000,000. Such minimum investment requirements may be waived at our discretion, except to the extent that such waiver is expressly prohibited by the constituent documents of the private fund or applicable law.

SMA clients are typically institutional investors. These clients must be “qualified eligible persons” as that term is defined in Commodity Futures Trading Commission Rule 4.7 and/or “qualified clients” as defined in SEC Rule 205-3, as applicable. We review any requests for managed accounts on a case-by-case basis, but the minimum investment is typically \$50,000,000, which minimum we may waive in our discretion.



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

The following is a summary of the investment strategies and methods of analysis we generally employ on behalf of our clients. Specific descriptions of such strategies and methods are included in the relevant Disclosure Documents. All investments involve risk of loss that investors should be prepared to bear.

### INVESTMENT STRATEGY AND METHODS OF ANALYSIS

Point Bonita offers strategies which seek to achieve an investment objective agreed with the applicable client or as set forth in the relevant Disclosure Documents (the “Investment Objective”). Our strategies present risks to our clients and clients must fully understand and accept those risks before making any investment or establishing an SMA.

Each strategy, as well as trading approaches used in the strategies, is proprietary and highly confidential. Accordingly, clients should note that the descriptions set out below are general only and are not intended to be exhaustive.

While strategies offered through Point Bonita are largely comprised of Trade Finance Investments (in respect of which investments therein can take the form of direct purchases, participations, options and other derivatives and other structures), our strategies rely on the discretion of our investment professionals, who may employ one or more proprietary investment and/or trading strategies and methodologies (collectively “Strategies”). These Strategies may include short-term credit instruments and derivatives, and short-term corporate bonds and cash equivalents, such as U.S. government securities and/or money market funds, as well.

We are under no requirement to limit ourselves to a particular Strategy level of exposure. In general, our Strategies are determined by the judgment or discretion of our investment professionals.

We may formulate new approaches and investment strategies to carry out our principal Investment Objectives based on, among other factors, changing market circumstances. This includes (without limitation) the incorporation of new markets, instruments and strategies. We will notify a client of such changes only if they amount to material changes to the Investment Objective.

Clients should note that the foregoing is not intended to be an exhaustive description of the strategies and Strategies that may be employed by us. At various times, we may employ on behalf of Accounts any of the Strategies discussed herein in various proportions as well as others, some of which may involve higher levels of risk. There is risk associated with each Strategy and there is no assurance that any of the Strategies will be profitable or that we will be able to achieve the Investment Objective or avoid losses. The Strategies used present special and significant risks which investors should carefully consider in conjunction with their investment, legal and tax advisors. In addition, clients may request, and/or we may develop, additional strategies with some similarities to existing strategies. Any such strategies may be subject to risks and conflicts of interest, and also may be subject to additional risks and conflicts of interest that may be described in the applicable Disclosure Documents. A description of certain of those risks appears below.

### RISKS RELATING TO TRADING AND THE MARKETS

**Trade Finance Investments.** The Accounts invest in Trade Finance Investments, which are payment obligations due to a supplier from its customers (“Account Debtors”) arising out of the sale of goods or services. Buyers of Trade Finance Investments generally purchase Trade Finance Investments at a discount to their expected realizable value. Trade Finance Investments are illiquid and may have a relatively junior position compared to securities and other debt owed by the Account Debtor. Because of the absence of a regulated market for Trade Finance Investments and the decreased transparency of pricing information with respect to Trade Finance Investments (and the resulting difficulties in determining market values for them) as well as the risk that a Trade Finance Investment may be subordinated to other debt and thus could be reduced or discharged in an Account

Debtor's bankruptcy, the prices and/or returns realized on such Investments could be less than the price originally paid by an Account. Point Bonita seeks to capitalize on inefficiencies in the trade finance industry and there is no way of knowing how long this inefficiency will last.

**Uncertainty of Timing of Payments.** Trade Finance Investments are permitted to be paid at any time on or prior to their due date; however there is no assurance that an Account Debtor will be able to make payments by the due date or that any particular pattern of timing of payments will occur. No assurance can be given as to the timeliness or collectability of Account Debtor payments for any future period. If Account Debtors take longer to make their payments or if an Account is unable to collect on the Trade Finance Investments and incurs expenses (including legal fees) in enforcing its rights that cannot be recovered, then performance may be materially adversely affected, and an investor could lose their investment in part or in whole. In general, economic factors, including the occurrence of another recession due to the COVID-19 pandemic or other economic downturn, may have an adverse impact upon the performance of the Trade Finance Investments. Additionally, negative economic developments, which could adversely impact an Account Debtor's ability to sell the purchased goods or provide its services and, in turn, provide payment to a supplier or could lead to a bankruptcy or similar insolvency proceeding of an Account Debtor is likely to have an adverse impact if there is a decline in demand from Account Debtors of goods and products from suppliers or a decline in demand for services, which will adversely affect Point Bonita's ability to source Trade Finance Investments and pursue its Strategy.

**The Sale of Trade Finance Investments from a Supplier could be recharacterized as a Grant of a Security Interest to Secure a Loan and Limit Point Bonita's Rights in the Event of a Bankruptcy of the related Supplier.** Suppliers will not be restricted from incurring indebtedness, whether secured or unsecured. If a supplier were to become a debtor in a case under the United States Bankruptcy Code of 1978, as amended (the "Bankruptcy Code") or similar laws in foreign jurisdictions where the supplier is formed or located, there would be imposed an automatic stay upon all actions against the supplier and all property of the estate of the supplier immediately upon the filing of the bankruptcy petition.. To the extent the sale of the Trade Finance Investment is not respected as a "true sale" of the Trade Finance Investment and remains in the supplier's bankruptcy estate, the automatic stay under the Bankruptcy Code will prohibit an Account from collecting, transferring or otherwise exercising its ownership rights over the purchased Trade Finance Investments. However, the automatic stay will not apply to any "true sale" of Trade Finance Investments that occurs prior to the filing of the bankruptcy petition, because such Trade Finance Investments will have been removed from the property of the supplier's estate prior to such filing.

**Trade Finance Investments are Unsecured.** The Trade Finance Investments are unsecured obligations of the applicable Account Debtor, may be subordinated to other obligations of the Account Debtor, and generally have greater credit, insolvency and liquidity risk than is typically associated with secured obligations. Unsecured obligations will generally have lower rates of recovery than secured obligations if there is a default by the Account Debtor because there is no collateral that can be liquidated. Moreover, Account Debtors are not restricted by an Account or the related supplier from incurring other indebtedness, whether secured or unsecured. In the event of a bankruptcy of an Account Debtor, an Account, as a holder of a Trade Finance Investment owing by the Account Debtor, will be considered a general, unsecured creditor of the Account Debtor, will have fewer rights than secured creditors of the Account Debtor and will be subordinate to the secured creditors of the Account Debtor. Recourse for payment of the Trade Finance Investments is limited to the unencumbered assets of the Account Debtor. Point Bonita may also attempt to collect payment from an Account Debtor, although such efforts may also be insufficient and may also result in undue costs to an Account.

**Failure to Perfect a First Priority Security Interest in Trade Finance Investments under the UCC Could Result in Losses.** Point Bonita expects to perfect the sale of Trade Finance Investments under the Uniform Commercial Code ("UCC") (or have a first priority secured claim in the Trade Finance Investments in the event a sale is recharacterized as a pledge to secure a loan). The Manager intends to file financing statements against each supplier under the UCC to perfect the sale of the Trade Finance Investments by such supplier to an Account. In addition, the Manager intends to run lien searches against each supplier to ascertain whether there are other secured creditors that have perfected prior liens against the supplier, the Trade Finance Investments or goods and services related thereto of which such Trade Finance Investments are proceeds thereof. However, if the Manager fails to perfect the sale of the Trade Finance Investments, including due to incorrect information included in the UCC financing statement, changes in the supplier's information from that on the UCC financing

statement, delays by UCC filing services, UCC filing office errors, government closures, inaccurate or incomplete lien searches, or the existence of other prior liens that may not require public filings, such as certain tax liens or mechanics' liens, then the Manager's ability to receive collections in respect of a Trade Finance Investment may be adversely affected and some or all of the collections on the Trade Finance Investment may be uncollectible. Accordingly, such failure to perfect under the UCC could result in significant losses to an Account.

**Trade Finance Investments are Subject to Dilution Risk.** Trade Finance Investments purchased may be subject to certain dilution due to offsets, discounts or reductions to the payment obligations of the related Account Debtor granted or acknowledged by a supplier. There can be no assurances that the supplier will have sufficient funds to make such dilution payments. If suppliers are unable to make such dilution payments, an Account could suffer losses.

**Affiliate Transactions.** The Accounts may enter into participations, swaps or other related-party transactions with an affiliate of the Manager to facilitate Investments of such Account. Such transactions may arise in situations where the Manager deems it to be advantageous to an Account to participate in such affiliate transactions instead of acquiring the investment directly, for example, where the Trade Finance Investment exceeds the risk limit of an Account and an Account wishes to participate in only a portion of such investment or where the Manager is able to obtain preferential pricing, credit protection or operational efficiencies by participating in such affiliate transaction. It is intended that any such affiliate transaction will be done on an arms' length basis at the then fair market values. Given the illiquid nature of the Trade Finance Investments and recent market events, any determination of the fair market value is inherently uncertain and will be based on prior period net asset value estimates provided, that are then adjusted to account for fluctuations in fair market value since such prior period valuation. Moreover, Accounts will be subject to the credit and performance risks of the counterparty to such affiliate transaction.

**Due Diligence Risk.** There can be no assurance that the Manager's due diligence processes will uncover all relevant facts or that any purchase of a Trade Finance Investment will be successful, which could result in significant losses on those Trade Finance Investments. Moreover, such an investigation may be costly and will not necessarily result in the Investment being successful. Certain jurisdictions may have laws that make obtaining information about Account Debtors or any other parties relevant to a Trade Finance Investment difficult or impracticable.

**Valuation Risk.** Trade Finance Investments are illiquid and have no readily ascertainable market prices. The Manager may value such Trade Finance Investments based on its estimates, or an independent third party's estimate, of their fair value as of the date of determination, which often involves significant subjectivity. There is no single standard for determining fair value in good faith. Because such valuations will be inherently uncertain, may fluctuate significantly over short periods of time and will be based on estimates and other material assumptions, the Manager's determinations of fair value may differ materially from the values that would have been used if a readily available market for Trade Finance Investments existed and may differ materially from the values that may ultimately be realized for such investments.

**Use of Leverage.** Point Bonita may utilize significant leverage in its investment program. Direct leverage increases returns if an Account is able to earn a greater return on Investments purchased with borrowed funds than the cost of borrowing such funds. However, the use of leverage exposes an Account to additional levels of risk, including (i) greater losses from Investments than would otherwise have been the case had the Account not borrowed to make the Investment, (ii) margin calls or interim margin requirements which may force premature liquidations of investment positions and (iii) losses on Investments if the Investment fails to earn a return that equals or exceeds an Account's cost of borrowing such funds. In the event of a sudden, precipitous drop in value of the Account's assets, the Account might not be able to receive payments from Trade Finance Investments quickly enough to repay their borrowings, further magnifying their losses. Use of leverage tends to magnify the gains or losses from investment activities and the overall volatility. In addition, leverage results in interest expense and other costs and premiums. With respect to embedded leverage, the Account may be subject to major losses in the event that market events disrupt the hedged nature of its positions or be forced to liquidate positions at a disadvantageous time. Furthermore, the credit extended to permit an Account to maintain its leveraged position can be terminated by the dealers largely in their discretion, forcing such liquidation at potentially material losses.

Additionally, there can be no assurance that an Account will be able to establish or maintain adequate financing arrangements on acceptable terms or under all market conditions. To the extent the Account enters into financing facilities through derivatives or other instruments, it may be subject to "mark-to-market" risk with respect to the value of certain collateral, and significant price movement may result in withdrawn financing lines. As a result, credit may become abruptly unavailable, and the Account could be closed out of positions prematurely and at disadvantageous prices by certain brokers and dealers. The adverse effects of such close-outs could be exacerbated in the event that such limitations or restrictions are imposed suddenly and/or by multiple market participants at or about the same time. The failure to satisfy a margin call, or the occurrence of other material defaults under margin or other financing agreements, may trigger cross-defaults under the Account's agreements with other brokers, lenders, clearing firms or other counterparties, magnifying the adverse impact on the Account. Such circumstances may persist or recur, may lower the expected rates of return and may impede the Account's ability to maintain or employ leverage or maintain positions, having a material adverse effect on the Account's performance.

**Credit Instruments.** Point Bonita intends to make short-term investments in credit instruments (including bonds, notes and loans) that the Manager believes to be trade finance focused and in cash equivalents, such as U.S. government securities, for cash management purposes. These credit instruments may pay fixed, variable or floating rates of interest, and may include zero coupon obligations. The value of the credit instruments in which Accounts may invest changes both as general market conditions change and as the general levels of interest rates fluctuate. When interest rates decline, the value of the Fund's investments in fixed-rate credit instruments can be expected to rise. Conversely, when interest rates rise, the value of such fixed-rate credit instruments is generally expected to decline. Credit instruments are subject to the risk of the issuer's inability to meet principal and interest payments on its obligations (*i.e.*, credit risk) and are subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity (*i.e.*, market risk). Corporate debt instruments may also be subject to credit ratings downgrades. A major economic recession could disrupt severely the market for such credit instruments and may have an adverse impact on the value of such credit instruments. In addition, any such economic downturn could adversely affect the ability of the issuers of such credit instruments to repay principal and pay interest thereon and increase the incidence of default for such credit instruments. Investments in lower rated or unrated credit instruments, while generally providing greater opportunity for gain and income than investments in higher rated credit instruments, usually entail greater risk (including the possibility of default or bankruptcy of the issuers of such credit instruments). Credit instruments may not be exchange traded and therefore, usually carry a higher level of liquidity and mark-to-market risk potential than most exchange-traded debt securities.

**Foreign Currency Considerations.** Some Investments, and some income, will be denominated in foreign currencies. Changes in foreign currency exchange rates may affect the value of income received, and an Account will incur costs in connection with conversions between various currencies. An Account may hedge this risk by using borrowed funds in the non-USD currency, although the Manager may determine not to hedge all or any of the foreign exchange risk associated with the Fund's Trade Finance Investments. The Manager may also use swap contracts or enter into forward, futures or options contracts to purchase or sell foreign currencies.

**Hedging Instruments.** To the extent permitted by the Disclosure Documents, we may cause Accounts to enter into swaps, forwards and other negotiated principal transactions and to sell securities short for hedging, leveraging or other purposes. Typically, these techniques involve one or more of the following risks: (i) imperfect correlation between the performance and value of the instrument and the value of the Account's securities; (ii) possible lack of a secondary market for closing out a position in such instrument; (iii) losses resulting from interest rate, spread or other market movements not anticipated by us; (iv) the possible obligation to meet additional margin or other payment requirements, all of which could worsen the Account's position; and (v) default or refusal to perform on the part of the counterparty with which the Account trades. The ability of the Account to hedge successfully will depend on our ability to predict pertinent market movements, which cannot be assured. We are not required to hedge and there can be no assurance that hedging transactions will be available or, even if undertaken, will be effective. In addition, it is not possible to hedge fully or perfectly against currency fluctuations affecting the value of securities denominated in non-U.S. currencies because the value of those securities is likely to fluctuate as a result of independent factors not related to currency fluctuations. Moreover, it should be noted that the

Accounts will always be exposed to certain risks that cannot be hedged, such as credit risk (relating both to particular securities and counterparties).

**Credit Risk.** To the extent that an Account enters into over-the-counter contracts, there may be no daily settlements of variations in value, and there is no requirement to segregate funds held with respect to such contracts. In such cases, the Account is subject to the credit risk of any other securities brokerage firm, foreign exchange broker or OTC counterparty with which it enters into a swap or OTC transaction.

**COVID-19.** In the winter of 2020, the global outbreak of Coronavirus (or COVID-19) created enormous unprecedented economic and social uncertainty throughout the world. At the date of this Brochure, that uncertainty continues and has increased in scope and intensity. The ultimate impact of the Coronavirus outbreak (or of any future pandemic, epidemic or outbreak of a contagious disease) is difficult to predict, but, Coronavirus and the reactions to it have already had dramatic adverse effects on global, national and local economies and on financial markets, and there is a significant likelihood that that negative impact will persist for some time. In particular, disruptions to commercial activity across economies due to the imposition of quarantines, remote working policies, “social distancing” practices and travel restrictions, and/or failures to contain the outbreak despite these measures, could materially and adversely impact the Fund’s investments, both in the near- and long-term in a variety of industries and regions or globally. The imposition of such restrictions (including “shelter-in-place” or “lock-down” directives) could materially disrupt the Manager’s business activities. Similar disruptions have occurred and may continue to occur in respect of our service providers and counterparties (including any providers of financing). In addition, the outbreak of Coronavirus has contributed to, and may continue to contribute to, volatility in financial markets, which may disrupt historical pricing relationships or trends, cause positions to become illiquid, disrupt the availability of financing or negatively impact the performance. Governmental responses to the Coronavirus outbreak may be inadequate to limit the outbreak’s spread or to mitigate its impact on any nation’s economy or the global economy, and these responses could have adverse effects, intended and unintended, on markets. The extent to which COVID-19 affects the Manager and the Accounts will depend on developments, which can occur extremely rapidly but cannot be predicted, including emerging new information about the severity of COVID-19, the actions taken to contain COVID-19, and actions proposed or taken to mitigate its impact.

**Possibility of Additional Government or Market Regulation.** Market disruptions and the dramatic increase in the capital allocated to automated, systematic trading strategies and alternative investment strategies (including futures strategies) during recent years have led to increased governmental as well as self-regulatory scrutiny of investment strategies. In addition, certain legislation proposing greater regulation of the industry is periodically considered by the U.S. Congress, as well as the governing bodies of non-U.S. jurisdictions. It is impossible to predict what, if any, changes in the regulations applicable to us, the markets in which our clients trade and invest, the size of position limits, or the counterparties with which our clients do business may be instituted in the future. Any such regulation could have a material adverse impact on our clients, require increased transparency as to the identity of our clients, or restrict our ability or willingness to continue providing our advisory services.

**Custody of Financial Instruments.** The Accounts will not maintain custody of financial instruments invested in with the custody of a bank or a member of a national securities exchange in the manner required of registered investment companies under rules promulgated by the SEC. A registered investment company which places its securities in the custody of a member of a national securities exchange is required, among other things, to have a written custodian agreement, which provides that securities held in custody will be at all times individually segregated from the securities of any other person and marked to clearly identify such securities as the property of such investment company. The Accounts, except as otherwise described herein, generally maintains such accounts at brokerage firms which do not separately segregate such assets. Under the provisions of the Securities Investor Protection Act of 1970, as amended, the bankruptcy of any such brokerage firm might have a greater adverse effect on Accounts than would be the case if the accounts were maintained to meet the requirements applicable to registered investment companies.

**Institutional and Counterparty Risk.** Accounts are subject to the risk that swap dealers, banks and other brokers, counterparties or clearinghouses with which an Account deals may default on their obligations. Any default by any of such parties could result in material losses to an Account. Bankruptcy or fraud at one of these institutions could also impair the operational capabilities or the capital position of an Account. In addition, any securities

and other assets deposited with custodians or brokers may not be clearly identified as being assets of an Account, causing the Account to be exposed to a credit risk with regard to such parties. In certain instances, an Account may be an unsecured creditor of its trading counterparties in the event of bankruptcy or administration of such counterparties. In some jurisdictions, an Account may also only be an unsecured creditor of its brokers in the event of bankruptcy or administration of such brokers. An Account will attempt to limit its brokerage and custody transactions to well capitalized and established banks and brokerage firms in an effort to mitigate such risks.

**Use of Forecasts and Models.** The Strategies may be highly dependent on a number of quantitatively based models, some of which may be developed internally. These models employ assumptions by the Manager in respect of timing of payments by Account Debtors, frequency of disputes and offsets, industry, market and economic risk and any other variables that the Manager may take into account in determining whether to acquire a Trade Finance Investment for an Account. Any one or all of these assumptions, whether or not supported by past experience, could prove over time to be incorrect. For example, models may postulate or their efficacy may depend on assumptions regarding the existence of relationships that appear to hold true or in fact held true in the past but that may not exist or hold true in the future. In addition, as market dynamics shift over time (for example, due to changed market conditions and participants), a previously highly successful model could become outdated or inaccurate, perhaps without the Manager recognizing that fact before substantial losses are incurred. There can be no assurance that the Manager will be successful in developing and maintaining effective models.

**Potential Loss of Investment and Amounts in Excess of the Investment.** The past results of our portfolio managers or other investment professionals, and our past results or those of our affiliates are not necessarily indicative of the future performance of an Account. As is true of any investment, there is a risk that an investment with us will be lost entirely or in part, including losses in excess of the amount committed to an Account, requiring an investor to commit additional capital to cover those losses. None of our strategies is a complete investment program (nor are all strategies together a complete investment program) and should represent only a portion of an investor's portfolio management strategy.

**Our Performance May Be Adversely Affected by Increased Assets Under Our Management.** The success achieved by trading advisers or managers often diminishes as the assets under their management increases. We have not agreed to limit the amount of additional assets that we will manage.

**Potential Inability to Trade or Report Due to Systems Failure.** Many of our strategies are highly dependent on the proper functioning of our internal and external computer systems. Accordingly, systems failures, whether due to third party failures upon which such systems are dependent or the failure of our hardware or software, could disrupt trading or make trading impossible until such failure is remedied. Any such failure, and consequential inability to trade (even for a short time), could, in certain market conditions, cause the Accounts to experience significant trading losses or to miss opportunities for profitable trading.

**Dependence Upon a Limited Group of Investment Professionals.** The Strategies are substantially dependent upon the skill, judgment and expertise of a very limited group of our investment professionals. The death, disability or other unavailability of one or more of our investment professionals could be material and adverse to the Accounts.

**Competition in the Trade Finance Investments Investing Industry.** Investing in Trade Finance Investments is highly competitive and recently, other investment managers have also invested in Trade Finance Investments. The success or failure of an Account's investment activities will depend, in part, upon its ability to purchase Trade Finance Investments of sufficient quality at discounts so that the Account may earn a return. There is no guarantee that the Account will be able to find suitable investment opportunities. The Manager utilizes, at times, receivables platforms, among other channels, to source Trade Finance Investments from suppliers and to track the status of payments owed to an Account. In the event that these receivables platforms are no longer offering services or no longer offering services at competitive prices or the receivable platform is not operating for any reason, the Manager's ability to acquire Trade Finance Investments or collect in respect of Trade Finance Investments might be impaired, and could have a material adverse effect on the investment strategy and result in losses to the Account.

**Lack of Diversification.** There are no absolute diversification or concentration constraints on the Accounts and investments will be solely concentrated in acquiring Trade Finance Investments. The value of an investment in

an Account may be subject to greater volatility and may be more susceptible to any single economic, political or regulatory occurrences or the fortunes of a single industry than would be the case if the Account's investments were more diversified.

**No Operating History.** The Funds have been recently established and have no operating history upon which potential investors may evaluate the Funds' likely future performance. While certain investment professionals have substantial experience investing in certain types of opportunities that the Accounts pursue, there can be no assurance that the Accounts will generate performance results equivalent to the past results generated by these investment professionals or that the Accounts will avoid losses. Market conditions and trading approaches are continually changing, and the fact that certain investment professionals may have achieved certain positive performance in the past may be largely irrelevant to an Account's prospects for profitability. PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS. NO ASSURANCE CAN BE MADE THAT PROFITS WILL BE ACHIEVED OR THAT SUBSTANTIAL LOSSES WILL NOT BE INCURRED.

**New Product Type for the Manager.** The Manager and its investment professionals have not previously managed a stand-alone commingled investment fund focused on investing in Trade Finance Investments, and there can be no assurance that the Manager and its investment professionals will be successful in doing so.

**Illiquidity.** The majority, if not all, of the Investments acquired by the Accounts are short-dated illiquid instruments, and consequently the Accounts may not be able to sell such Investments at prices that reflect the Manager's assessment of their value or the amount paid for such Investment, especially given the short duration of the Investment. Furthermore, there is no established market for Trade Finance Investments, and any sale of a Trade Finance Investment would require engaging in negotiations with a buyer and entering into specific documentation as opposed to other financial instruments that are traded openly on exchange markets. Additionally, there may also be legal, contractual or other restrictions on transferring such Trade Finance Investments.

**Substantial Charges.** Each Account is subject to substantial charges and must generate profits and interest income which exceed its fixed costs in order to avoid depletion of its assets. Such charges include, among others, brokerage commissions, exchange fees and management fees regardless of performance.

## **Item 9. Disciplinary Information**

There are no legal or disciplinary events that are material to a client's or a prospective client's evaluation of our advisory business or the integrity of our management.



## Item 10. Other Financial Industry Activities and Affiliations

### MATERIAL FINANCIAL INDUSTRY AFFILIATIONS OF THE FIRM

In addition to our being a registered investment adviser, certain of our employees are registered representatives of our affiliate Jefferies LLC, a registered broker dealer.

Jefferies LLC is the principal subsidiary of Jefferies Group LLC. Jefferies Group LLC, a direct, wholly-owned subsidiary of Jefferies Financial Group Inc. (collectively with its subsidiaries and affiliates ("Jefferies"), a global investment banking firm that provides clients with capital markets and financial advisory services, institutional brokerage and securities research, as well as wealth and asset management. Jefferies provides research and execution services in equity, fixed income, derivatives and foreign exchange markets, and a full range of investment banking services including underwriting, merger and acquisition, restructuring and recapitalization and other advisory services. Jefferies LLC and its London affiliates acts as a placement agent for the private funds which we manage. At the current time, no placement fees are charged to an investor in a private fund; however, we may pay a portion of our fees to Jefferies LLC or other placement agents, whether affiliated or unaffiliated, for having introduced an investor to the private fund. We may also pay such fees to Jefferies LLC for SMA clients to whom they introduce.

We may but generally do not currently use our affiliates as executing brokers for Accounts.

Our affiliates may be advising or may in the future play an advisory role or perform other services for one or more of the suppliers or Account Debtors that are connected to a Trade Finance Investment acquired by the Fund. Using information walls and similar policies and procedures, we seek to avoid becoming aware of the roles our affiliates are playing. However, if one of our affiliates decides to play such a role, *e.g.*, act as adviser to a supplier or Account Debtor, and to the extent that we are aware of are deemed to be aware of that role, the Fund may be required or expected to sell its investment in such Trade Finance Investment. Such a transaction may cause the Fund to realize reduced profits or losses.

Similarly, if the client Account maintains a short position in a company for which our affiliate intends to play an advisory role, and if we become aware or are deemed to become aware of that role, the client Account may be forced to cover the short prematurely, which, in turn, may result in reduced profits or losses. If the client Account is permitted to maintain its position in such instance, our affiliate may take actions or provide advice with respect to the portfolio company that could result in adverse consequences to the client Account and the restriction on the ability to close such position.

By reason of the advisory, investment banking, and/or other activities of our affiliates, we and our affiliates may acquire confidential or material non-public information or be restricted from initiating transactions in certain securities. We will not be free to divulge, or to act upon, any such confidential or material non-public information and, due to these restrictions, we may not be able to initiate a transaction for a client Account that we otherwise might have initiated. A client Account may be frozen in an investment position that it otherwise might have liquidated or closed out.

Certain of our affiliates are investment advisers and other financial institutions whose businesses have no material relationship to our business. Certain of our officers and directors also serve as officers and directors of other Jefferies' companies

### POTENTIAL CONFLICTS OF INTEREST

**Compensation.** We could receive compensation in the form of management fees, even from Accounts that lose value. Additionally, LAM could receive a substantial incentive allocation if a minimum return hurdle is achieved. The fact that the incentive allocation is only **allocable** after such minimum return hurdle is achieved may create an incentive for the Manager to make investments that are riskier or more speculative than would be the case if

the Manager received allocations solely based on a flat percentage of capital and (ii) the Manager may receive an increased allocation because such incentive allocation is allocated on a basis that includes unrealized appreciation as well as realized gains.

**Advisory Time.** We devote as much time to the business of each of our divisions and each of our Accounts, as in our judgment, is reasonably required. However, we also provide investment advisory services for other clients (including other managed accounts as well as pooled accounts) and engage in other business ventures in which our advisory clients have no interest. As a result of these separate business activities, we may have conflicts of interest in allocating management time, services, and functions among Accounts and other business ventures or clients.

**Other Clients; Allocation of Investment Opportunities.** We are responsible for the investment decisions made on behalf of Accounts. As described above, there are no restrictions on our ability to manage any number of accounts for other clients following the same or different Investment Objectives, philosophies and strategies. As a general matter, it would not be expected that Accounts with different portfolio managers would share information relating to potential transactions. Therefore, one Account may trade prior to and at a better price than another Account trading in the same instrument.

These situations may involve conflicts between our interests or those of our related persons, on the one hand, and the interests of our clients, on the other.

**Principal Trades; Cross Transactions; Affiliate Transactions.** To the extent permitted by applicable law, the Manager or an affiliate thereof may enter into transactions on behalf of an Account in which the Manager or its affiliates, acting as principal or as agent for its customers, serves as the counterparty. The Manager may also enter into cross transactions where an affiliate acts as agent on behalf of an Account and the other party to the transaction. Cross transactions enable the **Manager** to purchase or sell a block of Trade Finance Investments for an Account at a set price and possibly avoid an unfavorable price movement that may be created through entrance into the market. The relevant affiliate may have a potentially conflicting division of responsibilities to both parties to such cross transaction. Accounts will only consider engaging in a principal or cross transaction with an affiliate of the Manager to the extent permitted by applicable law.

At the discretion of the Manager, an Account may enter into participations, swaps or other related-party transactions with an affiliate of the Manager. Such transactions may arise in situations where the Manager deems it to be advantageous to participate in such affiliate transactions instead of acquiring the Investment directly, for example, where the Trade Finance Investment exceeds the risk limit of the Account and the Manager wishes to participate in only a portion of such Investment or where the Manager is able to obtain preferential pricing, credit protection or operational efficiencies by participating in such affiliate transaction. It is intended that any such affiliate transaction will be done on an arms' length basis at the then fair market values. A potential conflict of interest exists between the Fund on the one hand, and the Manager's affiliate on the other, with respect to the timing and other terms of any such affiliate transactions.

**Asset Valuation.** Our fees are based directly on the value of the Accounts as of various dates. To the extent that our agreements with our clients provide that we will value the clients' assets, we will have a conflict of interest in reviewing or determining such valuations because the valuations directly affect the value of the Account and thus the amount of fees that we receive. Prices assigned to portfolio positions by us may not necessarily conform to the prices assigned to the same financial instruments if held by our affiliates.

**Side Letters.** As described above in Item 5, we may enter into side letters to agree to different fee terms or other negotiated terms.

**Referral Fees.** An Account may pay certain affiliates of the Manager a "referral fee" in connection with identifying and referring Trade Finance Investments. An Account may alter the terms on which this "referral fee" is offered and paid, and may discontinue this practice in the future, in its sole discretion. In addition, affiliates of the Manager may also derive certain ancillary benefits from referring potential Trade Finance Investments to an Account, as providing these services to the Account may enhance such affiliate's relationships with suppliers and

Account Debtors, and may lead to additional business, and the possibility of earning additional compensation, for affiliates of the Manager.

**General Conflicts Relating to the Manager.** The Manager's ultimate parent company, Jefferies Financial Group Inc. is a diversified holding company engaged through its consolidated subsidiaries in a variety of businesses, including buying and **selling** companies and business lines and making strategic investments in other companies and businesses, in each case from which conflicting interests, or duties, may arise. An Account may acquire Trade Finance Investments from a supplier to which Jefferies is also providing investment banking and other services to or are affiliated with a client of Jefferies. In such scenario, a conflict of interest may exist where, on the one hand, Jefferies has an incentive to extend credit or provide other financing services to a supplier and has a greater financial interest in providing these types of services to a supplier than in the performance of the Account and, on the other hand, the Manager does not believe that acquiring such Trade Finance Investments is a suitable investment opportunity for an Account but may face certain pressures from employees of Jefferies to acquire a Trade Finance Investment from such supplier. In these circumstances, we will act in accordance with our fiduciary duties. Investors will rely on the Manager to effectively manage these potential conflicts of interest in our sole discretion.

**General.** We may, without prior notice to a client, arrange, recommend, and/or effect transactions in which, or provide services in circumstances where, we have, directly or indirectly, a material interest or relationship with another party that may present a potential conflict with our duty to a client.

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

### CODE OF ETHICS

Our employees are subject to the Jefferies Group LLC Code of Ethics. Our own Code of Ethics (the "Code") incorporates and supplements the Jefferies Group LLC Code of Ethics with policies and procedures applicable to our employees. The purpose of the Code is to identify the ethical and legal framework in which we and our personnel are required to operate and to highlight some of the guiding principles and mechanisms for upholding our standard of business conduct. A complete copy of the Code is provided to clients and prospective clients upon request.

The Code is based on a few basic principles: (i) the interests of our clients come before our interests and those of our personnel; (ii) the professional activities and personal investment activities of our personnel must be consistent with the Code and avoid any actual or potential conflict between the interests of clients and those of our firm or our personnel; (iii) the activities of our personnel must be conducted in a way that avoids any abuse of any such person's position of trust with and responsibility to our firm and its clients; and (iv) our personnel may not engage in any act, practice or course of conduct that would violate the provisions of the federal securities laws.

### INTERESTED TRANSACTIONS

**Participation or Interest in Client Transactions.** We and our affiliates may have an interest in transactions for our advisory clients to the extent permitted by law and by the constituent documents of the applicable Account. For example, from time to time, we may take the following actions: (1) buy or sell instruments in which we or our related persons have an interest and (2) buy or sell instruments in which we, our related parties or other Accounts are at the same time effecting a sale or purchase. Furthermore, we may act as investment adviser for related persons. We have adopted policies and procedures with respect to permitted transactions with our affiliates designed to assure that our clients are treated fairly.

Various potential and actual conflicts of interest may arise from our overall advisory, investment and other activities and our affiliates and clients. These conflicts are explained more fully in the relevant Disclosure Document.

**Instruments in Which We or Our Affiliates Hold Interests.** We may, from time to time, recommend to or purchase or sell on behalf of clients, securities or other investment products in which we, our affiliates or other related persons have a financial interest.

We and our affiliates may receive fees from third parties for performing consulting, merger and acquisition structuring or other financial advisory services or acting as directors, officers or creditors' committee members. These fees can relate to actual, contemplated or potential investments of our clients. Such fees may be retained entirely by us or our affiliates.

**Proprietary Trading.** Our proprietary activities or portfolio strategies and those of our principals, affiliates and employees or the activities or strategies used for Accounts could conflict with the transactions and strategies employed for a client and affect the prices and availability of the instruments in which the client invests. Issuers of instruments held by the client may have publicly or privately traded securities in which we and our affiliates are investors or make a market. Our trading activities and those of our affiliates generally are carried out without reference to positions held directly or indirectly by Accounts and may have an effect on the value of the positions so held or may result in us and our affiliates having an interest in the issuer adverse to that of a client.

Notwithstanding the foregoing, all employees when trading for their own accounts will do so in accordance with our Personal Account Trading Policy (described below).

## PERSONAL TRADING

**Personal Securities Transactions.** Our policies require that our employees do not trade securities or commodities for their own account, except for (i) government and municipal securities, open-ended mutual funds and registered commodity pools, or (ii) otherwise with pre-approval from our compliance personnel. Without limiting the foregoing, we may under certain circumstances permit an employee to maintain a position in a security even if an account trades the instrument. There is no current intention to change this policy, but the policy is subject to change in our sole discretion. The records of such trading, whether under the current or a new policy, are not made available to the clients for inspection.

**Insider Trading.** Our personnel may not trade, either personally or on behalf of another, on material non-public information or communicate material non-public information to another person in violation of the law. This policy applies to all of our personnel and extends to their activities both within and outside their duties with us.

## **Item 12. Brokerage Practices**

### **INVESTMENT OR BROKERAGE DISCRETION.**

In selecting the brokers for performing portfolio executions, we take into account various factors, most notably, technology capabilities and systems capacity. We could also take into account such factors as the financial stability and reputation of the broker, the quality of the investment research, investment strategies, special execution capabilities, clearance, settlement, custody, recordkeeping and other ancillary services. Accounts may pay more than the lowest available commission in consideration for our receipt of any or all of the above services. Our SMA clients are expected to make their own arrangements for clearance and custody of their Account assets and to negotiate the fees in connection with those services. We assist in the selection of these service providers for our Funds and in the negotiation of related fees.

We are not required to allocate either a stated dollar or stated percentage of our brokerage business to any broker for any minimum time period, and we review brokerage relationships from time to time.

### **SOFT DOLLARS**

“Soft dollars” refers to the provision by brokers of services and equipment to an adviser as a consequence of the adviser directing the trading of accounts it manages through such broker. Point Bonita does not currently maintain soft dollar arrangements, although we may direct commission business to sell-side brokers that provide standard research coverage and/or direct access communication links for trading within the “safe harbor” provided by Section 28(e) of the Securities and Exchange Act, as amended.

### **TRADE ERRORS**

We reserve the right, depending on the circumstances, to decline to reimburse an Account for any clerical errors or mistakes with respect to our placing or executing trades for such Account (“Trade Errors”), as such errors may be considered by us to be a cost of doing business. However, we will reimburse such Account for any net loss from a material Trade Error resulting from our willful misfeasance, bad faith, or gross negligence. As a general matter, Trade Errors that result in a de minimis loss are generally not considered to implicate the foregoing standard of conduct, and therefore any such de minimis loss will be borne by the client. We have a conflict of interest in determining whether a loss is de minimis. We, subject to our fiduciary obligations, will determine whether or not any Trade Error is required to be reimbursed in accordance with such liability and exculpation provisions. Our reimbursement of an Account for any particular Trade Error or Trade Errors will not constitute a waiver of any policy to cause such Account to bear the losses from such Trade Errors. We have an inherent conflict of interest with respect to the discovery and treatment of Trade Errors. Any net gain resulting from Trade Errors will be for the benefit of the client, and will not be retained by us. Though we attempt to correct trading errors committed by a broker as soon as they are discovered, we are not be responsible for poor executions or such trading errors.

### **TRADE AGGREGATION**

We aggregate and allocate trades as discussed in Item 6, “Performance-Based Fees and Side-by-Side Management – Side-by-Side Management.”

## **Item 13. Review of Accounts**

Accounts are monitored and reviewed as follows: For each Account, the portfolio manager(s) will monitor the performance of their respective Account(s) on an ongoing basis. On a daily basis our operations staff review and reconcile the positions and market value of each Account. In addition, a committee including legal, compliance, operations and finance staff meets periodically to review items related to trading in the Accounts.

We, either directly or through the third-party administrator to the Funds, provide the following reports to investors in our Funds: monthly statements, annual audit report for Funds, and for investors in U.S. Funds an IRS Schedule K-1. We may provide additional reports to the investors in the Funds as we deem necessary. Upon request, select Funds will provide weekly and monthly estimates to investors. Upon request, certain investors in a Fund may receive more frequent and/or more detailed information from us, in our sole discretion. Our investment staff is available for conference calls or meetings for those clients, investors or prospective clients or investors that wish to undertake a due diligence review of our operations.

SMA clients generally have daily access to account information through service providers other than ourselves. We may also provide such other reports to SMA clients as agreed to with the client.

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

For a discussion of Jefferies LLC as placement agent, please see Item 10.

We may also, from time to time, have one or more arrangements in place with unaffiliated placement agents. Investors solicited by such placement agents will be informed of any placement fee paid by us to the placement agent and will be informed of any placement fee to be paid by the investor, each to the extent required by law.

We do not direct brokerage for client referrals.



## **Item 15. Custody**

We are typically deemed to have custody of the assets of certain of our Funds since we serve as managing member of those Funds. Investors will not receive statements from the Funds' custodian with regard to portfolio holdings and transactions. Instead, the Funds are subject to an annual audit and the audited financial statements are distributed to each investor. The audited financial statements will be prepared in accordance with generally accepted accounting principles and distributed within 120 days of the Fund's fiscal year end.

For SMA clients, we do not have custody. The terms of our Disclosure Documents do not permit us to withdraw our fees or transfer funds from our clients' Accounts. Additionally, we do not permit our SMA clients to custody Accounts with our affiliates.

## **Item 16. Investment Discretion**

We have full discretionary authority with respect to investment decisions, and our advice with respect to the Accounts is provided in accordance with the investment objectives and guidelines as set forth in the Disclosure Documents.

## **Item 17. Voting Client Securities**

It is unlikely that the Fund would hold a position in a security subject to a proxy statement. In the unlikely event that an Investment is subject to a proxy, we may vote such proxy only in accordance with the following Proxy Voting Procedures, in the best interest of a client and as agreed to by the advisory client.

### **GENERAL GUIDELINES**

LAM understands its fiduciary responsibilities and monitors corporate events. LAM will vote proxies and cast votes in the best economic interests of its clients and not put client interests second to its own economic interests.

Prior to voting any proxies, any conflicts of interest related to the proxy in question will be determined. If a conflict is identified, LAM will then make a determination (which may be in consultation with outside legal counsel) as to whether the conflict is material or not. If no material conflict is identified pursuant to these procedures, proxies will generally be voted in accordance with management and any recommendations provided, unless otherwise mandated by an investment management agreement or applicable law.

## **Item 18. Financial Information**

We have no financial commitment that impairs our ability to meet contractual and fiduciary commitments to clients and we have not been the subject of a bankruptcy proceeding. We do not require any payment in advance.

## Item 19. Privacy Policy

# Jefferies

### Your Privacy is Important to Us

At Leucadia Asset Management LLC, we understand that our relationship with you is based on trust. This is reflected in everything we do including the way we handle our clients' nonpublic personal information. The following disclosure explains what personal information we collect, what we do with that information and the steps we have put in place to protect the nonpublic personal information you have entrusted to us.

### Information We Collect

From time to time, we gain access to your personal information through

- Our interaction with you on the telephone, in person or through e-mail
- Account Applications or other forms you complete
- Transactions in your accounts or on your behalf
- Our website or the websites of our affiliated companies
- Trading tools or other information tools we may make available to you
- Third parties with whom we deal, such as consumer-reporting agencies, to verify information we receive from you and your credit worthiness

### Information We Disclose

Subject to legal, regulatory or other governmental requirements, it is our policy not to disclose any of your nonpublic personal information to third parties without your consent, unless those parties are providing services or support to us and have agreed to keep your nonpublic personal information confidential. Examples of these parties include, but are not limited to, the Fund administrator, attorneys and accountants and affiliates thereof. Even if you cease to transact business with us, we will continue to apply the same protections to your nonpublic personal information as we did when you were an active client.

### The Jefferies Family of Companies

Leucadia Asset Management LLC is a member of a family of related companies which are owned in whole or in part by Jefferies Group LLC. These affiliated companies allow us to provide greater value to our customers, employees and shareholders. In the course of our business, employees or representatives of various affiliates will have access to your nonpublic personal information. They have agreed to hold your information confidential and to comply with the privacy policy established by Leucadia Asset Management LLC.

### Protecting Your Information

Leucadia Asset Management LLC protects your nonpublic information from access by third parties by maintaining physical, electronic and procedural safeguards. We limit access to your information to those employees who are trained in the proper handling of nonpublic client information and who need access to the information to perform their job functions.