

**PART 2A OF FORM ADV**

**FIRM BROCHURE**

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**This brochure provides information about the qualifications and business practices of Misaki Capital Inc. If you have any questions about the contents of this brochure, please contact us at +81-3-6427-7431 and/or [info@misaki-capital.com](mailto:info@misaki-capital.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.**

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

**Misaki Capital Inc. is registered with the SEC as an investment adviser. Being a “registered investor adviser” or describing ourselves as being “registered” does not imply a certain level of skill or training.**

**THIS BROCHURE IS NOT AN OFFER TO SUBSCRIBE FOR OR PURCHASE ANY SECURITIES.**

**Item 2.       Material Changes**

There have been no material changes to this brochure (“**Brochure**”) since its adoption and filing with the SEC in January 2016.

**Item 3. Table of Contents**

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#### **Item 4. Advisory Business**

Misaki Capital Inc. (“**Misaki Capital**”) is an exempted company incorporated with limited liability in Japan in October 2013. Misaki Capital is registered as financial instruments business operator under the Financial Instruments and Exchange Act of Japan to engage in discretionary investment management business and investment advisory business. Misaki Capital’s principal owners are Yasunori Nakagami, Asuka Uemura, Takayuki Nitta and Sumitomo Mitsui Trust Bank.

Misaki Capital provides investment advisory services to a private fund (the “**Fund**”) organized outside the U.S. Misaki Capital also provides discretionary investment advisory services to separately managed accounts (the “**Managed Accounts**” together with the Fund, the “**Clients**”). A brief description of the Fund and its investment strategies is set forth below.

Misaki Capital will tailor its investment decisions for each of its Clients in accordance with the terms of the applicable confidential offering memorandum (“**PPM**”), memorandum and articles of association and/or investment management agreement (collectively, the “**Governing Documents**”). Except to the extent set forth in any applicable Client’s Governing Documents with respect to certain established strategy or other limitations that Misaki Capital pursues on behalf of such Client, Misaki Capital’s Clients generally do not impose upon Misaki Capital any restrictions on investing in certain securities or types of securities.

Misaki Capital may in the future organize additional investment vehicles that follow investment strategies similar to or different from the investment program of the Fund.

Misaki Capital does not provide portfolio management services to any wrap fee programs.

As of December 31, 2020, Misaki had regulatory assets under management of approximately \$1,143,452,000. Misaki Capital has discretionary authority over Clients’ investment activities.

## **Item 5. Fees and Compensation**

Misaki Capital charges the Fund a management fee (the “**Management Fee**”), generally payable monthly in arrears, in the range of 0.75% to 1.8% per annum of the aggregate net asset value of each series of shares of the Fund of fee-paying investors as of the end of each calendar month, as specified in further detail in the Fund’s Governing Documents. Misaki Capital also receives performance-based fees (“**Performance Fee**”) from the Fund on an annual basis in arrears and upon redemptions by investors in the Fund, subject to a “high-water mark”. The Management Fee may exceed the expenses borne by Misaki Capital on behalf of the Fund. For a further discussion of the Performance Fee and the “high-water mark”, please see Item 6.

Misaki Capital receives a management fee (the “**MA Management Fee**”) for the advisory services performed on behalf of each Managed Account client. The MA Management Fee rates range from 1.0% to 2.0% per annum, as negotiated with the Managed Account client, and are calculated based on the net assets under management in each respective Managed Account. Misaki Capital also receives an annual performance-based fee (the “**MA Performance Fee**”) in an amount generally ranging from 10% to 20% of the increase in the value of each Managed Account against the applicable benchmark, which performance-based fee is subject to a high water mark. The MA Management Fee and incentive fees are generally paid from the applicable Managed Account promptly after they are determined.

The specifics of each management fee arrangement are fully described in the Governing Documents of each applicable Client. Misaki Capital may, in its discretion, waive, reduce or rebate the Management Fee and/or performance-based compensation with respect to the investment of any investor, including its employees, owners, affiliates and/or one or more investors.

The Fund generally bears its own operating and other expenses, which may include, but are not limited to: (a) brokerage fees and commissions; (b) expenses related to buying and selling securities, including any issue or transfer taxes chargeable in connection with any securities transactions and clearing and settlement charges; (c) interest on borrowings, including borrowings from any prime broker and custodian and borrowing charges on securities sold short; (d) expenses incurred by Misaki Capital in connection with the provision of its investment management services including, but not limited to, research related expenses, expenses related to monitoring investments and costs incurred in carrying out due diligence regardless of whether a particular transaction is consummated (including reasonable travel and accommodation costs); (e) fees and expenses of any custodian, escrow agent and other investment related service providers appointed in respect of the Fund. The actual expenses borne by the Fund may vary, as set out in the Governing Documents for the Fund.

Expenses incurred in connection with the operations of the Fund are also paid out of the assets of the Fund (in its capacity as either a feeder fund or a master fund, as the case may be), as appropriate. Such expenses include, but are not limited to: (i) fees and expenses of advisers and consultants; (ii) the Management Fee and the Performance Fee; (iii) indemnification expenses and the cost of insurance against potential indemnification liabilities; (iv) legal, administrative, accounting, tax, audit and insurance expenses; (v) all taxes and corporate fees payable to governments or agencies (vi) communication expenses with respect to investor services, including all expenses of meetings

of shareholders of the Fund and of preparing, printing and distributing financial statements and other reports, proxy forms, offering memoranda and similar documents; (vii) directors' fees and expenses, (viii) litigation or other extraordinary expenses; and (ix) costs of periodically updating the Governing Documents and other organizational documentation relating to the Fund.

Investment personnel of Misaki Capital may from time to time serve on the boards of directors of public and private companies, including those in which the private funds invest ("**portfolio companies**"). In the case of portfolio companies, Misaki Capital's investment personnel are required to give any directors' fees to Misaki Capital, which will offset the Management Fees paid by the Fund by the amount of such directors' fees.

The Fund, in its capacity as a feeder fund, bears its own costs and expenses as described above, and also bears its *pro rata* share of its corresponding master fund's costs and expenses.

In connection with the investment management services Misaki Capital provides, it bears all of its own normal and recurring operating expenses and overhead costs.

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

### Performance-Based Fees

Each Client pays Misaki Capital and/or its affiliates performance-based fees. The specifics of each performance-based compensation arrangement are fully described in the Governing Documents for each applicable Client.

Misaki Capital is entitled to receive from the Fund a Performance Fee generally at the end of each fiscal year. The Performance Fee is an amount equal to a percentage (as set forth in the Governing Documents) of either (i) the appreciation in the net asset value of the relevant series of shares of the Fund (that is, a share of capital gains on, income derived from, or appreciation of the investment (whether realized or unrealized)), or (ii) the amount by which the appreciation in the net asset value of the relevant series of shares of the Fund (that is, a share of capital gains on, income derived from, or appreciation of the investment (whether realized or unrealized)) exceeds the appreciation of a hypothetical investment in a benchmark index, in each case, measured at the close of such fiscal year and subject to a high-water mark. Dependent on the class of shares either (i) or (ii) will apply but not both.

In general, a "high-water mark" means that Misaki Capital will receive a Performance Fee in respect of shares issued by the Fund only when the value of the relevant share, at the time of determination, is higher than either (i) in the case of shares where a Performance Fee is calculated on the basis of gross appreciation in net asset value, the share's highest value, or (ii) in the case of shares where a Performance Fee is calculated with reference to a hypothetical investment in a benchmark index, the value of that hypothetical investment. In the case of (i), a share's "highest value" is calculated as of the end of the most immediately preceding period in respect of which a Performance Fee was received after deduction of that fee (or in the fiscal year of such investor's subscription, the date that the investor subscribed). In the case of (ii), the hypothetical investment is calculated with respect to each fiscal year with reference to an investment (A) in the fiscal year in which the share is issued, an investment on the subscription date in an amount equal to the value of the share on the date of issue and (B) in each subsequent fiscal year, an investment made on the first day of that fiscal year in an amount equal to (x) if a Performance Fee has accrued or been paid in respect of the prior fiscal year, the net asset value of the relevant share before payment of that fee at the end of that fiscal year, or (y) if no Performance Fee has accrued or been paid in the prior fiscal year, the value of the hypothetical investment at the end of that prior fiscal year. Should the investor's investment either (i) decrease in value, or (ii) underperform the benchmark index, (that is, in each case, due to capital losses or depreciation of the investment (whether realized or unrealized), or superior growth in the benchmark index), the investment must increase in value back above either (i) the previous highest value, as of the date of the most immediately preceding period that a Performance Fee was received, or (ii) the relevant hypothetical investment in the benchmark index calculated in accordance with the preceding sentence, before Misaki Capital will receive Performance Fees again with respect to such shares. Performance Fees and "high-water marks" are calculated on a series by series basis, and therefore an investor holding multiple series may be subject to a Performance Fee in respect of some shares and not others.

If an investor redeems shares from the Fund, the amount of such investor's high-water mark, if any, will be reduced in proportion to the net asset value of the shares so redeemed.

The Performance Fee creates an incentive for Misaki Capital to make more speculative investments than would otherwise be made or make decisions regarding the timing and manner of realization of investments differently than if such Performance Fee was not received.

Misaki Capital is required to act in a manner that it considers fair and equitable, depending on the particular facts and circumstances and the needs and financial objectives of Misaki Capital's various clients, in allocating investment opportunities to Clients but Misaki Capital is not otherwise subject to any specific obligations or requirements concerning the allocation of time, effort or investment opportunities, or any restrictions on the nature or timing of investments for the Clients. In general, investment opportunities shall be allocated among Clients pro rata in accordance with the relative assets of each particular Client, provided, however, that with respect to certain Clients, investment opportunities are expected to be allocated differently according to a separate co-investment agreement between such Client and Misaki Capital. Pursuant to such agreement, Misaki Capital may (but is not obliged to) offer such Client (the "**Co-Investing Client**") the opportunity to invest in investments made by Misaki Capital on behalf of other Clients in greater amounts than may be made by the other Clients. Misaki Capital must offer such opportunities to the Co-Investing Client in preference to other co-investors (subject to a deal size cap) but not in preference to Misaki Capital's discretionary Clients, including the Fund and the Managed Accounts. Misaki Capital intends to only offer a co-investment opportunity to the Co-Investing Client if it believes it can also make any investment in the relevant target it has determined is desirable on behalf of one or more discretionary Clients in full. The agreement with the Co-Investing Client explicitly acknowledges that Misaki Capital will prefer the interests of the discretionary Clients in investing in, disposing of or managing an investment that is part of a co-investment arrangement. The Co-Investing Client must agree to each co-investment on a target by target basis following which Misaki Capital have discretion on the terms and timing of acquisition and disposal.

Misaki Capital may depart from the foregoing policy in a particular circumstance if the Compliance Officer determines that for good reason it would be appropriate to do so, and that such a departure would be nonetheless consistent with Misaki Capital's fiduciary obligations. Misaki Capital recognizes that it is a fiduciary and as such must act in the best interests of the Clients.



## **Item 7.       Types of Clients**

The investors in the Fund may include, but are not limited to, high net worth individuals, family offices, endowments, foundations, trusts, charitable organizations, pension plans and corporate or business entities.

Details concerning applicable investor suitability criteria are set forth in each Client's Governing Documents. The minimum subscription amount for an investor is outlined in each Client's Governing Documents, including the discretion of Misaki Capital and its affiliates to accept less than the minimum investment threshold. Each owner of a Managed Account or each investor in the Fund is required to meet certain suitability qualifications.

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

The principal investment strategies which are pursued by the Fund are outlined below. Material risks specific to the investment strategies of the Fund, including any particular type of security in which the investment strategy focuses are also outlined below.

The investment objective of the Fund is to generate positive returns by adopting a long-term investment horizon and engaging with portfolio companies to help extract the current unrealized value or potential future value of these companies. Misaki Capital seeks to achieve this objective by employing a long-term investment horizon with companies that have a sustainable competitive advantage and a management team willing to listen to outside professional advice. Misaki Capital intends to actively engage with portfolio companies to help extract the current unrealized value or potential future value of these businesses.

Misaki Capital will employ a systematic and opportunistic approach to identify potential investments. The systematic approach includes quantitative screenings, qualitative industry research and changes in strategic positioning (for example, senior management change). Misaki Capital will also utilize the extensive network of its investment team, external consultants, its advisory board and brokers to opportunistically identify potential investments. Misaki Capital will discuss a potential long term commitment with the company's management team, following which the Fund may hold, increase or choose to exit the position. Should the Fund increase its position, it may become a significant shareholder in a portfolio company. The Fund may not seek to realize its investment in a portfolio company until the changes advocated and effected by Misaki Capital are complete, which may take several years. Misaki Capital expects that an exit from the position may be through the public markets, a block trade or a strategic partner.

In making investments based on the above criteria, the Fund will have flexibility to invest in a wide range of instruments including, but not limited to, listed and unlisted equities, preferred stocks, convertible securities, equity-related instruments, debt securities and obligations (which may be below investment grade), currencies, options, warrants, swaps and other derivative instruments. Derivative instruments may be exchange-traded or over-the-counter. The Fund may engage in margin trading and other investment strategies. The Fund may retain amounts in cash or cash equivalents (including money market funds) pending reinvestment, for use as collateral or as otherwise considered appropriate to the investment objective. Notwithstanding the broad discretion of Misaki Capital in selecting financial instruments in which the assets of the Fund may be invested as set out above, Misaki Capital anticipates that a majority of the assets of the Fund (excluding any assets held in cash or equivalents, including money market funds, for future investment) will be invested in equities listed on a Recognized Stock Exchange in Japan.

It is not intended that the Fund will employ leverage in respect of making investments; however, the Fund may carry out some borrowing in relation to its day to day operations, which may include, without limitation, borrowing immediately prior to an additional subscription for shares of the Fund to manage the investment of the cash in-flows relating to that subscription. The Fund may borrow for the purposes of satisfying redemption requests or paying expenses, if required.

Investments in the Fund present potentially significant risks and are not intended as a complete investment program. The following material risks relate generally to the investment strategy and methods of analysis for the Fund. Not all of these risks will be equally relevant to each Client that Misaki Capital manages at any time.

Additional information regarding the methods of analysis, investment strategies and investment risks associated with investing in each Client is contained in its PPM or other Governing Documents, as applicable.

### Certain Risks

*Borrowing:* It is not intended that the Fund will employ leverage in respect of making investments; however, it may carry out some borrowing in relation to its day to day operations. In respect of such borrowing, the Fund is permitted to finance its operations with secured and unsecured borrowing to the maximum extent allowable under applicable credit regulations. In addition, the Fund may also use borrowing to satisfy liquidity requirements in order to facilitate redemptions. While the Fund does not intend to employ leverage to enhance returns, to the extent that borrowing is taken on by the Fund such leverage may result in greater losses to investors in the Fund in the event of an underperformance of investments than would have been the case if no borrowings had been made.

*Broker and Custodian insolvency risk:* Misaki Capital will use the services of one or more custodians and/or sub-custodians and several clearing brokers to clear and settle its exchange traded futures and securities trades. In the event that one of these custodians or brokers were to become insolvent, it is possible that the assets of the Fund held at such custodian or broker could be at risk. While the custodians and brokers are required to segregate client assets from their proprietary assets and the custodians are required to segregate the securities assets of clients from other client accounts, any assets deposited with a broker may be held in pooled client accounts for the benefit of all clients. Additionally, a broker may be able to transfer client assets out of such client accounts or use such assets in the ordinary course of its business. The Fund could experience losses if the clients' claims exceed the amount of client assets at such brokers actually held at the time of the insolvency. Misaki Capital currently expects that all securities will be held with custodians only and not deposited at a broker. Cash deposited with the custodians will be held by the custodians as a banker and recorded as a debt to the Fund, accordingly the Fund could be exposed to loss in the event of a custodian's insolvency. In addition, Misaki Capital may be unable to trade, or delayed in trading, securities held by an insolvent custodian or broker during a pending insolvency proceeding.

The Fund is not subject to the depository requirements under the AIFMD; therefore, the depository/custody arrangements the Fund has entered into are not equivalent to those of a fund whose arrangements are subject to the AIFMD, in particular, the Fund's custodians, prime brokers or other brokers are not subject to the same strict liability provisions as a depository, the appointment and performance of obligations of which are subject to the AIFMD. The risk of a custodian or broker not adequately compensating the Fund for losing assets belonging to the Fund may be higher than the comparable risk in relation to a fund whose depository is subject to the requirements on liability under the AIFMD.

*Call options:* There are risks associated with the sale and purchase of call options. The buyer of a call option assumes the risk of losing its entire investment in the call option. The Fund may buy call options but it is not intended that the Fund will sell (“write”) call options.

*Convertible Securities:* The Fund may invest in convertible securities which generally offer lower interest or dividend yields than non-convertible debt securities of similar quality. The value of a convertible security is influenced by changes in interest rates, with investment value declining as interest rates increase and increasing as interest rates decline. The performance of a convertible security is also influenced by the price of the underlying security. Accordingly, the credit standing of the issuer and other market factors may also have an effect on a convertible security’s investment value.

*Counterparty and settlement risk:* Due to the nature of some of the investments that the Fund may make, the Fund may rely on the ability of the counterparty to a transaction to perform its obligations. If that party fails to complete its obligations for any reason, the Fund may suffer losses and therefore be exposed to a credit risk on the counterparties with which it trades. The Fund will also bear the risk of settlement default by clearing houses and exchanges. A default by a counterparty or a default on settlement could have a material adverse effect on the Fund (whether in its capacity as a master fund or a feeder fund in a “master-feeder” structure).

During and since the global financial crisis, several prominent financial market participants (including counterparties to over-the-counter and inter-dealer transactions) have failed or nearly failed to perform their contractual obligations when due – heightening the uncertainty observed in financial markets and leading to unprecedented government interventions, credit and liquidity contractions, early termination of transactions and financing arrangements, and suspended and failed payments and deliveries. Such turmoil has caused even solvent prime brokers and lenders to be unwilling or less willing to finance new investments or to offer financing on significantly less favorable terms than those that prevailed in the recent past.

Although the Fund intends to enter into transactions only with counterparties that it believes to be creditworthy, there can be no assurance that a counterparty will not default and that the Fund will not sustain a loss on a transaction as a result. In addition, concentration of transactions with a limited number of counterparties could increase the potential for losses by the Fund.

*Currency risks:* One or more classes of the Fund may be exposed to a significant currency risk. Substantially all of the income and assets of the companies in which the Fund will invest may be Yen-denominated. To the extent that the operational currency of the Fund’s classes of shares, the US dollar, appreciates relative to the Yen, the value of these investments in the relevant operational currency will be adversely affected. In addition, if the Fund receives dividends, interest or other types of Yen payments (such as liquidating payments) and the Yen declines in value against the US dollar before such payments are distributed, the value of these payments in US dollars could be adversely affected if not sufficiently hedged. While Misaki Capital may use forward-currency contracts to hedge against currency fluctuations, Misaki Capital will not seek to hedge all currency exposure and, in any event, there is no guarantee that such hedging transactions will be effective. In addition, a variety of factors may adversely affect the success of any hedging strategies used, including illiquidity and miscorrelations or other pricing anomalies affecting the relationship between the asset or risk hedged and the asset or risk factor underlying the related derivative

instrument. Such pricing anomalies, including particularly miscorrelation risk, create the possibility that losses on the hedge may be greater than gains in the value of the Fund's positions.

Additionally, the Fund's assets may be invested in securities denominated in various currencies and in other financial instruments, the prices of which will be determined with reference to those currencies. Nonetheless, the account of the Fund will be valued in Yen. To the extent they are not hedged, the value of the Fund's net assets will fluctuate with Yen exchange rates as well as with price changes of its investments in the various local markets and currencies. The Fund may, but will not always, use forward-currency contracts and options to hedge against currency fluctuations, and additionally there is no guarantee that such hedging transactions will be effective.

*Enhanced regulation of the over-the-counter derivatives markets:* The Dodd-Frank Act in the United States provides for sweeping regulatory reform of the U.S. financial services industry, including the establishment of a comprehensive regulatory framework for over-the-counter ("OTC") derivatives transactions and market participants. The Dodd-Frank Act delegates considerable authority to the SEC and the CFTC to adopt and implement rules and standards for regulating the OTC derivatives markets, much of which rulemaking and implementation remains ongoing. Thus, while the ultimate effects of the Dodd-Frank Act on the Fund's OTC derivatives trading activity - and its performance generally - remain to be seen, it is reasonable to expect that those effects may be substantial and, in certain respects, potentially detrimental.

The comprehensive OTC derivatives market reforms contemplated by the Dodd-Frank Act include, among numerous other things: (i) mandatory clearing for most swap transactions; (ii) registration, record-keeping, capital and margin requirements for certain newly designated categories of OTC derivatives market participants; and (iii) the application of new CFTC and SEC position limits relating to swaps and security-based swaps, respectively.

*Equity securities:* The Fund will invest in equity securities and equity derivatives. The value of these financial instruments generally will vary with the performance of the issuer and movements in the equity markets. As a result, the Fund may suffer losses if the Fund invests in equity instruments of issuers whose performance diverges from Misaki Capital's expectations or if equity markets generally move in a single direction and Misaki Capital has not hedged against such a general move. The Fund also may be exposed to risks that issuers will not fulfill contractual obligations, such as, in the case of convertible securities or private placements, delivering marketable common stock upon conversions of convertible securities and registering restricted securities for public resale.

*Debt securities:* The Fund may invest in fixed income securities which may be unrated by a recognized credit-rating agency or below investment grade and which are subject to greater risk of loss of principal and interest than rated or higher-rated debt securities. Because investors generally perceive that there are greater risks associated with unrated and below investment grade securities, the yields and prices of such securities may fluctuate more than those for higher-rated securities. The market for non-investment grade securities may be smaller and less active than that for higher-rated securities, which may adversely affect the prices at which these securities can be sold and result in losses to the Fund. The Fund may invest in debt securities which rank junior to other outstanding securities and obligations of the issuer, all or a significant portion of which may be secured on substantially all of that issuer's assets. The Fund may invest in debt securities which

are not protected by financial covenants or limitations on additional indebtedness. The Fund may invest in distressed and other low quality debt securities which are subject to a significant risk of the issuer's inability to meet principal and interest payments on the obligations and may also be subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity risk. The issuers of debt securities may default on their obligations, whether due to insolvency, bankruptcy, fraud or other causes and their failure to make the scheduled payments could cause the Fund to suffer significant losses. The Fund will therefore be subject to credit, liquidity and interest rate risks. In addition, evaluating credit risk for debt securities involves uncertainty because credit rating agencies throughout the world have different standards, making comparison across countries difficult. Also, the market for credit spreads is often inefficient and illiquid, making it difficult to accurately calculate discounting spreads for valuing financial instruments.

Securities issued by certain sovereign issuers may have a limited trading market, resulting in limited liquidity. As a result, the Fund may have difficulties in valuing or liquidating positions.

*Derivative instruments:* Misaki Capital may use various derivative instruments, including futures, options, forward contracts, swaps and other derivatives. These may be volatile and speculative. Certain positions may be subject to wide and sudden fluctuations in market value, with a resulting fluctuation in the amount of profits and losses. Using derivative instruments has various risks. These include the following:

- *Tracking* - When used for hedging purposes, an imperfect or variable degree of correlation between price movements of the derivative instrument and the underlying investment sought to be hedged may prevent Misaki Capital from achieving the intended hedging effect or may expose the portfolio to the risk of loss.
- *Liquidity* - Derivative instruments, especially when traded in large amounts, may not always be liquid. Hence in volatile markets, Misaki Capital may not be able to close out a position without incurring a loss. In addition, exchanges on which Misaki Capital conducts its transactions in certain derivative instruments may have daily limits on price fluctuations and speculative positions limits. These limits may prevent Misaki Capital from liquidating positions promptly, thereby subjecting the portfolio to the potential of greater losses.
- *Leverage* - Trading in derivative instruments can result in large amounts of leverage. The leverage offered by trading in derivative instruments may magnify the gains and losses experienced by the Fund. This could subject the Fund's net asset value to wider fluctuations than would be the case if Misaki Capital did not use the leverage feature in derivative instruments.
- *Over-the-Counter Trading* - Derivative instruments that may be purchased or sold for the portfolio may include instruments not traded on an exchange. Over-the-counter options, unlike exchange-traded options, are two-party contracts with price and other terms negotiated by the buyer and the seller. The risk of non-performance by the obligor on an over-the-counter instrument may be greater, and the ease with which Misaki Capital can dispose of or enter into closing transactions with respect to such an instrument may be less,

than in the case of an exchange-traded instrument. In addition, significant disparities may exist between “bid” and “ask” prices for derivative instruments that are not traded on an exchange. Derivative instruments not traded on exchanges are also not subject to the same type of government regulation as exchange-traded instruments, and many of the protections afforded to participants in a regulated environment may not be available in connection with those instruments.

*Discretion of Misaki Capital; concentration of investments:* Misaki Capital may alter the Fund’s portfolio. It can do so in its sole discretion and without the approval of any investor. Although, as a matter of general policy, Misaki Capital will try to spread the Fund’s capital among a number of investments, it may depart from that policy from time to time and may hold a few relatively large securities positions in relation to the Fund’s capital. A loss on a large security position following such concentration could materially reduce the Fund’s capital.

*Investments in restricted securities:* At any given time, a portion of the Fund’s assets may be invested in “restricted securities,” which are securities subject to significant legal or contractual restrictions on their public resale. Investing in restricted securities involves a number of significant risks. Without the ability to resell restricted securities in the public markets, the Fund may be compelled to hold such investments indefinitely or to dispose of them in private transactions on unattractive terms. Such restrictions therefore can impair both the avoidance of losses as well as the timely realization of gains. Although in some instances the Fund may have registration rights or other contractual means of achieving liquidity as to its investment in such restricted securities, such rights may in fact be limited or ineffective in achieving the secondary market desired. Restricted securities in which the Fund invests may include highly speculative, developmental stage issuers, as well as securities of more seasoned companies, which can involve significant issuer or industry related risks.

*Market risks and liquidity:* In large measure the profitability of a significant portion of the Fund’s investment program depends on correctly assessing the future course of the price movements of securities and other investments. There is no assurance that the Fund will be able to accurately predict those price movements. Although the Fund may attempt to mitigate market risk through the use of long and short positions or other methods, there is always some and occasionally a significant degree of market risk.

Furthermore, the Fund may be adversely affected by a decrease in market liquidity for instruments in which it invests, which may impair its ability to adjust its position. The size of the Fund’s positions may magnify the effect of a decrease in market liquidity for those instruments. Changes in overall market leverage, de-leveraging as a consequence of a decision by a prime broker to reduce the level of leverage available, or the liquidation by other market participants of the same or similar positions, may also adversely affect the Fund’s portfolio. Some of the underlying investments of the Fund may not be actively traded and there may be uncertainties involved in valuing those investments. Potential investors are warned that under those circumstances, the net asset value of the Fund may be adversely affected and the Fund may not be able to promptly liquidate its investments if the need should arise. In addition, the sales of thinly traded or illiquid investments by Misaki Capital could depress the market value of such investments and thereby reduce the Fund’s profitability or increase its losses. Such illiquidity can be caused by market

conditions, interrelationships between or among markets, governmental, regulatory authority, or exchange rules, applicable laws, or the nature of the Fund's investments.

*New Issues trading:* The Fund will trade in "new issues" (initial public offerings of equity securities). Certain investors may be limited, under applicable Financial Industry Regulatory Authority ("FINRA") rules, from participating in the profits and losses generated by "new issues". In addition, the Fund may limit the participation of certain shareholders in "new issues" to an extent not required by FINRA. Shareholders may receive "new issue" allocations disproportionate to such shareholders' respective proportionate shares, and those shareholders that are restricted from participating in "new issues" will not be compensated in any respect for their capital in the Fund being used to acquire "new issues".

*Overall investment risk:* All investments in securities risk the loss of capital. There may be increased risk due to the nature of the securities to be purchased and traded by the Fund and the investment techniques and strategies used to try to increase profits. While Misaki Capital will devote its best efforts to the management of the Fund's portfolio, it cannot give an assurance that the Fund will not incur losses. Many unforeseeable events, including actions by various government agencies and domestic and international political events, may cause sharp market fluctuations.

*Small companies and unseasoned issuers:* The Fund may invest its assets in the securities of emerging growth companies, small companies and unseasoned issuers. Investments in securities of these issuers may involve greater risks since these securities may have limited marketability and, thus, may be more volatile. Because there is generally less liquidity for securities of these issuers, it may be more difficult for the Fund to buy or sell significant amounts of those shares without having an unfavorable impact on prevailing prices. These issuers may have limited product lines, markets or financial resources and may lack management depth. In addition, these issuers are typically subject to a greater degree of changes in earnings and business prospects than are larger, more established companies. There is typically less publicly available information concerning these companies than for larger, more established companies. Although investments in securities of these issuers may offer potential for above-average returns as a result of these factors, they also involve a greater degree of risk.

*Receipt of material, non-public information:* From time to time, Misaki Capital may come into possession of material, non-public information concerning specific companies although internal structures are in place to prevent the receipt of such information. Under applicable securities laws, this may limit Misaki Capital's flexibility to buy or sell portfolio securities issued by such companies which may have an impact on the investment strategies employed by Misaki Capital in respect of the Fund.

#### Certain risk factors concerning Japan

*Financial information:* Japanese companies are allowed to prepare their financial statements on the basis of accounting principles generally accepted in Japan, or Japanese GAAP, which differ in certain respects from accounting principles generally accepted in other countries, including International Financial Reporting Standards ("IFRS"). Although, certain Japanese listed companies have, since March 2010, been entitled to adopt IFRS, currently there is no compulsory



obligation on Japanese listed companies to adopt IFRS. Japanese GAAP is considerably less strict than those in the United States and other developed economies. In particular, the assets and profits appearing in the financial statements of a Japanese company may not reflect its financial position or results of operations in the way they would be reflected had the financial statements been prepared in accordance with IFRS. In general, there is substantially less information regarding Japanese companies available to investors compared with public information regarding U.S. companies, including reports and rating information, and Japanese companies tend to be less willing to provide investors with financial information or other information relating to its business or management compared to disclosures customary for U.S. issuers, unless such disclosure is required under the applicable laws and regulations. Accordingly, there can be no assurance that information discovered subsequent to an investment will not negatively impact the value of such investment.

*Japanese political and economic risk:* The global financial crisis impacted Japan in the aftermath of Lehman Brothers Holdings Inc.'s filing for protection under Chapter 11 of the U.S. Bankruptcy Code on September 2008, which triggered a dramatic contraction of the domestic credit market and made it difficult for business entities in Japan to raise capital in the corporate debt market. Since then, Japanese companies in general have begun to experience difficulties in raising significant amounts of long-term unsecured debt in the public markets. Business activity across a wide range of industries and regions has experienced a downturn primarily due to significantly reduced consumer spending as well as the lack of liquidity in the credit markets. Although the Japanese government has taken some measures to stimulate economy, no assurances can be given that the efforts to recover Japanese economy will prove successful.

*Legal and regulatory environment:* The general trend of recent legislation in Japan has tended to enhance the protection afforded non-Japanese investment and has improved the legal climate for business. There can be no assurance, however, that this trend in economic legislation will not be slowed, curtailed or reversed, particularly in the event of a change in leadership, social disruption or other circumstances affecting the social, political or economic status of Japan. Such a shift could have a material adverse effect on the value of the Fund's investments.

The ability of the Fund to bring suit against any third party, including an entity in which the Fund invests or such entity's directors, officers, or bankruptcy trustee may be limited. Such entities will likely be organized under the laws of Japan; and substantially all of their assets may be located there. As a result, it may not be possible for the Fund to effect service of process upon such entities or their directors, officers or trustees. Even where an entity is successfully sued outside of Japan, enforcement of the judgment in Japan will be subject to Japanese applicable laws and applicable court procedures and may be difficult.

*Risk of natural disasters:* Certain regions of Asia, including Japan, face relatively high systemic risks in connection with natural disasters that may have a severe impact on the value of the assets of the Fund. Japan is particularly susceptible to earthquakes, for example, as has been the recent experience in 2011 off the Pacific coast of Tohoku region, Japan. Business activity across a wide range of industries and regions can be greatly reduced as a result of such natural disasters and companies can suffer serious difficulties due to the lack of demand for their products or services

due to significantly reduced consumer spending. A natural disaster may have a significant adverse effect on the financial condition of the Fund.

*Foreign investment repatriation restrictions:* In Japan, certain foreign exchange controls and regulations may be restrictive and may cause difficulties in repatriating invested funds in the future.

*Market liquidity may be limited and markets subject to high volatility:* Some Japanese securities markets may be less liquid than other major securities markets and may be highly volatile. Trading volumes during certain periods on such markets can be small. Some Japanese equity markets, such as JASDAQ, Mothers, etc. generally do not have high liquidity. There is no guarantee that a buyer or seller will be willing to transact at any price for a given security.

**Item 9.           Disciplinary Information**

Neither Misaki Capital nor any of its management persons has been subject to any legal or disciplinary events that are material to a Client's or prospective Client's evaluation of Misaki Capital's advisory business or the integrity of its management.

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

Misaki Capital has claimed an exemption from registration as a commodity pool operator, with respect to the Fund pursuant to Rule 4.13(A)(3), and an exemption from registration as a commodity trading advisor, pursuant to Rule 4.14(A)(8), each under the Commodity Exchange Act of 1936, as amended.

Misaki Capital and its principals and employees (the “**Staff Members**”) are not registered, and do not have any application pending to register, with the SEC as a broker-dealer or a registered representative of a broker-dealer.

Certain Staff Members of the Investment Manager may from time to time serve on the boards of public and private companies, including those in which the Fund invests (“**portfolio companies**”). Such Staff Members are required to give any directors’ fees paid to them by portfolio companies to the Investment Manager, which fees will be used to reduce the Management Fees paid by the Fund and any other Client managed by the Investment Manager (pro-rata to the size of the relevant funds and accounts) by the amount of such fees. Such Staff Members are entitled to have reasonable expenses paid by the portfolio companies. Notwithstanding the transfer of fees to the Investment Manager, each such Staff Member will owe duties to the portfolio companies in respect of which they act as a director which may conflict with the interests of the Fund.

With respect to each Client, Misaki Capital and the Staff Members engage in other activities and may in the future engage in additional other activities, including providing investment management and advisory services to other funds and accounts (including non-U.S. Clients), and shall not be required to refrain from any activity, to disgorge profits from any such activity or to devote all or any particular amount of time or effort of any of their officers, directors or employees to any single Client and its affairs. Such other new funds or accounts may pursue a substantially similar investment strategy as that of the existing Clients. These activities could be viewed as creating a conflict of interest in that the time and effort of Misaki Capital will not be devoted exclusively to the business of the Clients, but will be allocated between the business of the Clients and other business activities of the Staff Members. In managing other Clients’ assets, Misaki Capital may use the information and trading strategies which it obtains, produces or utilizes in the performance of services for the Fund or other Clients.

Misaki Capital evaluates any material conflicts of interest presented by any proposed relationship or arrangement it may contemplate with a service provider, broker or similar party that has a material business relationship with the Fund to ensure that the transaction or arrangement is fair and equitable to the investors in the Fund, and on terms that are consistent with arm’s length dealings, and Misaki Capital reviews any such arrangement on an ongoing basis thereafter to ensure continued benefit to the Fund and its investors. Currently, Misaki Capital does not have, and is not aware of any Staff Member that has, any relationships or arrangements that pose material conflicts of interest.

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

Pursuant to Rule 204A-1 of the Advisers Act, Misaki Capital has adopted a written code of ethics (the “**Code of Ethics**”), which is designed to address and avoid potential conflicts of interest and is applicable to all Staff Members. The Code of Ethics may also be applied to any other person designated by the Compliance Officer of Misaki Capital. The Code of Ethics is included as part of a comprehensive Compliance Manual that applies to all Staff Members.

A summary of the Code of Ethics is provided below. A full copy of the Code of Ethics will be made available to investors upon written request.

One of the primary goals of the Code of Ethics is to identify and resolve conflicts of interest to the benefit of Clients. Accordingly, the Code of Ethics sets forth the general principles that Staff Members:

1. Owe a fiduciary obligation to all Clients;
2. Have the duty at all times to place the interests of all Clients first and foremost and before the interests of Misaki Capital or themselves;
3. Must refrain from taking inappropriate advantage of their respective position with Misaki Capital;
4. Must conduct reportable security transactions in such a manner as to avoid any actual or potential conflict of interest or any abuse of their respective position of trust and responsibility;
5. Must avoid actions or activities that allow or appear to allow them or others to benefit from their position with Misaki Capital, at the expense of Clients, or that bring into question his or her independence or judgment; and
6. Must comply with all applicable federal securities laws.

The Code of Ethics contains guidelines relating to personal trading by Staff Members. Staff Members are not permitted to purchase or sell any security that is also held by the Client accounts without the advance written approval of the Compliance Officer (except for certain “exempt securities” as described in the Code of Ethics). Staff Members are permitted to make limited personal investments without the prior approval of the Compliance Officer, such as investments in (a) obligations of the United States, (b) obligations of investment grade United States municipalities, (c) money market funds, money market accounts, certificates of deposit, demand deposits, time deposits and checking and savings accounts, (d) shares of exchange traded funds, and (e) obligations of Japan.

The Code of Ethics also requires Staff Members to provide the Compliance Officer with certain securities holdings and periodic transaction reports, as required by Advisers Act Rule 204A-1.

The Code of Ethics has specific provisions relating to identifying potential conflicts of interest. The provisions prohibit a Staff Member from directing Client transactions for the purpose of obtaining a personal benefit. It also generally prohibits personal business dealings with Clients or investors without the prior approval of the Compliance Officer. The Code of Ethics includes provisions relating to accepting offers of gifts or entertainment from third parties.

All violations of the Code of Ethics must be promptly reported to the Compliance Officer, who is primarily responsible for administering and enforcing Misaki Capital's Code of Ethics. A violation of the Code of Ethics may result in the imposition of disciplinary and remedial measures, including, without limitation, disgorgement or termination.

## **Item 12. Brokerage Practices**

### Selection of Brokers and Dealers

In selecting brokers to execute transactions on behalf of Clients, Misaki Capital shall at all times seek to select brokers who are expected to provide “best execution” on behalf of Client accounts. The Compliance Officer of Misaki Capital, on at least an annual basis, evaluates the execution performance of the broker-dealers executing transactions on behalf of any Client. In determining whether or not a broker provides best execution, a variety of factors are generally considered by Misaki Capital, including:

- the price and size of the order;
- the trading characteristics of the securities involved;
- ability to achieve prompt and reliable executions at favorable prices;
- operational efficiency with which transactions are effected;
- financial strength, integrity and stability of the broker;
- the value of research provided by each broker;
- availability of stocks to borrow for short sales;
- any special expertise or capabilities of the broker; and
- competitiveness of commission rates in comparison with other brokers satisfying the Misaki Capital’s other selection criteria.

Applicability of specific criteria will vary depending upon the nature of the transaction, the market in which it is affected, and the extent to which it is possible to select from among multiple brokers or dealers capable of effecting the transaction. It is not necessary to select the broker offering the lowest possible commission rate, and Misaki Capital may cause a Client account to pay a broker a commission in excess of that which another broker might have charged for effecting the same transaction in recognition of the value of the brokerage and other services provided by the broker, directly or indirectly, to the Misaki Capital’s Clients.

The Fund does not pay for any research provided to Misaki Capital or the Fund through “soft” or commission dollars.

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

All Client accounts are reviewed on a regular basis by Misaki Capital's Compliance Officer. Given that Misaki Capital also manages stand-alone managed accounts, run *pari passu* with the Fund, Misaki Capital reviews monthly that holdings and risk profiles across such accounts are indeed congruent.

Investors in the Fund receive the following information: unaudited monthly reports on the investment performance of the Fund; and an annual report that will include audited financial statements.

Managed Account Clients are provided with such information, documentation or other materials that are reasonably requested by such Clients in order to enable the Managed Account client to assure that Misaki Capital is managing the assets of the Managed Account in an equitable manner relative to Misaki Capital's management of the other Client accounts.



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

Misaki Capital does not directly or indirectly compensate any third party for client referrals. Misaki Capital does not, directly or indirectly, currently compensate any person for client referrals. There are no sales charges payable to the Clients in connection with the sale of interests therein. However, Misaki Capital may enter into agreements with one or more third parties providing for, among other things, payments to such third parties of a fully disclosed sales charge, which may be paid from the investments of certain investors that agree thereto.

**Item 15. Custody**

Misaki Capital is not subject to the custody rule with respect to the assets of the Fund, the Managed Accounts or any other Clients.

**Item 16. Investment Discretion**

In accordance with the terms and conditions of the Fund's Governing Documents and subject to the direction and control of the Fund's directors, as applicable, Misaki Capital has discretionary authority to determine, without obtaining specific consent from the Fund or its investors, the securities and the amounts to be bought or sold on behalf of the Fund, and to perform the day-to-day investment operations of the Fund.

Misaki Capital may have discretionary authority depending on the terms of the investment management agreement to manage the assets of the Managed Accounts in a manner that is consistent with the objectives and strategies set forth in the applicable investment management agreement between Misaki Capital and such Managed Account client.

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

In accordance with its fiduciary duty to clients and Rule 206(4)-6 of the Advisers Act, Misaki Capital has adopted and implemented written policies and procedures governing the voting of client securities. The general policy is to vote proxy proposals, amendments, consents or resolutions in a prudent and diligent manner that will serve each Client's best interest and is in line with each Client's investment objectives. In certain cases, Misaki Capital may determine that not voting is in the best interest of a Client or otherwise appropriate. Investors may not direct Misaki Capital's vote on behalf of each Client.

Conflicts of interest may arise between the interests of the Clients on the one hand and Misaki Capital and Staff Members on the other hand. At a minimum, the Staff Member responsible for instructing the vote by Misaki Capital on behalf of a Client will be required to disclose any personal interest or other conflict of interest it has with respect to such proxy. Any conflict of interest will be reviewed and resolved by the Compliance Officer.

A copy of Misaki Capital's proxy voting policies and procedures will be made available to Clients and investors upon written request.

**Item 18. Financial Information**

Misaki Capital is not aware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. Misaki Capital has not been the subject of a bankruptcy petition at any time during the past ten years.

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

Not applicable.