

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

**WAYPOINT ASSET MANAGEMENT, LLC**

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**This brochure provides information about the qualifications and business practices of Waypoint Asset Management LLC (“Waypoint”). If you have any questions about the content of this brochure, please contact us at 203-658-7002 or [adacorte@waypointam.com](mailto:adacorte@waypointam.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.**

**Waypoint is not registered with the SEC. Waypoint is registered in the State of Florida Office of Financial Regulations. The fact that Waypoint is registered does not imply a certain level of skill or training.**

**Item 2: Material Changes**

NONE

**Item 3: Table of Contents**

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#### **Item 4: Advisory Business**

Waypoint was established in 2012 and commenced operations on January 1, 2013. Waypoint is solely owned by Juan Jose Pedreira.

Waypoint specializes in identifying investment opportunities in emerging markets. The term “emerging markets” as it is used in this Brochure generally means those countries that are considered to be developing countries by the World Bank, the International Finance Corporation or the United Nations or its agencies.

Waypoint primarily provides investment advice to clients that are unregistered investment companies, commonly known as hedge funds. Waypoint tailors its advisory services to the particular needs of its clients. Waypoint enters into investment advisory agreements with its clients in which they agree to the type of advisory services Waypoint will perform.

As of March 16, 2021, 1, Waypoint managed \$ 18,200,000 in assets on a discretionary basis and approximately \$ 102,400,000 on a non-discretionary basis.

#### **Item 5: Fees and Compensation**

Waypoint charges each of its hedge fund clients a monthly management fee based on the amount of assets that Waypoint manages. The management fee is calculated and due monthly in arrears and paid from client assets. Waypoint charges its hedge fund clients a quarterly performance-based fee, which is payable in arrears, paid from client assets, and is subject to a loss carryforward.

Waypoint bills this client directly for fees incurred (and does not have the authority to deduct them from client assets) at the end of the performance period.

Waypoint’s clients incur brokerage fees, other transaction costs, custodial fees and administration fees in connection with the assets that Waypoint manages for them. Each hedge fund client also pays all of its operating costs, including administrative, legal, accounting, auditing and insurance costs and expenses. *See also* “Item 12, Brokerage Practices.”

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

Some of Waypoint’s clients pay a performance-based fee or are subject to a performance-based allocation. All of Waypoint’s clients pay a flat management fee based on the dollar amount of assets under management. Performance-based compensation arrangements may create an incentive for Waypoint to recommend investments that may be riskier or more speculative than those that would be recommended under a different fee arrangement. If Waypoint is entitled to receive a higher percentage of the net profits of the account of one client than the percentage that Waypoint receives from another client, then Waypoint may have an incentive to favor, or to allocate certain riskier or more speculative investments to, the client that is subject to the higher percentage. However, Waypoint will allocate all investment opportunities among its clients in a manner that it considers fair and equitable to all clients, considering all factors potentially applicable to each client. Among the factors that may be considered by Waypoint in allocating trades among its client accounts are: investment policies, guidelines or restrictions applicable to each specific client; tax considerations; cash availability; liquidity requirements for payment of redemptions or other purposes; risk tolerances; restrictions under ERISA or other applicable laws or regulations; available credit lines; counterparty arrangements; account size; benchmark sector weightings; industry and security weightings; and hedging objectives and activity.

## **Item 7: Types of Clients**

Waypoint currently provides investment advice to one unregistered investment company (commonly known as hedge funds) and to a family office to which Waypoint acts as an adviser.

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

### Methods of Analysis, Investment Strategies and General Risk of Loss of Investing in Securities and Financial Instruments

Waypoint focuses primarily on identifying investment opportunities in emerging markets. Waypoint takes positions in both publicly traded and privately placed securities and financial instruments. The securities and other financial instruments in which Waypoint may invest include but are not limited to sovereign debt, private sector debt, equities, convertible securities, foreign currency transactions, restricted securities, loans and loan participations, interest rate/cross currency swaps, credit default swaps, commodities, futures and options and warrants. Waypoint may also directly or indirectly invest in asset-backed transactions, structured financial products, subordinated and distressed asset-backed securities, collateralized debt obligations, commercial mortgage-backed securities and collateralized mortgage obligations. Waypoint may buy securities on margin and arranges with banks, brokers and others to borrow money against a pledge of securities in order to employ leverage.

Waypoint utilizes fundamental, top-down macroeconomic analyses to attempt to identify and exploit what it believes are overpriced and under-priced investment opportunities. Waypoint buys or sells short based on its evaluation of the fair value of the investment opportunities that it identifies. In other words, Waypoint seeks to construct a portfolio that can profit from both bull and bear markets. As part of its macroeconomic analysis, Waypoint examines growth rates, debt/GDP ratios, fiscal and current account balances, funding needs, inflation, demographics, flow of funds and liquidity of the emerging markets in which Waypoint may invest.

Complementing its macroeconomic analysis, Waypoint also deploys a bottom-up analysis to determine the asset classes and individual financial instruments that it believes will best exploit investments that it identifies. As part of its bottom-up analysis, Waypoint assesses the following elements: sovereign credit analysis, sovereign versus private sector debt analysis, debt versus equity analysis, seniority of debt analysis, analysis of instrument liquidity, quantitative analysis, market technical analysis and momentum analysis. Each of these types of analyses is discussed in more detail below.

*Sovereign Credit Analysis.* Waypoint assesses each country's ability to pay its debt obligations. This entails analyzing the country's debt burden (i.e., ratio of debt to gross domestic product and debt to exports), fiscal situation, balance of payments (i.e., trade balance and dependence on foreign investment), private sector savings rate, soundness of its banking system, access to foreign currencies and debt repayment schedule. Waypoint also assesses the country's willingness to pay its debt obligations by analyzing its past payment history and its political and social environment. This analysis provides Waypoint with a basis upon which to select the sovereign debt for long- or short-term investments.

*Sovereign Versus Private Sector Debt Analysis.* Waypoint will assess the relative merits of investing in any single country, sovereign versus private sector debt based on a relative liquidity and risk-return analysis. To invest in private sector debt, Waypoint assesses the ability of each specific issuer to pay its

debt obligations. This credit analysis is based on standard lending due diligence procedures conducted by commercial banks. Key to Waypoint's analysis is attaining a high level of comfort with (a) the quality and experience of the borrower's management, (b) the borrower's ability to generate hard currency (i.e. exports), (c) the borrower's ability to generate enough cash flow to avoid excessive reliance on local short term borrowings, (d) the borrower's past payment history, (e) the borrower's competitive position in its local and foreign markets and (f) the institution's asset quality and leverage.

*Debt versus Equity Analysis.* Waypoint may invest in equity securities based on a top-down analysis of macroeconomic considerations as well as a fundamental analysis of individual issuers. Selective equity investments may be made when valuation discrepancies provide for significantly higher rates of return using equity securities as opposed to debt. Equity securities may also provide an efficient hedging mechanism against debt investments.

*Analysis of Seniority of Debt.* Waypoint assesses the perceived and actual seniority of a particular debt instrument. Waypoint believes that, in times of crisis, countries selectively default on and/or restructure their debt obligations. On the basis that "not all debt obligations (of a particular country) are created equal," Waypoint analyzes the following characteristics of a particular debt instrument: (a) payment history, (b) nature of the holders of the specific debt issue, (c) any potential attempt by a country to preserve a sector of the market open to future access, (d) difficulty in negotiating restructuring terms pertaining to a specific debt issue, and (e) legal and jurisdictional issues.

*Instrument Liquidity Analysis.* Waypoint pays particular attention to the market liquidity of its investments. Waypoint closely manages its investment positions in times of crisis in order to minimize (to the extent possible) volatility; hence market liquidity of investments is crucial.

*Quantitative Analysis.* Waypoint believes that the discrepancies in the valuations of some debt, equity and foreign exchange instruments are relatively widespread, and give rise to opportunities for cross-asset class arbitrage. Waypoint also believes that mathematical arbitrage and other valuation discrepancies should be taken alongside a historical context and deep understanding of the region. For example, significant yield differentials between two securities of comparable credit and duration may be the result of different market perceptions as to the relative seniority of the obligations because of historical (not legal) reasons. Discrepancies in valuation may also result from the use of, at times, drastically different discount rates, as the cost of funding (or leveraging) varies within the universe of credit investments.

*Technical Analysis.* Waypoint will analyze a security's historical prices in an effort to determine probable future prices. This is done by comparing current price action with the comparable historical price action to predict a reasonable outcome. Among the different tools Waypoint uses for its technical analysis are advance/decline ratios, bull/bear ratios, Elliot Wave Theory, Fibonacci Studies, MACD, Money Flow Index, Moving Averages and Relative Strength Index.

*Momentum Analysis/Trading.* This is a term used for selecting investment securities based on the recent price movements of the securities, and the market's level of interest in the securities. Momentum trading assumes the market action of a security is indicating something investors need to know. It assumes the market is the truth teller of the real value of an asset. By using this technique, Waypoint follows securities that are moving up or down, on big volume, and buys or sells. Waypoint will in most cases be a seller when the momentum stops. Waypoint will look for volume signals, liquidity of the underlying instrument, and size of the issue, before taking any action.

Like all investments, the securities and financial instruments in which Waypoint invests may not

be profitable. The types of investments that Waypoint makes are considered speculative and its clients may lose most or all of their investment. In addition to the general risk of loss for any investment, investing in emerging markets involves specific risks as does the other aspects of Waypoint's investment strategy. The type of securities and financial instruments in which Waypoint invests also pose specific risks. These risks are discussed below.

### Emerging Market Risks

Investing in emerging market securities and financial instruments poses risks that are not present when investing in the United States, Western Europe, parts of Asia and other developed countries. Non-U.S. securities markets generally are not as developed or efficient as those in the United States. The following risks should be considered with respect to investing in emerging markets:

*Political, Social and Economic Factors.* Many emerging markets are subject to a greater degree of economic, political, and social instability than is the case in the United States, Western Europe and parts of Asia. This instability may result from, among other things: (i) authoritarian governments or military involvement in political and economic decision-making, including changes in government through extra-constitutional means and the imposition or strengthening of control on foreign investment and/or repatriation of capital and income; (ii) popular unrest associated with demands for improved political, economic and social conditions; (iii) internal insurgencies; (iv) hostile relations with neighboring countries; and (v) ethnic, religious, and racial disaffection. This social, political, and economic instability significantly increases the risk of, and could significantly adversely affect the value of, investments in emerging markets.

The economies of countries in emerging markets are heavily dependent upon international trade and, accordingly, are affected by protective trade barriers and the economic conditions of their trading partners, which are principally the United States, Japan, China, and the European Economic Community. The enactment by the United States or other principal trading partners of protectionist trade legislation or the imposition of import duties by any of them, distressed economic conditions affecting these or other trading partners, or a reduction of foreign investment in the local economies could have a significant adverse effect upon business conditions in emerging markets and the value of investments in those markets.

In addition, governments in certain emerging markets participate to a significant degree, through ownership interests or regulation, in their respective economies. Action by these governments could have a significant adverse effect on the value of any investments in emerging markets.

*Legal System.* Many of the countries in emerging markets generally are subject to laws and legal standards that differ materially from those applicable to U.S. companies. These standards have a material impact on the general economic and political environments in each of the countries, as well as the businesses conducted in emerging markets. With notable exceptions, the trend of legislation over the last decade has significantly enhanced the protection afforded foreign investment and has in general improved the legal climate for business. There can be no assurance 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 countries in emerging markets. Such a shift could have a material adverse effect on emerging markets investment.

*Reporting Standards.* Emerging markets issuers are frequently subject to accounting, auditing and financial standards that differ significantly from those applicable to the United States, Western European

or Japanese issuers. Balance sheet and income statement data appearing in the financial statements of emerging markets issuers may not reflect the financial position or results of operations of such issuers in the same way as financial statements prepared in accordance with generally accepted accounting principles in the United States, Western Europe or Japan. Emerging markets issuers that operate in certain inflationary economies may be required to keep records according to inflation accounting rules that require that certain balance sheet assets and liabilities be restated annually in order to express such items in terms of currency of constant purchasing power. This process may indirectly generate losses or profits. In emerging markets generally, there is substantially less publicly available information about issuers than in more developed markets.

*Foreign Currency and Exchange Rates.* Much of the income and assets of the companies in emerging markets in which Waypoint invests will be denominated in local currencies. To the extent that the U.S. dollar appreciates relative to these currencies, the U.S. dollar value of these investments is likely to be adversely affected. In addition, the ability to convert freely between the U.S. dollar and the local currencies may be restricted or limited from time to time and exchange rates and currency conversion may be controlled directly or indirectly by governments or selected entities. Moreover, hedging many emerging market currencies may be impractical or expensive.

*Investment and Repatriation Restrictions.* Foreign investment in several of the countries in emerging markets is restricted or controlled to varying degrees. These restrictions or controls may at times limit or preclude investment in certain countries and may increase expenses related to Waypoint's emerging market investments. For example, certain countries may require governmental approval or may restrict investment opportunities in companies or industries deemed important to national interests. In addition, the repatriation of both investment income and capital from several emerging markets is subject to restrictions such as the need for certain government consents or waiting periods.

*Inflation.* Many of the economies in emerging markets have experienced substantial, and in some periods extremely high, rates of inflation for several years. Inflation and rapid currency fluctuations have had and may continue to have negative effects on the economies of certain countries in emerging markets. Wage and price controls have been imposed at times in certain countries in an attempt to control inflation.

*Due Diligence May be Difficult.* Disclosure, accounting and other regulatory standards in emerging markets are, in many respects, different from standards in the United States and certain European countries. This may result in a lack of adequate or accurate information regarding prospective portfolio companies. Accordingly, there can be no assurance that the due diligence investigation carried out by Waypoint in respect of any investment opportunity will reveal or highlight all relevant facts that may be necessary or helpful in evaluating that opportunity.

*Claims Against Foreign Entities.* Any claim, judgment or arbitration award against any foreign broker, or any other foreign entity or any of their respective principals, officers, directors, members or employees, might ultimately have to be enforced in a foreign jurisdiction under foreign laws and procedures. There are substantial risks, uncertainties and delays inherent in litigation in such jurisdictions.

*Foreign and Withholding Taxes.* Certain foreign investments may be subject to taxes, including withholding taxes, or to changes in the rates or methods of taxation applicable to Waypoint, or to the entities in which Waypoint has invested.

*Rating Criteria for Emerging Market Debt Securities.* No rating criteria have been established for many of the debt securities in which Waypoint may invest. Securities of emerging markets issuers often are not

rated at all for creditworthiness and are considered to be speculative. In purchasing such securities, Waypoint will analyze the creditworthiness of the issuer of such securities, its financial resources, its sensitivity to economic conditions and trends, its operating history and the quality of its management and regulatory matters. No assurance can be made that Waypoint's analysis will be correct. Waypoint may purchase debt securities that are in default or that Waypoint believes will be in default. Waypoint may invest in low rated or unrated debt securities. Low rated securities (considered to be those that are below "investment grade") are the equivalent of high yield, high risk bonds, commonly known as "junk bonds." These securities are generally considered to be speculative with respect to the issuer's capacity to pay interest and repay principal in accordance with the terms of the obligations.

*Illiquidity of Emerging Market Securities.* Waypoint may have difficulty disposing of emerging markets debt or equity securities because there may be a thin trading market for such securities. To the extent that a secondary trading market does exist in an emerging market issuer's security, it is generally not as liquid as the secondary market for non-emerging markets securities. Reduced secondary market liquidity may have an adverse impact on market price and the ability to dispose of issues when necessary to meet liquidity needs or in response to specific economic events such as deterioration in the creditworthiness of the issuer. Market quotations are generally available on many emerging markets securities only from a limited number of dealers and may not necessarily represent firm bids of such dealers or prices for actual sales. To the extent that illiquid investments restrict Waypoint's ability to raise cash when needed, such illiquidity may result in borrowings by Waypoint in order to meet short-term cash requirements.

#### *Risks of Investment Strategy Not Specifically Related to Emerging Markets*

*Leverage.* Waypoint may use leverage. The use of leverage creates opportunities for greater total return, but also increases the risk of losses. A relatively small movement in the market prices of the instruments purchased with leverage can result in immediate and substantial loss. Purchasing on margin increases the risk of having to sell at a time when market prices are declining in order to meet margin calls.

*Hedging Transactions.* Waypoint may utilize financial instruments such as forward contracts and currency options and interest rate swaps, caps, collars and floors to seek to hedge against fluctuations in the relative values of its emerging markets investment positions as a result of changes in currency exchange rates and market interest rates. Hedging against a decline in the value of a position does not eliminate fluctuations in the values of portfolio positions or prevent losses if the values of such positions decline, but establishes other positions designed to gain from those same developments, thus offsetting the decline in the positions' value. Such hedge transactions also limit the opportunity for gain if the value of the position should increase.

The success of hedging transactions will be subject to the ability to correctly predict movements in and the direction of currencies and interest rates. Therefore, while Waypoint may enter into such transactions to seek to reduce currency exchange rate and interest rate risks, unanticipated changes in currency exchange rates or interest rates may result in a poorer overall performance than if it had not engaged in any such hedging transaction. In addition, the degree of correlation between price movements of the instruments used in a hedging strategy and price movements in the underlying positions being hedged may vary. Moreover, for a variety of reasons, Waypoint may not seek to establish a perfect correlation between such hedging instruments and the instruments being hedged. This imperfect correlation may prevent Waypoint from achieving the intended hedge or expose it to risk of loss.

*Short Sales.* Waypoint may sell securities short. Short selling involves the sale of a security that one does not own and must borrow in order to make delivery in the hope of purchasing the same security at a

later date at a lower price. Selling securities short risks losing an amount greater than the proceeds received. Theoretically, securities sold short suffer from an unlimited risk of loss because there is no limit on how high the price of security may rise before the short position is closed.

### Risks Related to Specific Securities/Financial Instruments

#### *Restricted and Illiquid Securities*

Waypoint may invest in securities that may be restricted or illiquid. Restricted securities are securities that may not be resold to the public without an effective registration statement under the Securities Act of 1933 or, if they are unregistered, may be sold only in a privately negotiated transaction or pursuant to an exemption from registration. Restricted and other illiquid investments involve the risk that the securities cannot be sold at the time desired by Waypoint or at prices approximating the value Waypoint has determined. Difficulty in selling illiquid investments could impair Waypoint's ability to meet repurchase requests or to pay its fees and expenses. Further, issuers whose securities are not publicly traded may not be subject to public disclosure and other investor protection requirements applicable to publicly-traded securities.

#### *When-Issued and Delayed Delivery Securities*

Waypoint may purchase securities on a when issued or delayed delivery basis, for payment and delivery at a specified later date. The price and yield of such a security are generally fixed on the date of the commitment to purchase. During the period between purchase and settlement, no interest will accrue. At the time of settlement, the market value of the security may be more or less than the purchase price and, accordingly, Waypoint may realize an immediate gain, but also bears the risk of having an unrealized loss at the time of delivery.

#### *Sovereign Debt*

Waypoint may invest in securities or other obligations issued by an emerging markets government, its agencies, instrumentalities or its central bank ("sovereign debt"), which involve significant risk. Sovereign debt issued by many emerging markets is considered to be below investment grade and should be viewed as speculative with respect to the issuing government's ability to make payments of interest and principal. Many individual emerging markets are large debtors to commercial banks, foreign governments and international financial organizations. Some emerging markets have encountered difficulties in servicing their external debt obligations. These difficulties have led to agreements to restructure these debts, typically by rescheduling principal payments, reducing interest rates and principal amounts and extending new credit to finance interest payments on existing debt. Certain countries have not been able to make payments of interest on or principal of sovereign debt as such payments have come due. At times, certain emerging markets have declared moratoriums on the payment of principal and/or interest on outstanding debt.

There may be limited legal recourse in the event of default. Sovereign debt obligations differ from those of private entities in that generally remedies from defaults may have to be pursued in the courts of the defaulting party itself, which may be especially difficult in an emerging market. Bankruptcy, moratorium and other similar laws applicable to issuers of sovereign debt may be substantially different in emerging markets than in other countries.

### *Interest Rate Changes*

The debt securities in which Waypoint may invest have varying levels of sensitivity to changes in interest rates. In general, the price of a debt security can fall when interest rates rise and can rise when interest rates fall. Securities with longer maturities are more sensitive to interest rate changes. In other words, the longer the maturity of a security, the greater the impact a change in interest rates will have on the security's price. In addition, short-term and long-term interest rates do not necessarily move in the same amount or the same direction, this is commonly referred to as yield curve risk. Short-term securities tend to react to changes in short-term interest rates, and long-term securities tend to react to changes in long-term interest rates. While Waypoint does not intend to speculate on the direction of interest rates, the nature of some debt securities in which Waypoint may invest may require Waypoint to have an interest rate bias from time to time.

### *Derivatives Generally*

Waypoint may invest in derivatives, which may include options, swaps, futures, structured securities and other instruments and contracts that are derived from or the value of which is related to one or more underlying securities, financial benchmarks, currencies or indices. Derivatives allow an investor to hedge or speculate upon the price movements of a particular security, financial benchmark currency or index at a fraction of the cost of investing in the underlying asset.

The value of a derivative is frequently difficult to determine and depends largely upon price movements in the underlying asset. Therefore, many of the risks applicable to trading the underlying asset are also applicable to derivatives of such asset. However, there are a number of other risks associated with derivatives trading. For example, because many derivatives are leveraged they provide significantly more market exposure than the money paid or deposited when the transaction is entered into, a relatively small adverse market movement can not only result in the loss of the entire investment, but may also expose the Fund to the possibility of a loss exceeding the original amount invested. Over-the-counter derivatives generally are not assignable except by agreement between the parties concerned, and no party or purchaser has any obligation to permit such assignments. The over-the-counter market for derivatives is relatively illiquid.

### *Loan Participations*

Waypoint may invest in loan participations. Investment in loan participations involves certain risks additional to those associated with direct loans. A loan participant has no contractual relationship with the borrower of the underlying loan. As a result, the participant is generally dependent upon the lender to enforce its rights and obligations under the loan agreement in the event of a default and may not have the right to object to amendments or modifications of the terms of such loan agreement. A participant in a syndicated loan generally does not have typical creditors' rights, which are retained by the lender. In addition, a loan participant is subject to the credit risk of the lender as well as the borrower, since a loan participant is dependent upon the lender to pay to it its percentage of payments of principal and interest received on the underlying loan.

### *Futures and Options Trading*

Waypoint may trade commodity futures and options. Futures trading is very speculative, largely due to the traditional volatility of futures prices and the leverage inherent in futures trading. Futures prices are affected by and may respond rapidly to a variety of factors including, but not limited to market and news

reports, interest rates, national and international political or economic events, and domestic or foreign trade, monetary or fiscal policies or programs. Such rapid response might include an opening price on an affected futures contract sharply higher or lower than the previous day's close. In such an instance, Waypoint might be unable to adjust its positions in time to avoid a loss. Moreover, commodity exchanges limit fluctuations in commodity futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits." During a single trading day no trades may be executed at prices beyond the daily limit. Once the price of a futures contract for a particular commodity has increased or decreased by an amount equal to the daily limit, positions in the commodity can be neither taken nor liquidated unless traders are willing to effect trades at or within the limit. Commodity futures prices have occasionally moved the daily limit for several consecutive days with little or no trading. Similar occurrences could prevent Waypoint from promptly liquidating unfavorable positions which could create substantial losses.

#### *Distressed Securities and Special Situation Positions*

Waypoint may engage in transactions in securities and other obligations of companies that are experiencing significant financial or business distress, including companies involved in bankruptcy or other reorganizations and liquidation proceedings. Although such transactions may produce significant returns, they involve a high degree of risk over a potentially lengthy period of time, than positions in healthier companies, including adverse business, financial or economic conditions that can lead to defaulted principal and interest payments and insolvency proceedings. Trading in these types of securities requires sophisticated analysis (and often it is difficult to obtain information) and there can be no assurance that Waypoint will accurately predict various factors that could affect the prospects of a successful restructuring. Many of these positions ordinarily remain stagnant until the company reorganizes and/or emerges from bankruptcy proceedings, and, as a result, may have to be held for an extended period of time.

In liquidations, bankruptcies, recapitalizations and other forms of corporate reorganization, there exists the risk that the reorganization either will be unsuccessful (for example, for failure to obtain requisite approvals), will be delayed (for example, until various liabilities, actual or contingent, have been satisfied) or will result in a distribution of cash or a new security the value of which will be less than the purchase price to the Fund of the security in respect of which such distribution was made.

These types of securities require active monitoring and may, at times, require participation in bankruptcy or reorganization proceedings by Waypoint. To the extent that Waypoint becomes involved in such proceedings, Waypoint may have a more active participation in the affairs of the issuer than that assumed generally by an investor. In addition, Waypoint's participation in such proceedings may restrict or limit its ability to trade securities of the subject company.

Distressed securities are frequently illiquid, for example as a result of the suspension of trading in certain markets, delays in registering securities and uncertainties arising from litigation and uncertain valuations. Distressed positions may also be adversely affected by laws relating to, among other things, fraudulent conveyances, voidable preferences, lender liability and the bankruptcy court's discretionary power to disallow, subordinate or disenfranchise particular claims. The market price of such securities is subject to abrupt and erratic market movements and above average price volatility and the spread between the bid and asked prices of such instruments may be greater than normally expected.

#### *Structured Products*

Waypoint may invest in structured products such as collateralized bond obligations, collateralized debt obligations, collateralized loan obligations, and collateralized mortgaged-backed securities. These and other structured products may be subject to credit, liquidity and interest rate risk, in addition to the risk of default. The collateral pledged to secure the notes of any structured product may be high-yield debt obligations, emerging market debt obligations and/or loans or participation interests in loans, which may be rated below investment grade or unrated and therefore have greater credit and liquidity risk than investment grade bonds.

#### **Item 9: Disciplinary Information**

Prior to the date hereof, neither Waypoint nor any management person of Waypoint has been the subject of any material criminal, civil or administrative action, suit or proceeding within the last ten years.

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

The sole owner of Waypoint is Juan Jose Pedreira.

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

Waypoint has adopted a Code of Ethics pursuant to SEC Rule 204A-1 of the Investment Advisers Act. Waypoint will provide a copy of its Code of Ethics to any client or prospective client upon request. Each of Waypoint's employees is required to read, understand and comply with Waypoint's Code of Ethics, which is designed to ensure that Waypoint complies with applicable laws and regulations in an ethical and professional manner. The Code of Ethics governs and restricts personal investment transactions by Waypoint's employees. The Code of Ethics also addresses Waypoint's policies with respect to gifts and entertainment, confidentiality obligations, the way violations of the Code of Ethics are to be reported and resolved and restrictions of outside activities of Waypoint's employees.

Waypoint's clients have agreed that Waypoint can recommend and/or buy or sell the same securities and financial instruments at the same time or after one or more of its other clients already has established a position in a security or financial instrument, subject to applicable law and Waypoint's Code of Ethics.

Waypoint may at times determine that certain investments are suitable for more than one of its clients and attempt to purchase or sell short these investments at the same time for multiple clients. If Waypoint is not able to acquire the desired aggregate amount of such investments on terms and conditions which Waypoint deems advisable, it will endeavor to allocate in good faith the limited amount of such investments acquired among the various clients for which Waypoint considers them to be suitable. Waypoint makes such allocations among its clients based on the followings considerations: relative account sizes, funds available for investment, diversification considerations, the degree of risk involved in the investments acquired, and the extent to which a position in such investments is consistent with the investment policies and strategies of the various clients involved.

When Waypoint attempts to purchase or sell the same securities at or about the same time for more than one of its clients, Waypoint will typically use a "batching" procedure, meaning that Waypoint will place one aggregated order for execution for its clients. In some cases, it is possible that batching orders for different clients may affect adversely the price paid or received or the size of the position purchased or sold. In most cases, however, the practice of batching orders results in brokerage cost

savings and block transactions effected at more favorable prices. Waypoint is not required to aggregate trades but will do so when it believes that it can obtain better prices and lower execution costs.

## **Item 12: Brokerage Practices**

Waypoint is responsible for the placement of the portfolio transactions for its hedge fund clients and the negotiation of any commissions or spreads paid on such transactions. Portfolio investments normally will be purchased through brokers on securities exchanges or directly from the issuer or from an underwriter or market maker for the investments. Purchases of portfolio investments through brokers may involve a commission to the broker. Purchases of portfolio investments from dealers serving as market makers include the spread between the bid and the asked price.

In placing portfolio transactions and negotiating commission rates, Waypoint seeks to obtain best execution, taking into account the following factors: (i) the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any); (ii) the operational efficiency with which transactions are effected, taking into account the size of order and difficulty of execution; (iii) the financial strength, integrity and stability of the broker; (iv) the reputation of the broker; (v) the firm's risk in positioning a block of securities; (vi) efficiency of execution and error resolution; (vii) the quality, comprehensiveness and frequency of available research services considered to be of value; and (viii) the competitiveness of commission rates in comparison with other brokers satisfying Waypoint's other selection criteria.

Waypoint is authorized to pay higher prices for the purchase of securities from or accept lower prices for the sale of securities to brokerage firms that provide it with such investment and research information or to pay higher commissions to such firms if Waypoint determines such prices or commissions are reasonable in relation to the overall services provided. Research services furnished by brokers may include written information and analyses concerning specific securities, companies or sectors; market, financial and economic studies and forecasts; statistics and pricing or appraisal services; discussions with research personnel; and invitations to attend conferences or meetings with management or industry consultants. Waypoint is not required to weigh any of these factors equally. Since commission rates in the United States are negotiable, Waypoint's selection of brokers on the basis of considerations which are not limited to applicable commission rates may at times result in Waypoint's clients being charged higher transaction costs than they could otherwise obtain.

Receipt by an investment adviser of products and services provided by brokers, without any cash payment by an investment adviser, based on the volume of brokerage commission revenues generated from securities transactions executed through those brokers on behalf of the investment adviser's clients is commonly referred to as "soft dollars." Section 28(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), provides a "safe harbor" to investment advisers with respect to potential liability for violating their duty to obtain best execution for a client's securities transactions in circumstances in which such advisers use soft dollars generated by their advised accounts only for purposes of obtaining investment research and brokerage services (i) that provide lawful and appropriate assistance to the investment adviser in the performance of investment decision making responsibilities and (ii) where the commissions paid are reasonable in relation to the value of the services provided.

Waypoint does not currently engage in any soft dollar transactions and does not intend to engage in any soft dollar transactions other than with respect to products and services which fall within the Section 28(e) safe harbor.

Waypoint is not required to allocate either a stated dollar or stated percentage of its brokerage business to any broker for any minimum time period and will review such relationships from time to time.

**Item 13: Review of Accounts**

Waypoint's client portfolios are reviewed daily by Waypoint's portfolio manager. Such reviews include the assessment of daily profit and loss reports with respect to investment positions in a client account. Client investments are evaluated based on performance, company fundamentals, analyst reports, general market conditions, technical analysis and domestic and international events that may affect the investments. Waypoint's chief compliance officer reviews client portfolios at least quarterly.

Investors in the hedge funds managed by Waypoint receive unaudited monthly net asset value statements from the administrator of the hedge fund. Investors also receive annual audited financial statements.

Waypoint provides to its family office client written monthly unaudited reports containing information used to calculate the change in the net asset value of the assets under Waypoint's management.

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

Waypoint does not currently engage any third party entities for the purpose of solicitation of business

**Item 15: Custody**

Actual physical custody of the assets of Waypoint's clients will be held at a broker-dealer, bank or trust company, not at Waypoint. Currently, the assets of Waypoint's hedge fund clients are custodied at (and transactions cleared and settled by) Citigroup Securities. ("Citi"). Waypoint is not committed to continue its clearing, brokerage and custodial relationship with Citi for any minimum period and may enter into custody and clearing relationships with other agents.

**Item 16: Investment Discretion**

Waypoint has discretionary authority to make investments on behalf of its hedge fund clients. Waypoint is granted such authority in written investment advisory agreements that it has with these clients. Pursuant to these agreements, these clients have not placed limitations on the discretionary investment authority they have granted to Waypoint.

**Item 17: Voting Client Securities**

Waypoint generally has authority to vote client securities. Waypoint has written policies and procedures that are designed so that Waypoint votes client securities in the best interest of its clients. Waypoint's proxy coordinator is generally responsible for determining how to vote client securities. Waypoint's current proxy coordinator is Americo Da Corte.

Some considerations considered by the proxy coordinator in determining whether a vote is in the best interest of Waypoint's clients include: the issuer's recommendation on the proposal subject to a vote; whether the proposal may have the effect of entrenching existing management and/or making it less

responsive to shareholder concerns; and whether he believes that the issue being voted upon will fairly compensate management for its and/or the issuer's performance. If the proxy coordinator determines that the issue being voted upon is not material then Waypoint will not be obligated to vote upon on such matter.

The proxy coordinator will attempt to identify any conflicts of interest between Waypoint and its clients with respect to any proxy statements received. This examination will include a review of the relationships, if any, between Waypoint and its principals, affiliates and clients, on the one hand, and the issuer of the subject security and such issuer's affiliates, on the other hand. If the proxy coordinator believes that a material conflict exists between the Firm and any of its clients, he will disclose the conflict to the affected clients and give such clients the opportunity to vote their securities themselves, or rely exclusively in making his voting decision on the recommendation of an independent third party who is experienced in advising investment managers regarding proxy voting decisions. Special considerations may apply in cases of conflicts of interest involving ERISA clients. The proxy coordinator will confer with appropriate ERISA counsel in such cases.

Waypoint's clients may obtain information how Waypoint voted with respect to their securities upon written request and Waypoint will provide a written response to the client that lists the name of the issuer; the proposal voted upon; and how Waypoint voted. Clients may also obtain a copy of Waypoint's policy for voting proxies upon written request.

**Item 18: Financial Information**

This Item is not applicable to Waypoint.

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

No additional disclosures are required in response to this item.