



**AEQUIM ALTERNATIVE INVESTMENTS LP**

**PART 2A OF FORM ADV**

**FIRM BROCHURE**

**Aequim Alternative Investments LP**

495 Miller Avenue, Suite 301  
Mill Valley, CA 94941

**March 31, 2021**

This brochure provides information about the qualifications and business practices of Aequim Alternative Investments LP ("Aequim"). If you have any questions about the contents of this brochure, please contact us at (415) 477-9077 or by email at [compliance@aequim.com](mailto:compliance@aequim.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.

Any reference to Aequim as a registered investment adviser does not imply a certain level of skill or training.

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

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**Item 2: Material Changes**

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This is the annual amendment for the year ended December 31, 2020. Since the last annual filing of Aequim's Form ADV Part 2A on March 30, 2020, this Brochure has been updated to reflect that Aequim began advising a separately managed account as of December 2020. In connection with providing advisory services to such separately managed account, the Brochure have been revised as follows: (i) Item 4 has been updated to reflect the addition of separately managed accounts as clients; (ii) information regarding fees and expenses of a separately managed account has been added to Item 5; (iii) Item 6 has been updated to reflect the side-by-side management of multiple client accounts; and (iv) the Firm's aggregation and allocation policy has been updated in Item 12 to reflect the management of multiple clients.

This Brochure has also been updated to reflect the Firm's regulatory assets under management as of December 31, 2020 and to make certain other non-material changes, including updates to fees and risk disclosures.

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**Item 3: Table of Contents**

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**Item 4: Advisory Business**

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**Item 4.A. General Description of Advisory Firm**

Aequim Alternative Investments LP (“**Aequim**” or the “**Firm**”), a Delaware limited partnership, was founded in January 2018 and became registered as an investment adviser with the United States Securities and Exchange Commission (the “**SEC**”) on April 30, 2018. Aequim’s principal place of business is Mill Valley, California. Aequim Alternative Investments LLC (“**General Partner**”), a Delaware limited liability company, is the Firm’s general partner. Franklin Parlamis is the principal owner of the Firm.

**Item 4.B. Description of Advisory Services**

Aequim provides investment advisory services on a discretionary basis to privately offered domestic and offshore pooled investment vehicles (each a “**Fund**” and, collectively, the “**Funds**”) and a separately managed account (“**Managed Account**,”). The Funds, together with the Managed Account, and any future privately offered investment vehicle and/or separately managed account advised by Aequim, are referred to herein as “**Clients**” and each a “**Client**”. The Funds are intended for investment by certain investors (collectively the “**Investors**” and each an “**Investor**”) that meet the definition of “accredited investor” as defined under Regulation D of the Securities Act of 1933, as amended, and “qualified purchasers” under Section 2(a)(51) of the Investment Company Act of 1940, as amended (the “**Company Act**”) so as to comply with the exemptions under Section 3(c)(7) of the Company Act.

The General Partner also serves as the general partner to certain Funds. Aequim is granted investment discretion and authority to manage each Fund’s investments subject to any restrictions imposed by the applicable governing documents for each Fund.

The Firm does not limit its investment advice to only certain types of investments. Please see Item 8.A. for a description of the Firm’s investment strategy.

**Item 4.C. Availability of Customized Services for Individual Clients**

The Firm’s advisory services are provided to the Funds pursuant to the terms of each Fund’s relevant governing and offering documents and based on the specific investment objectives and strategies as disclosed in such offering documents. The advisory services a Fund receives are tailored to meet the specified investment objectives and strategies as set forth in the Fund’s offering documents. The Firm has, and in the future may, enter into side letter agreements with certain Investors. Side letters are negotiated prior to investment and may establish rights that supplement or alter the terms of the applicable governing documents. Such rights may not be available to other Investors. Investors generally cannot impose additional investment guidelines, restrictions, or other requirements on a Fund.

The Firm’s advisory services are provided to the Managed Account pursuant to the terms of the Managed Account’s investment advisory agreement with Aequim, which sets forth the Managed Account’s investment mandate, guidelines and restrictions. Separately managed account clients may impose certain restrictions on investments in their account.

#### **Item 4.D. Wrap Fee Programs**

Aequim does not participate in, nor does it sponsor, wrap fee programs.

#### **Item 4.E. Regulatory Assets Under Management**

As of December 31, 2020, Aequim has \$2,643,709,099 in regulatory assets under management on a discretionary basis. Aequim does not manage client assets on a non-discretionary basis.

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

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##### **Items 5.A. and 5.B. Description of Compensation Arrangements and Manner of Fee Payment**

Aequim generally does not charge management fees for its advisory services to the Funds. With respect to the Funds, Aequim and/or the General Partner are generally entitled to a performance fee equal to 30% of the applicable profits allocated to an Investor for each year, except that half of such fee is held back for one year by the applicable Fund and is subject to reversal by losses allocated to that Investor in the following year. As described in each Fund's governing and offering documents, each Fund pays Aequim with respect to each measurement period for each Investor, a performance fee equal to 15% of the performance fee base for that Investor for that measurement period. The performance fee is calculated independently for each measurement period, notwithstanding the fact that measurement periods will overlap. If an Investor withdraws or is distributed all or part of its capital account balance on a date other than the last scheduled day of a measurement period, the measurement periods with respect to the amount withdrawn or distributed on such intra-period withdrawal date is deemed to end and the performance fee with respect to the amount withdrawn or distributed for such measurement periods, if applicable, is calculated and paid to Aequim. In respect of each calendar year in or after which an Investor is admitted to a Fund, a measurement period for such Investor ends on December 31 of such calendar year, and commences on the later of (i) January 1 of the calendar year immediately preceding such calendar year, and (ii) the date such Investor was admitted to the Fund. Certain initial Investors are subject to a management fee payable monthly in advance; however, performance fees are reduced by the amount of management fees paid during the relevant measurement period.

Performance fees are paid by a Fund in arrears at the end of each year and upon full or partial redemption of interests in a Fund by an Investor. Performance fees are applied as charged against the Investors to which they relate.

The Firm is authorized to deduct management and performance fees from the applicable Fund. In general, the fees for the Funds are not negotiable. The Firm may, by agreement with particular Investors, reduce, waive, or modify the management and performance fees attributable to those Investors. Details regarding Aequim's management and performance fees are set forth in each Fund's relevant offering and governing documents.

An Investor may redeem all or part of its capital account in a Fund on 60 days' advance notice to the General Partner and subject to certain restrictions as provided in the Fund's governing documents.

Aequim's Managed Account compensation is negotiable and varies, but typically, Aequim is entitled to receive a performance fee based on a percentage of net profits of the account (including both realized

and unrealized gains and losses). Performance fees for the Managed Account are assessed in arrears on an annual basis. The Managed Account is subject to a management fee payable quarterly in arrears; however, performance fees are reduced by the amount of management fees paid during the relevant measurement period on a dollar-to-dollar basis but not below zero. If Aequim does not provide advisory services to the Managed Account for a full calendar year, the management fee will be reduced pro-rated to reflect the portion of such month in which Aequim provided advisory services. Aequim typically bills the Managed Account for payment of management and performance fees.

#### **Item 5.C. Other Fees and Expenses Clients may be Charged**

The Firm is responsible for its operating, general, administrative and overhead costs.

Each Fund bears all costs and expenses of its organization and ongoing operation including, without limitation, (a) all trading costs and expenses (such as, for example, brokerage commissions and charges, expenses relating to short sales, clearing and settlement charges, option premiums, custodial and service fees, and higher commissions or charges related to outsourced trading services), (b) all interest and commitment fees on loans and debit balances (on margin or otherwise), (c) all costs and expenses of negotiating and entering into contracts and arrangements and making investments (such as brokerage, legal, accounting, investment banking, appraisal and other professional and consulting fees and expenses arising from particular investments and potential investments) and similar expenses in terminating those contracts and arrangements and disposing of the Fund's investments, (d) all research-related fees and expenses, including but not limited to all trading fees and other similar fees, (e) fees for outsourced risk-management services, (f) fees for outsourced compliance services for the benefit of the Fund, (g) all costs and expenses associated with regulatory filings of the Fund, the General Partner, the Firm and their affiliates relating to the Fund (including, but not limited to filings under section 13 of the Securities Exchange Act of 1934, as amended, (the "**Exchange Act**") and Form PF), (h) all costs and expenses associated with registering the Fund's restricted securities, (i) all costs and expenses incurred in attempting to protect or enhance the value of the Fund's investments (including the costs and expenses of instituting and defending lawsuits or engaging in proxy contests or tender offers), (j) all income taxes, withholding taxes, transfer taxes and other governmental charges and duties, (k) all fees and charges of custodians, clearing agencies and banks, (l) all administration, bookkeeping, recordkeeping, legal, accounting, auditing, tax preparation and all professional, expert and consulting fees and expenses arising in connection with the Fund's activities (including (1) legal costs and expenses related to investigative due diligence on potential portfolio acquisitions, (2) fees, costs and expenses of counsel for the Fund, the General Partner, the Firm or one or more of their affiliates for services for the benefit of the Fund, (3) service contracts related to research (including research reports, services and on-line and third party research fees), quotation, pricing and data services, technical and performance measuring data, newswire charges and periodical subscription fees, (4) administrator fees charged for providing middle and back office services (such as order management and trade reconciliation), and (5) all fees, costs and expenses of accounting, bookkeeping and recordkeeping services of the Fund's administrator or any similar service provider retained by the General Partner or the Firm to assist it in performing services for the Fund, (m) all fees, costs and expenses of offering and selling interests in the Fund and communicating with existing and prospective Investors (including, without limitation, legal and accounting fees and expenses and governmental and self-regulatory agency filing fees), (n) all costs and expenses of investing the Fund's assets indirectly, such as through a master fund or a special purpose vehicle, including all of the items described in this section as they might apply to such master fund or any such vehicle and its portfolio, including the Fund's proportionate share of the costs and expenses of organizing and operating the master fund or any such vehicle, (o) all premiums and other costs and expenses of insurance policies as the

General Partner or the Firm considers appropriate, insuring the Fund, the General Partner, the Firm and their affiliates against liabilities that may arise in connection with the business or management of the Fund, (p) all costs and expenses of proxy voting services, (q) any contingencies for which the General Partner determines reserves are required, and (r) any extraordinary expenses (such as litigation expenses). Each Fund that operates as a feeder fund in a master-feeder structure shall bear its proportionate share of the costs and expenses of the applicable master fund.

The Managed Account is responsible for all expenses relating to its operations and business, including without limitation (a) the fees related to registered agent and auditor of the Managed Account and any other service provider appointed by the Managed Account, (b) legal fees and expenses, (c) entity-level government taxes and fees together with other taxes incurred in connection with the Managed Account's trading and investment activities, (d) investment-related expenses (e.g., brokerage commissions and transaction costs, currency hedging costs, clearing and settlement charges, custodial fees, interest expense, etc.), (e) registration and related expenses arising in connection with applicable regulatory, supervisory or fiscal authorities, including the costs of preparing regulatory filings and reports, (f) expenses incurred in connection with the ongoing reporting to the Managed Account, (g) litigation and indemnification expenses and extraordinary expenses not incurred in the ordinary course of business (including, without limitation, all fees and expenses in connection with the closure or liquidation of the Managed Account), and (h) expenses related to third-party valuation services. In addition, the Managed Account bears certain expenses incurred by Aequis, subject to an annual cap. Such expenses may include, but are not limited to, research related expenses, data expenses, insurance expenses and outsourced service provider expense including risk, operations and accounting related services.

Please see Item 12 below for a discussion of brokerage.

**It is important that Clients and Investors refer to the relevant governing documents for a complete understanding of expenses and fees they may pay through an investment in a Fund or Managed Account, as applicable. The information contained herein in this Item 5 is a summary only and is qualified in its entirety by such documents.**

#### **Item 5.D. Timing of Fee Payments**

As discussed in Item 5.A., certain Investors are subject to a monthly management fee payable in advance. Investors are not entitled to a refund of such management fees, however, performance fees are reduced by the amount of management fees paid during the relevant measurement period.

#### **Item 5.E. Receipt of Compensation for Sales**

Neither Aequis nor any of its supervised persons accept compensation for the sale of securities or other investment products.

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

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Please see Item 5.A. above regarding Aequim's performance-based fees. Aequim understands that there exist certain potential conflicts of interest associated with the presence of a performance-based fee. Such a fee may create an incentive for the Firm to cause a Client to make investments that are riskier or more speculative than would be the case if there were no performance-based fee. In addition, Aequim provides advisory services to multiple Clients with different performance-based fees. This presents a potential conflict of interest because Aequim may have an incentive to allocate more favorable investment opportunities to one Client than another Client. To address these potential conflicts of interest, Aequim manages each Client in accordance with its investment strategy and any restrictions set forth in the respective Client's governing documents so that Clients and Investors are aware of the applicable investment strategy, restrictions, and risks. Additionally, Aequim has adopted an investment allocation policy which considers multiple criteria to reduce or eliminate this potential conflict, in order to allocate investment opportunities to each Client in a fair and equitable manner over time. Aequim also has adopted a Code of Ethics that addresses potential conflicts of interests and requires, in any situation where the interests of a Client are at stake, the Client should be treated fairly and have priority over the economic interests of employees or the Firm.

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**Item 7: Types of Clients**

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Aequim provides investment advice to Funds domiciled in Delaware and Cayman Islands. Investors of the Funds may include high net worth individuals, corporations, funds of funds, financial institutions, insurance companies, endowments, foundations, trusts, estates, sovereign wealth funds, and public and private pension, profit sharing plans and knowledgeable employees. The minimum investment amount by an Investor in a Fund is generally \$1,000,000. This amount may be higher or lower depending on each Fund's offering documents. The Firm and/or the General Partner retains the right to reduce or waive such minimum amount. Please also see Item 4.B. for additional information regarding qualification of Investors in the Funds.

Aequim also provides investment advisory services to separately managed accounts. The types of clients that may establish separately managed accounts may include corporations, public and private pension plans, profit sharing plans and other institutional investors. Generally, Aequim requires a minimum dollar value of \$150,000,000 to establish a separately managed account. Aequim, at its sole discretion, may reduce or waive such minimum amount.

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

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There is no guarantee that the Firm will accomplish its investment objectives or that the Firm's investment strategy and risk management will be successful. Investing in securities involves significant risk of loss that Clients and Investors and prospective Clients and Investors should be prepared to bear.



## **Item 8.A. Methods of Analysis and Investment Strategies**

Aequim pursues market-neutral returns in three arbitrage strategies (convertible, credit and volatility) and special situations strategy. Within each strategy, the Firm manages both standard and reverse substrategies. The standard substrategies seek to harvest illiquidity premium by taking long positions in less liquid securities and short positions in liquid securities. The reverse substrategies seek to insulate a Fund from changes in the market price of liquidity by shorting less liquid securities against liquid longs. Aequim intends to be market-neutral over each full market cycle. During a market cycle, Aequim will have positive or negative exposure to the markets at various points in the cycle, but generally will be market-neutral over a full market cycle.

Aequim invests long and short in securities, consisting principally, but not solely, of corporate bonds and other fixed income securities, convertible securities, equity and equity-related securities issued by companies that are traded publicly in U.S. markets. Aequim also may invest in ADRs, GDRs and other securities of non-U.S. issuers, preferred stocks, warrants, rights, options (including covered and uncovered puts and calls and over-the-counter options), swaps, futures and other derivative instruments, currencies, private securities, money market instruments, cash and cash equivalents. Aequim may also engage in margin trading and hedging, may enter into securities lending, repurchase and reverse repurchase agreements and may employ other investment strategies.

## **Items 8.B. and 8.C. Material Risks Involved for Aequim's Strategies**

The following summary identifies and provides a brief explanation of the material risks related to the Firm's significant investment strategies and should be carefully evaluated before making an investment with the Firm; however, the following does not intend to identify all possible risks of an investment with the Firm or provide a full description of the identified risks of an investment in any of the Funds or Managed Account. Additional information regarding the material risks related to the Firm's significant investment strategies is set forth in each Client's governing and offering documents.

**Economic Conditions.** Changes in economic conditions, including, for example, interest rates, credit availability, inflation rates, industry conditions, government regulation, competition, technological developments, political and diplomatic events and trends, tax and other laws and innumerable other factors, can affect a Client's investments and prospects materially and adversely. None of these conditions is within the Firm's control, and it may not anticipate these developments. These factors may affect the volatility of securities prices and the liquidity of a Client's investments. Unexpected volatility or illiquidity could impair a Client's profitability or result in losses.

Economic conditions also affect a Client's investment in fixed income securities. For example, an increase in overall interest rates will depress the investment value and consequently the price of any bonds that a Client holds. The value of these securities also may be affected by nonpayment of interest due on them, or liquidation or dissolution proceedings with respect to their issuers.

Global equity markets have periodically experienced sharp declines and high volatility. Credit markets have sometimes tightened significantly, and the stability of several major financial institutions has been affected by these economic conditions. As a result, securities markets have at times been extremely volatile and many investments have incurred significant losses.

The extent of the impact of the coronavirus pandemic on the U.S. and global capital and financial markets and economies will depend largely on future developments, including the duration of the spread of the outbreak and the policies implemented in connection with restoring business and other activity, all of which are highly uncertain and cannot be predicted. A prolonged period of economic contraction or stagnation may adversely affect a Client's performance and reduce available investment opportunities. Additional effects may arise that cannot be predicted currently, including the impact of the pandemic on service providers to Clients, the General Partner, the Firm and their affiliates.

The U.S. federal government, Federal Reserve, U.S. Treasury and other government and regulatory bodies (federal, state and local) have implemented a variety of programs to respond to current economic conditions, and may take additional actions in the future. Broadly, these programs are intended to increase the availability of credit and lower interest rates. These current and future programs could lead to inflation or other adverse consequences that could have a material adverse effect on the issuers of a Client's securities and equities markets generally.

Further, the Firm may need to modify a Client's investment strategy in the future to satisfy new regulatory requirements or to compete in a changed business environment. For example, the U.S. government has indicated its willingness to implement additional measures as it may see fit to address changes in market conditions, and further Congressional responses may result in additional comprehensive overhauls of the regulatory infrastructure governing the financial system. These future government measures may have negative consequences for a Client and may diminish future opportunities available to it in unpredictable ways. Given the volatile nature of the market environment, the Firm may not timely anticipate or manage existing, new or additional risks, contingencies or developments, including regulatory developments and trends in new products and services, in the current or future market environment.

**Investment Risks and Investment Selection.** A Client account invests substantially all of its available capital in securities, engages in short sales of securities, margin trading, hedging and other investment strategies and trades in options (including covered and uncovered puts and calls and over-the-counter options), swaps and other derivative instruments, currencies, futures, options on futures, other commodity interests, private securities and money market instruments. Markets for such instruments fluctuate and the market value of any particular investment may vary substantially. In addition, such securities may be issued by unseasoned companies and may be highly speculative. A Client's investment portfolio may not generate any income or appreciate in value.

**Hedging Strategies.** Hedging strategies usually are intended to limit or reduce investment risk, but also can limit or reduce the potential for profit and may increase a Client's transaction costs, interest expense and other costs and expenses. Options and futures trading, other derivatives trading, short sales, hedging and other techniques and strategies may result in material losses for a Client.

**Short Sales.** Each Client sells securities short. A short sale results in a gain if the price of the securities sold short declines between the date of the short sale and the date on which securities are purchased to replace those borrowed. A short sale results in a loss if the price of the securities sold short increases. Any gain is decreased, and any loss is increased, by the amount of any payment, dividend or interest that a Client may be required to pay with respect to the borrowed securities, offset (wholly or partly) by short interest credits. In a generally rising market, a Client's short positions may be more likely to result in losses because securities sold short may be more likely to increase in value. A short sale involves a finite opportunity for appreciation, but a theoretically unlimited risk of loss.

**General Risks of Leverage.** Each Client uses leverage by reinvesting short sale proceeds, borrowing on margin, investing in options and futures, entering into swaps and other derivative contracts and employing other leveraging strategies. Such leverage increases the risk of loss and volatility. In addition, the use of leverage requires a Client to pledge its assets as collateral. Margin calls or changes in margin requirements can cause a Client to be required to pledge additional collateral or liquidate its holdings, which could require a Client to sell portfolio securities at substantial losses that it otherwise would not realize.

**Swaps, Options, Futures and Other Derivatives.** Each Client may use both exchange-traded and over-the-counter derivatives, including, but not limited to, options, futures, forwards, swaps and contracts for difference. These instruments can be highly volatile and expose a Client to a high risk of loss. The low initial margin deposits normally required to establish a position in such instruments permit a high degree of leverage. As a result, depending on the type of instrument, a relatively small change in the price of the contract may result in a profit or a loss that is high in proportion to a Client's funds actually placed as initial collateral and may result in unquantifiable further loss exceeding any collateral deposited. These changes are extremely difficult to predict.

**Contractual Risks of Swaps and Other Derivatives.** Each Client may use derivative instruments, such as swaps, contracts for difference, participation notes, equity swaps, and zero strike calls and warrants, to gain economic exposure (whether long or short) to a particular underlying security that a Client cannot or does not want to own directly. Many of these derivative instruments are structured as contracts between a Client and a counterparty. In a typical contract, a Client transfers assets to the counterparty or its custodian to serve as the initial collateral for a change in value of the underlying security. Thereafter, a Client and the counterparty transfer collateral to each other based on changes in the value of the underlying security.

**Convertible Securities.** A Client may invest in convertible securities. Convertible securities are bonds, debentures, notes, preferred stocks or other securities that may be converted into or exchanged for a specified amount of common stock of the same or different issuer within a particular period of time at a specified price or formula. A convertible security entitles the holder to receive interest that is generally paid or accrued on debt or a dividend that is paid or accrued on preferred stock until the convertible security matures or is redeemed, converted or exchanged. Convertible securities have unique investment characteristics, in that they generally (a) have higher yields than common stocks, but lower yields than comparable non-convertible securities, (b) are less subject to fluctuation in value than the underlying common stock due to their fixed income characteristics and (c) provide the potential for capital appreciation if the market price of the underlying common stock increases. Many issuers of convertible bonds do not seek credit ratings and all or a large portion of a Client's convertible bonds may not be rated.

**High Yield/High Risk Securities.** A Client may invest in securities that are rated below investment grade, or are unrated but that the Firm determines to be below investment grade quality. Securities rated below investment grade quality are commonly known as "high yield/high risk" or "junk bonds." High yield bonds, while generally offering higher yields than investment grade securities with similar maturities and features, involve greater risks, including the possibility of default or bankruptcy. They are regarded as predominantly speculative with respect to the issuer's capacity to pay interest and repay principal. The price volatility of these securities due to factors such as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity is likely to result in increased fluctuation in a Client's account value, particularly in response to economic downturns. These securities may be illiquid and may be subject to restrictions on resale imposed by certain securities laws.

**Limited Liquidity of Investments.** Each Client may invest from time to time in thinly traded and relatively illiquid securities, securities that may not be traded at the time a Client invests or securities that may cease to be traded after the Client invests. A Client also may take positions in particular securities that are relatively large as compared to trading volumes or overall market capitalization. In such cases and in the event of extreme market activity, the Client may not be able to liquidate its investments promptly if necessary. In addition, a Client's sales of thinly traded securities are likely to depress the market value of such securities and thereby reduce the Client's profitability or increase its losses. Such circumstances or events could affect the Client's gain or loss materially and adversely.

A Client also may invest in illiquid securities that are subject to substantial holding periods or that are not traded in public markets. Illiquid securities generally are difficult or impossible to sell at prices comparable to the market prices of similar securities that are publicly traded. Such illiquid securities may not be eligible to be traded on a public market even if a public market for securities of the same class were to exist or develop. It is highly speculative as to whether and when an issuer will be able to register its securities so that they become eligible for trading in public markets.

**Securities Lending.** A Client may lend securities to brokers and other institutions to earn additional income. These loans typically are fully collateralized on a daily basis, but the value of the collateral may fall below the value of the loaned securities on any given day. If the other party becomes insolvent or bankrupt, the Client could experience losses due to insufficient collateralization or due to delays and costs of liquidating the collateral or recovering the securities or payment for the securities. If, in the meantime, the value of the securities changes, the Client could experience further losses.

**Risks of Investing in Loans.** Senior loans hold the most senior position in the capital structure of a business entity, are typically secured with specific collateral and have a claim on the assets and/or stock of the borrower that is senior to that held by subordinated debt holders and stockholders of the borrower. Second lien loans typically are secured by specific collateral, but are subordinate to another lender's security interest in that collateral. Subordinated loans may not be secured by any collateral, so the lenders rank as general creditors behind all other secured lenders, and any security interest would be subordinate to that of other lenders. Loans are subject to the risk of default. Loans may not be rated or carry a private rating at the time that a Client purchases them. As a result, a Client is more dependent on the Firm's credit analysis abilities.

**Value Fluctuations and Valuation Risks.** The convertible and high yield bonds, loans and other fixed income instruments in which a Client invests generally are not listed on any securities exchange. Certain convertible and high yield bonds, loans and other fixed income instruments are traded by institutional investors in an over-the-counter secondary market that has developed over the past several years. An active trading market likely will not exist for some of the convertible and high yield bonds, loans and other fixed income instruments in which a Client invests. The secondary market for those convertible and high yield bonds, loans and other fixed income instruments generally are comparatively illiquid relative to markets for other securities. Because of the lack of an active trading market, convertible and high yield bonds, loans and other fixed income instruments are generally more difficult to value than liquid securities for which an active and transparent trading market exists. Also, certain participants in this market may have objectives other than current income and may pursue short-term trading strategies, which may result in erratic movements in the market prices for convertible and high yield bonds, loans and other fixed income instruments, or as a result of movements in short-term interest rates or otherwise.

**Credit Rating Risk.** A credit rating agency is a private company that assigns credit ratings to certain types

of fixed income obligations, such as debt tranches of loans and bonds. Such ratings measure credit worthiness and affect the value of those securities. A credit rating of a debt obligation represents the applicable rating agency's opinion regarding credit quality and is not a guarantee of quality. Rating agencies attempt to evaluate the safety of principal and interest payments and do not evaluate the risks of fluctuations in market value. Therefore, credit ratings may not fully reflect the true risks of an investment. Credit ratings are only valid as a preliminary indication of investment quality. Investments in non-investment grade obligations will be more dependent on the Firm's credit analysis than would be in the case with investments in investment-grade obligations. Investments in unrated securities will depend on the Firm's analysis of credit risk without the assessment of an independent rating organization, such as Moody's or Standard & Poor's.

**Interest Rate Fluctuation Risk.** When interest rates decline, the value of a portfolio invested in fixed rate obligations can be expected to rise. Conversely, when interest rates rise, the value of a portfolio invested in fixed rate obligations can be expected to decline. Although changes in prevailing interest rates can be expected to cause some fluctuations in the value of loans (adjustable rates on loans only reset periodically), the value of loans and other adjustable rate debt instruments is substantially less sensitive to changes in market interest rates than fixed rate instruments. Because interest rates on most loans and other adjustable rate instruments typically only reset periodically (e.g., monthly or quarterly), a sudden and significant increase in market interest rates may cause a decline in the value of a Client's loans.

**Dependence on Management and Limited Operating History.** The Clients' success depends on the skill and acumen of Aequim and Franklin Parlamis, Aequim's Manager and the Clients' portfolio manager. Aside from the Client's activities, Mr. Parlamis may devote time to other activities. There is no requirement that Mr. Parlamis allocate a specific amount of time to the General Partner or the Clients. If Mr. Parlamis should cease to participate in a Client's activities, its ability to select attractive investments and manage its portfolio would be impaired severely. Further, the Funds are the first investment funds that the Aequim has managed and the Funds and Aequim have limited operating history.

**Broad Discretion.** Aequim has exclusive and absolute discretion and authority to manage and control the Funds' investments and affairs, except as limited by the governing documents and applicable law. Aequim has the unrestricted right to select the securities in which the Funds invest and to determine the amount of funds to be used for each purpose. Aequim may exercise this discretion and authority conditionally or unconditionally, arbitrarily, or inconsistently in varying or similar circumstances, without accountability to the Funds or any Investor. For example, the Aequim provides certain Investors more favorable terms that it does not provide to other Investors.

**Cybersecurity.** There can be no guarantee that the Firm will be successful in fending off cybersecurity attacks from viruses, malware, computer hackers or other malicious corruption of their information technology systems. Cybersecurity breaches of the systems of the Firm or its service providers (including accountants, custodians, transfer agents and administrators) may cause disruptions to business operations, cause losses due to theft or other reasons, interfere with a Client's net asset value calculations, impede trading, or lead to violations of applicable privacy and other laws, regulatory fines and penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs. The Firm cannot control the cybersecurity plans and systems put in place by their service providers and the issuers in which the Clients invest. Any cybersecurity breach could materially and adversely affect the Clients.

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**Item 9: Disciplinary Information**

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There are no material legal or disciplinary events related to the Firm.

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

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**Item 10.A. and Item 10.B. Broker Dealer and Commodity or Futures Industry Affiliations**

Aequim and its management persons are not registered and do not have any application pending to register as a broker-dealer, a registered representative of a broker-dealer, a futures commission merchant, a commodity pool operator, a commodity trading advisor, or an associate of the foregoing entities.

**Item 10.C. Affiliated Relationships**

As noted in response to Item 4.B., the General Partner is an affiliate of Aequim and serves as the general partner of certain Funds and, in this capacity, may receive performance fees from such Funds.

Except as otherwise disclosed in this Brochure, neither Aequim nor any of its management persons has a relationship or arrangement that is material to its advisory business or to its Clients with any related person.

**Item 10.D. Recommendation of Other Advisers**

Aequim does not recommend other investment advisers to its Clients.

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

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**Item 11.A. Code of Ethics Generally**

In order to address conflicts of interest that may exist between the Firm and its Clients, Aequim has adopted a Code of Ethics (the “**Code**”), which is applicable to all of Aequim’s officers, directors, managers, members, and employees (collectively, “**Employees**”). The Code generally sets the standard of ethical and professional business conduct that Aequim requires of Employees, sets forth the fiduciary obligations that Aequim and each Employee owes to each client, and requires Employees to comply with applicable federal securities laws and regulations.

The Code sets forth Aequim’s policies and procedures with respect to personal trading, and requires Employees to obtain written approval before transacting in certain personal securities transactions, including transactions in private placements or limited offerings and initial public offerings. Employees must also report personal securities holdings initially and annually and personal securities transactions on a quarterly basis. Additionally, the Code includes policies and procedures with respect to material non-public information and other confidential information, political contributions, gifts and entertainment and other matters related to potential conflicts of interest.

The Code is circulated at least annually to all Employees, and each Employee at least annually must certify in writing that he or she has received and read the Code and any amendments thereto.

A copy of the Code is available to any Client or Investor or prospective Client or Investor upon request by contacting the Chief Compliance Officer at (415) 477-9075 or by email at [compliance@aequim.com](mailto:compliance@aequim.com).

#### **Items 11.B., 11.C. and 11.D. Related Persons Transactions**

Certain conflicts that may be encountered in the course of Aequim's activities for or on behalf of the Clients are described in Items 5, 6, 8 and 10 above and reference is made thereto. In addition, the governing documents of the Funds address in detail certain other reasonably anticipated potential conflicts.

Also, in order to monitor any conflicts of interest, Aequim Employees are required to pre-clear certain contemplated transactions for a personal account, as outlined in the Code, and must disclose on an initial and annual basis the holdings of all personal accounts, as well as all transactions on a quarterly basis.

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#### ***Item 12: Brokerage Practices***

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##### **Item 12.A. Brokerage Practices Generally**

Aequim has full discretion to determine which investments to purchase and sell on behalf of the Clients. When selecting the brokers and/or dealers, or Futures Commission Merchants (FCMs), through whom transactions for the Clients are executed, Aequim will allocate those transactions to such brokers, dealers or FCMs for execution on such markets, at such prices and at such brokerage commission rates, mark ups or mark downs (which may be in excess of the prices or rates that might have been charged for execution on other markets or by other brokers, dealers or FCMs) as in Aequim's good faith judgment are appropriate, subject to Aequim's duty to seek best execution.

When selecting broker-dealers to execute transactions, Aequim considers various factors, such as, for example, net price, outsourced trading expertise and services of brokers that provide trading desks to their customers, research reports, services and conferences (including third party research fees), research services, economic and market information, portfolio strategy advice, industry and company comments, technical data, recommendations, general reports, consultations, performance measuring data, on-line pricing, special execution capabilities, block trading and block positioning capabilities, willingness to execute related or unrelated difficult transactions in the future, willingness to commit capital, knowledge of market participants, order of call, offering to the Firm on-line access to computerized data regarding clients' accounts, computerized trading systems, clearance, settlement, reputation, financial strength and stability, confidentiality, efficiency of execution and error resolution, quotation services and other matters involved in the receipt of brokerage services generally, as well as other brokerage and research goods and services that benefit the Firm, its affiliates, and the Clients.

##### **Item 12.A.1. Research and Soft Dollar Arrangements**

The Firm may cause the Clients to pay a brokerage commission that exceeds that which another broker or FCM might charge for effecting the same transaction in recognition of the value of the brokerage,

research, other services and soft dollar relationships provided by that broker or FCM. The Firm also may direct Client brokerage transactions to brokers and FCMs that refer prospective investors to the Clients.

Aequim is currently not a party to formal soft dollar agreements whereby Aequim receives soft dollar credits on principal, as well as agency, transactions with brokers and FCMs or directs a broker or FCM that executes transactions to share some of its commissions with a broker or FCM that provides soft dollar benefits to the Firm. Aequim, however, reserves the right to enter into such soft dollar arrangements in the future. Any soft dollar arrangement will be within Section 28(e) of the Exchange Act, which provides a “safe harbor” to investment advisers who use commission dollars of their advised accounts to obtain investment research and brokerage services that provide lawful and appropriate assistance to the adviser in performing investment decision-making responsibilities. In acquiring services or products using soft dollars, Aequim would have an incentive to cause the clients to pay higher compensation, use different brokers or FCMs, and effect more transactions than it might otherwise do, possibly at the clients’ expense.

While Aequim did not formally participate in soft dollar arrangements in the last fiscal year, the Firm received research reports and ideas from the brokerage community. Aequim routinely reviews the amount and nature of the research products and services provided by brokers and FCMs.

#### **Item 12.A.2. Brokerage and Client Referrals**

Aequim does not participate in selecting or recommending broker-dealers in exchange for client referrals.

#### **Item 12.A.3. Directed Brokerage**

Aequim does not permit its clients to provide a directed brokerage instruction and does not recommend, request or require clients to execute transactions through specified broker-dealers.

#### **Item 12.B. Aggregation and Allocation**

When a transaction is suitable for more than one Client, Aequim will act in a fair and reasonable manner in allocating investment and trading opportunities among Clients. The Firm is not obligated to purchase or sell for each Client every security which the Firm may purchase or sell for the accounts of other Clients, if such a transaction or investment appears unsuitable, impractical or undesirable for a Client. When Aequim allocates an investment to more than one Client, the Client accounts may be traded on a pro-rata basis based on actual or estimated capital adjusted for differing leverage profiles, taking into consideration various factors. Aequim may consider some or all of the following factors in making allocation decisions among Clients: different mandates, investment objectives, investment guidelines, risk parameters or leverage targets among Clients; availability of funds including timing of cash inflows and outflows; current leverage; total portfolio investment position; total portfolio risk exposure; hedging needs; risk profile; investment objectives; deal size; trading opportunity size; and rounding.

When Aequim must execute a transaction on behalf of more than one Client account, it is Aequim’s policy to aggregate trades whenever possible to achieve equal pricing across the Client accounts and to reduce transaction costs. When it does so, Aequim will generally allocate the proceeds of those transactions (and the related transaction expenses) among the participants on an average price basis (although it may allocate partially filled orders differently). Aequim may choose not to aggregate trades in avoidance of a perceived or actual conflict of interest, provided that clients are treated fairly and equitably over time.



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**Item 13: Fees and Compensation**

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**Item 13.A. and 13.B. Review of Accounts**

The Clients' portfolios are reviewed on a regular basis to determine their conformity with their stated risk parameters, investment objectives, and guidelines. Aequim continuously monitors the investments in Client portfolios. Aequim's investment personnel convene regularly to evaluate each investment position's conformance with the relevant Client's offering documents and any investment limitations, restrictions or risk parameters.

**Item 13.C. Client and Investor Reporting**

Investors in the Funds receive monthly reports indicating their capital balances and performance information. Additionally, U.S. investors are generally issued Schedule K-1's after the close of a fiscal year-end. Audited financial statements prepared in accordance with generally accepted accounting principles are generally provided to investors within 120 days of a financial year-end. The Managed Account generally receives, weekly performance estimates, monthly risk reports and quarterly commentary. The reports discussed in the preceding are provided in written form.

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

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**Item 14.A. Other Compensation**

The Firm does not receive a benefit from anyone who is not a client for providing advisory services to clients.

**Item 14.B. Client Referrals**

Neither the Firm nor any related person has retained a third-party marketer or solicitor or otherwise directly or indirectly compensates any person who is not a supervised person of the Firm for Client or Investor referrals.

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**Item 15: Custody**

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Client assets are held at qualified custodians. The Firm is deemed to have custody of the Funds in cases where the Firm or an affiliated entity serves as the general partner (or a similar position) of a Fund. To comply with Rule 206(4)-2 under the Advisers Act, each Fund will be subject to an annual audit by an independent public accountant registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board. The audited financial statements of each Fund will be prepared in accordance with generally accepted accounting principles and distributed to the applicable Fund's Investors within 120 days of the end of the Fund's fiscal year. Investors should carefully review the audited financial statements of the Fund upon receipt, and should compare these statements to any account information provided by Aequim.

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**Item 16: Investment Discretion**

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Aequim has full discretion to manage assets on behalf of the Clients and determine which securities and amounts of securities the Firm buys and sells for the Clients. This authority is granted in accordance with the authority granted to Aequim by means of the relevant organizational and/or advisory agreements that sets forth the scope of the Firm's discretion with respect to each Client.

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**Item 17: Voting Client Securities**

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Aequim's authority generally includes proxy voting and the Firm has adopted and implemented proxy voting guidelines to vote proxies in the best interest of its clients. Aequim has engaged Institutional Shareholder Services ("ISS") as its proxy voting service provider and adopted ISS's Proxy Voting Guidelines. A summary of the Guidelines is available upon request.

Aequim seeks to minimize the potential for conflict by utilizing the services of ISS, an independent, third-party, to provide voting recommendations that are consistent with this proxy policy. If a conflict is identified and deemed "material", Aequim will determine whether voting in accordance with ISS's Proxy Voting Guidelines is in the best interests of affected clients.

With respect to material conflicts, Aequim will determine whether it is appropriate to disclose the conflict to affected Clients (or Investors) and give Clients (or Investors) the opportunity to vote the proxies in question themselves (except for an ERISA Investor that has in writing reserved the right to vote proxies when Aequim has determined that a material conflict exists). Aequim may also abstain from voting, delegate the voting decision for such proxy proposal to an independent third party to determine how the proxies should be voted, or take any other course of action that, in the opinion of Aequim, adequately addresses the potential for conflict.

Each Client or Investor may request information on how Aequim voted with respect to the securities of an applicable Client and obtain a copy of Aequim's proxy voting policies and procedures by contacting the Chief Compliance Officer at (415) 477-9075 or by email at [compliance@aequim.com](mailto:compliance@aequim.com).

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**Item 18: Financial Information**

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**Item 18.A. Prepayment of Fees**

Aequim does not require or solicit prepayment of more than \$1,200 in fees per Client, six months or more in advance.

**Item 18.B. Financial Condition**

There are no conditions that impair Aequim's ability to meet its contractual and fiduciary commitments to its Clients.

**Item 18.C. Bankruptcy Petitions**

The Firm has not been subject to a bankruptcy petition, past or pending.