



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

March 30, 2022

**Larch Lane Partners LLC**

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New York, NY 10022

**This brochure provides information about the qualifications and business practices of Larch Lane Partners LLC (“Larch Lane”). If you have any questions about the contents of this brochure, please contact us at 212-931-0933 or [mcovo@larchlane.com](mailto:mcovo@larchlane.com). The information in this brochure has not been approved or verified by the SEC or by any state securities authority.**

Larch Lane is an investment adviser that is registered with the United States Securities and Exchange Commission (“SEC”). Registration with the SEC does not imply a certain level of skill or training.

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

**Item 2: Material Changes**

This Brochure has been prepared in connection with Larch Lane Partners, LLC's annual amendment to Form ADV for the fiscal year ending December 31, 2021. Since Larch Lane's most recently filed annual amendment to Form ADV on March 29, 2021, there have been no material changes made to this Brochure.

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

Larch Lane Partners LLC (“**Larch Lane**” or “**We**”) was founded in 2019 and is located in New York. Larch Lane’s owners are Mario Covo, Mark Jurish, and Diego Orlanski.

We provide discretionary and non-discretionary sub-advisory services to investment advisors and registered investment advisers of private investment funds (the “**Clients**,” and the private investment funds individually a “**Fund**” and collectively the “**Funds**”). We may in the future provide discretionary or non-discretionary advisory services to other clients, including private investment funds and registered investment funds.

We serve as sub-advisers and provide advice on investment’s in private funds through a “fund of funds” strategy for our Clients. In the case of non-discretionary accounts, we provide research and recommendations to our clients for the acquisition and disposition of investments in third-party funds, continuously monitor the performance of those investments and, upon a client’s approval, make the necessary arrangements for the client to execute recommended transactions. Our recommendations may include allocating capital to both established and emerging private funds.

We tailor our advisory services to the individual strategy, investment objectives and/or needs of our Clients. Our investment team makes or recommends portfolio investments according to the investment strategy, investment objective and portfolio guidelines as set forth in each sub-advisory agreement between Larch Lane and each Client and the offering documents of the Funds advised by our Clients. Our Clients may impose restrictions around investing in certain securities, sectors or strategies and may set certain risk parameters; such restrictions vary from Client to Client.

As of December 31, 2021, Larch Lane had approximately \$45,864,717 in regulatory assets under management on a discretionary basis and \$39,700,000 in regulatory assets under management on a non-discretionary basis.

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

We receive asset-based fees and, in some case, performance-based fees from the Clients we advise. A description of these compensation methods and discussion as to the negotiability of these fees is set forth below.

##### Asset-Based Fees

Larch Lane generally charges each Client an asset-based sub-advisory fee representing a percentage of the management fees, net of certain expenses incurred by the Client, that are paid to the Client by investors of each fund, which rates are set forth in the offering documents of each fund. Typically, Larch Lane receives between 25% to 60% of the fees paid by the Funds to the Client. Investors in the Funds must also pay the management and performance-based fees charged by the private funds in which those Funds invest, in addition to the fees payable to Larch Lane and the Clients.

Larch Lane Partners also provides sub-advisory services to a Fund that pays an asset based management fee rather than a percentage of revenue.

## Performance Fees

Larch Lane receives a percentage of the total fees received by certain Clients and, to the extent that they receive performance-based compensation from the Funds they advise, then Larch Lane will indirectly receive a performance-based fee.

## Negotiability of Fees

Fee arrangements with each Client are individually negotiated. We have the general discretion to waive all or a portion of the asset-based fee.

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

As described above, Larch Lane may receive a performance-based fee from certain Clients it sub-advises. Larch Lane does not consider its fee structure to present any material conflicts of interest in this respect, since the investment strategy and mandate of the fund that pays a performance-based fee is materially different than the investment strategy and mandate of Larch Lane's other Clients.

Larch Lane sub-advises Clients that pay different levels of management fees. Because the asset-based and performance fees for certain types of accounts may be higher or different than others, the side-by-side management of these accounts may create conflicts of interest, which Larch Lane addresses through internally-instituted controls including its investment allocation policies. Larch Lane employees also own an interest in some of the funds advised by certain Clients they sub-advise, which may lead them to make their best recommendations to such funds. Larch Lane has an obligation to treat all Clients fairly and equitably over time and to make its recommendations in a manner that fulfills such duty.

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

As previously described in Item 4, Larch Lane's clients consist of investment advisors and registered investment advisers that manage private investment funds. Larch Lane does not have any minimum requirements with respect to opening or maintaining a Client account. We may in the future provide advisory services to other clients, including private investment funds and registered investment funds.

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

#### General Client Fund Investment Methods and Strategies

Our investment approach represents a combination of professional judgment and analytical rigor. This involves formulating strategy allocation targets based on a range of qualitative and quantitative factors and determining the investment appeal of each fund or subadvisor, as the case may be. The importance of a quantitative approach, if any is used, is reflective of the underlying

strategy. It will be more relevant in analyzing hedge funds that invest in liquid securities rather than in credit managers whose underlying investments may not be traded securities.

Our construction process begins by setting investment objectives, including return, risk, time frame, liquidity, and any unique client-driven considerations. We then utilize a combination of bottom-up and top-down approaches. We draw upon our historic experience to begin the portfolio construction process, utilizing a mix of qualitative information on strategies as well as quantitative modeling of past results, when applicable. Our qualitative evaluation process is combined with fundamental and quantitative assessments of hedge fund or credit strategies and markets. This includes the analysis of capital flows into and out of hedge fund, credit, or risk premia strategies, as well as other supply and demand factors such as new securities issuance and market-implied volatilities.

We employ a dynamic top-down approach to strategy allocation, which is guided by a belief in “mean reversion”: when a strategy has produced above average returns for a significant period of time, we generally expect that strategy to perform below its historical average for a subsequent period of time. This phenomenon results from investors “chasing” past returns. If a strategy performs well, capital tends to rush in, making it more difficult to achieve solid future returns, as inefficiencies are eliminated by the increased competition in that strategy. This is particularly relevant when analyzing hedge fund strategies. When considering credit strategies, we consider factors pertaining to the underlying credit risk that is being taken, liquidity, manager’s process and resources as well as the expected persistence of the investment opportunity. To the extent that a portfolio is designed to invest with a particular manager, our due diligence process focuses on identifying issues that would negate the initial premise behind the investment thesis.

The vast majority of our time is spent on bottom-up research, meeting with managers and conducting due diligence.

Risk management influences strategy allocation, manager selection, and portfolio construction, and is an inherent part of our culture. We employ a fundamental and quantitative approach to determining investment weightings and risk exposures within the portfolio.

Portfolio diversification by manager and strategy is also important, for certain Clients. We tend to overweight strategies that we expect to outperform over one- to two-year cycles, with the expectation that some strategies will serve as important diversifiers to limit risk. Ideally, this will create returns with low volatility and low correlation to traditional investments.

We advise our Clients to include managers or strategies in a portfolio based upon a combination of their merits as well as how their return stream is expected to correlate with the other investments in the portfolio. Each strategy is assigned an expected weight in the portfolio, based on various factors. These weights are reviewed periodically. Typically, rebalancing will occur when an actual position size strays from these weights.

### Risk Factors

Larch Lane is responsible for providing investment research and recommendations for the acquisition and disposition of investments to our Clients. In the case of non-discretionary accounts,

Clients may accept or reject a recommendation given by Larch Lane at their discretion. The performance of each fund depends upon the Client's ability to allocate fund assets and the ability of the selected portfolio managers to develop and implement successful investment strategies.

Investing in securities involves risk of loss that the Client should be prepared to bear.

The following sets forth some of the potential risk factors with respect to our investment recommendations:

***Potential Risks Associated with our "Fund of Funds" Strategies***

- *General.* We recommend Clients to invest their assets in investment funds managed by third-party portfolio managers. However, the success of each fund depends upon the Client's ability to allocate fund assets and the ability of the portfolio managers to develop and implement successful investment strategies. Subjective decisions made by us, the Client and/or the portfolio managers may cause a fund to incur losses or to miss profit opportunities on which it may otherwise have capitalized.
- *Use of Multiple Managers is No Assurance of Success.* No assurance is given that the underlying portfolio managers' collective performance will result in profitable returns for a Fund as a whole under all or any conditions. The possibility exists that good performance achieved by one or more portfolio managers may be neutralized or exceeded by poor performance experienced by other portfolio managers.
- *Dependence on the Investment Manager.* The success of any collective investment is largely dependent upon the investment manager, including the managers of the underlying portfolio funds or those selected as subadvisors. There is no guarantee that an investment manager or the individuals employed by the investment manager will remain willing or able to provide advice or that trading on this advice by the investment manager will be profitable in the future. The performance of an investment manager depends upon certain key personnel. If any of those personnel becomes incapacitated, the performance of the Funds may be adversely affected. Although the success of a portfolio manager is not dependent upon any one key person, there is no assurance that any of the key personnel will continue to be employed by the investment manager.
- *Concentration Risk.* Certain Clients we advise may invest all, or a substantial portion, of their assets with a single portfolio manager. This may expose the Client to the risk of substantial loss should that portfolio manager suffer losses or suspend redemptions.
- *Dependence on Underlying Portfolio Funds or of Portfolio Managers; Trading or Lending Strategies may not be Successful.* Although we carefully screen and may rely on investment guidelines provided by the underlying portfolio fund investments, we do not have control over the investment decisions of the portfolio managers of the underlying portfolio funds or the portfolio managers retained as subadvisors and cannot guarantee that these guidelines will be followed at all times. In addition, underlying portfolio funds or subadvisors may take undesirable tax positions, employ excessive leverage, or otherwise manage the underlying portfolio funds or assets allocated to them in a manner not anticipated by us. The investment activities of underlying portfolio managers are likely to

depend upon the experience and expertise of their principals. The loss of the services of any of these individuals could have a material adverse effect on a Fund that invests with that portfolio manager.

There can be no assurance that the trading or lending strategies employed by an underlying portfolio manager will be successful. For example, the proprietary models used by an underlying portfolio manager may not function as anticipated. While each portfolio manager who will direct the investment activities of an underlying portfolio is expected to have a performance record or reputation reflecting his or her prior experience in using the strategies that will be applied to trading, which will be examined by us, this prior performance cannot be used to predict future performance.

- *Offsetting Investments.* Underlying portfolio funds or subadvisors may, at times, hold economically offsetting positions. To the extent that the underlying portfolio funds or accounts of subadvisors do, in fact, hold offsetting positions, a Fund, considered as a whole, may not achieve any gain or loss despite incurring expenses.
- *Lack of Operating History and Operations Experience.* An underlying portfolio fund or manager may, in certain instances, be an entity that lacks any prior operating history of its own, or that has a limited operating history, for us to evaluate prior to recommending an investment. The Clients' investment programs should be evaluated on the basis that there can be no assurance that our assessment of the short-term or long-term prospects of any underlying portfolio fund or subadvisor will prove accurate or that a Fund will achieve profitable results. Furthermore, the Funds' success will depend, to a large extent, on the ability of the underlying portfolio managers to operate start-up business enterprises. Underlying portfolio managers may lack prior experience in start-up operations.
- *Risk Management Strategy and Restrictions.* Prior to recommending investing a Client's assets in any underlying portfolio fund or retaining a subadvisor, we may evaluate the risk associated with the underlying allocation by examining some or all of the following factors: the portfolio manager's perspective on risk tolerances, the volatility of the portfolio manager's strategy and the portfolio manager's monitoring system. We may, but are not required to, analyze the risks inherent in the underlying funds' portfolios and, on an aggregate basis for a Client, attempt to mitigate the severity of any loss or risk of loss of the client fund's capital by recommending an overlaying hedge. Measurement and monitoring are dependent on access to accurate data regarding the portfolios held by the underlying portfolio funds and risk management systems of the portfolio managers of underlying portfolio funds. There is no assurance that the portfolio managers will give access to this data. There can be no assurance that our risk management process and, if utilized, any overlaying hedge trades will be effective in mitigating the risks inherent in investments in an underlying portfolio fund and may even incur incremental losses.
- *Possible Effect of Substantial Withdrawals.* Withdrawals from capital accounts of an underlying portfolio fund could require the underlying portfolio fund to liquidate its positions more rapidly than otherwise desirable which could adversely affect the value of the underlying portfolio fund's assets. Illiquidity in certain financial instruments could



make it difficult for an underlying portfolio fund or subadvisor to liquidate positions on favorable terms, which could result in losses for the Funds.

- *Investment Judgment and Market Risks.* The success of Larch Lane's portfolio recommendations depends to a great extent upon the ability of portfolio managers of underlying portfolio funds or subadvisors to correctly assess the future course of price movements of stocks, bonds and other financial instruments and markets. We cannot guarantee that we or underlying portfolio managers will accurately predict price movements and that our investment recommendations will be successful. Financial instruments of the kind proposed to be invested in by portfolio managers and the issuers of financial instruments are affected by, among other things: changing supply and demand, governmental laws, regulations and enforcement activities, trade, fiscal and monetary programs and policies, and national and international political and economic developments. The effect of those factors on the prices of financial instruments in general, or a particular financial instrument, is difficult to predict.
- *Financial Markets and Regulatory Change.* During periods of instability in the global financial markets, the risks associated with the investment activities and operations of hedge funds or subadvisors, including those risks resulting from a reduction in the availability of credit and the increased cost of short-term credit, a decrease in market liquidity and an increased risk of bankruptcy of third parties with which we work, become intensified. Market disruptions tend to lead to increased scrutiny and regulation over the hedge fund and asset management industry. In addition, the laws and regulations affecting business continue to evolve unpredictably. Laws and regulations applicable to the underlying portfolio funds, especially those involving taxation, investment and trade, can change quickly and unpredictably in a manner adverse to our clients' interests.

## **Item 9: Disciplinary Information**

Larch Lane does not have any legal or disciplinary events to report.

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

### Other Financial Industry Activities

Neither Larch Lane nor any of its management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer. Larch Lane is currently registered as a Commodity Trading Advisor with the U.S. Commodities Futures Trading Association ("CFTC") and is a member of the National Futures Association ("NFA"). Additionally, certain of Larch Lane's personnel are considered associated persons and/or principals of the Firm.

### Affiliations with Other Investment Advisers

There is no affiliation with other investment advisers. Larch Lane is not affiliated with any other investment adviser. Larch Lane's principals and employees invest in certain Clients the Firm sub-advises.

### Allocation of Investment Opportunities

Larch Lane provides investment advisory services to multiple Clients, some of which may pursue the same or similar investment strategies. Different Clients may be subject to different fees and expenses. Larch Lane, its principals and employees may own interests in some Clients, or in the funds that such Clients manage.

Larch Lane may recommend or determine how investment opportunities are allocated among its clients, even though it may face potential conflicts of interest in making such allocations. Certain investments may be appropriate for a product or strategy of more than one client. Larch Lane may recommend or cause different clients to invest in the same or different underlying investments. Larch Lane will act in a manner that it considers fair and equitable in allocating investment opportunities among its client accounts. However, Larch Lane may recommend or make investments for one client account that would have been suitable for investment by another client account but, for various reasons, were not pursued by, or available to, the other client. This could occur by reason of differing tax or regulatory consequences applicable to a particular investment or account, or due to different investment objectives, strategies, restrictions, liquidity requirements or other considerations applicable to particular accounts, or because a particular hedge fund has closed or limits investments by new investors or does not accept a particular client account as an investor. As a result, the performance of different client accounts managed or advised by Larch Lane may vary, even if they are managed using the same or a substantially similar strategy.

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

### Code of Ethics and Personal Trading

We have adopted a code of ethics pursuant to SEC Rule 204A-1 under the Investment Advisers Act of 1940, as amended, and Rule 17j-1 under the Investment Company Act of 1940, as amended ("our code"). Our code sets forth the standards of conduct we expect from our principals and employees (collectively, "our covered persons") and addresses conflicts that may arise from personal trading by them. Our code is designed to:

- protect our clients by deterring misconduct;
- educate our covered persons about our expectations and the laws governing their conduct;
- remind our covered persons that they are in a position of trust and must act with complete propriety at all times;
- protect our reputation;
- guard against violation of the securities laws; and

- establish procedures for our covered persons to follow so that we may determine whether they are complying with our code.

With respect to personal trading, our code requires our covered persons to obtain prior approval of personal securities transactions in accordance with applicable SEC rules and securities laws. Under our code we also collect initial, annual and quarterly holdings and transaction reports from our covered persons in accordance with applicable SEC rules. In addition, our code includes our policies and procedures on insider trading. Our code requires an annual acknowledgement by our covered persons that they have received, read and understand it.

We will provide a copy of our code to our Clients upon request.

#### Participation or Interest in Our Client Fund Transactions and Personal Trading

Larch Lane and its related persons may invest their personal funds in funds advised by Clients or in the underlying funds, in their own personal securities accounts, and in accounts held by persons and entities related to them. As a result, these persons may hold, directly or indirectly, the same securities as the Clients. These investments are made under the same liquidity terms as other investors, but with a discounted fee. These investments create a conflict of interest for Larch Lane because they can incentivize us to recommend more favorable investment opportunities to these Funds. Larch Lane has established procedures intended to identify conflicts of interest in cases in which Larch Lane, a related person or an employee buys or sells securities recommended by Larch Lane to its clients. Potential conflicts are addressed directly, and their resolution is documented. In an effort to minimize conflicts, the Chief Compliance Officer is required to pre-clear all transactions involving limited offerings (such as initial public offerings and private placements), as well as all transactions to be effected by a Firm principal in a Client. The Chief Compliance Officer may deny permission to execute the transaction if the transaction would appear to have an adverse economic impact on a Client.

The existence of personal investments alongside client investments could produce conflicts from an allocation standpoint. Larch Lane's investment opportunities allocation policies and procedures adequately address such conflicts.

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

We do not select or recommend broker-dealers, nor do we execute transactions for our Clients through broker-dealers.

#### **Item 13: Review of Accounts**

We, through our research meetings and Investment Committee meetings, meet at least monthly, or as needed, to review existing investment recommendations and to propose new investment recommendations for our Clients' investment portfolios. Changes to a Client's portfolio are formally proposed to and approved by the Investment Committee at these Investment Committee meetings. Each individual investment recommendation is generally reviewed by the investment team at least quarterly. This may occur through a review of quarterly material, such as investment

letters, provided by the manager or through meetings with them. Noteworthy events such as significant changes in assets, major market movements or macroeconomic events, legal or regulatory developments, a change in business structure, personnel changes and revised investment terms can trigger a review of a particular portfolio company. The reviews of individual investment recommendations consist of monitoring for performance, adherence to investment strategy, changes in personnel, current positioning and outlook and risk management.

The reviewers that participate in the research meetings and Investment Committee meetings are the members of the Investment Committee, which include the CIO, COO and the Director of Risk Management.

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

Larch Lane does not receive any monetary compensation or any other economic benefit from an entity or person who is not a client for Larch Lane's provision of investment advisory services to a Client. Larch Lane does not directly or indirectly compensate any person who is not a supervised person for client referrals, including third-party marketers or solicitors.

#### **Item 15: Custody**

Larch Lane does not have custody of any client assets.

#### **Item 16: Investment Discretion**

Larch Lane provides investment management and supervisory services on a discretionary and non-discretionary basis to its Clients. The nature of the services and any limits on the discretion granted to Larch Lane are individually negotiated with each Client.

#### **Item 17: Voting Client Securities**

We do not vote proxies for our Clients.

#### **Item 18: Financial Information**

Larch Lane is not currently aware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to its Clients. Larch Lane has not been the subject of a bankruptcy petition at any time since inception.

## PRIVACY NOTICE

This explains how Larch Lane Partners LLC may collect, use and maintain nonpublic personal information about you and the precautions that we take to maintain and secure such information.

***What kind of personal information do we have about you and where did we get it?*** We collect nonpublic personal information about you from the following sources:

- questionnaires and other information provided by you in writing, in person, by telephone, electronically or by any other means; and

***When do we disclose your personal information?*** We may disclose nonpublic personal information about you as permitted or required by law and in the following circumstances:

- In connection with a proposed or actual sale, merger or transfer of all or a portion of our business;
- To protect or defend against fraud, unauthorized transactions (such as money laundering), law suits, claims or other liabilities;
- To service providers in connection with the administration and operations of the fund, which may include attorneys, accountants, auditors, administrators, third party marketers or other professionals;
- To process or complete transactions requested by you; and
- Upon your consent to release such information, including authorization to disclose such information to persons acting in a fiduciary or representative capacity on your behalf.

***How do we protect your personal information?*** We maintain physical, electronic, and procedural safeguards that comply with federal standards to safeguard your nonpublic personal information. In addition, within our organization, we restrict access to nonpublic personal information about you to those employees and agents of Larch Lane Partners LLC who need to know that information in the course of their job responsibilities.

***What about former clients and investors?*** This Privacy Notice applies to former clients and investors.

***Additional Information.*** In the event that we plan to disclose nonpublic personal information about you to a nonaffiliated third party, prior to any such disclosure we will give you notice and an opportunity to “opt-out” of the disclosure. We reserve the right to change this Privacy Notice at any time. The examples contained within this notice are illustrations and are not intended to be exclusive. This notice complies with recently enacted federal law regarding privacy. You may have additional rights under other applicable foreign or domestic laws.