

**Part 2A of Form ADV - FIRM BROCHURE**

**Item 1 – Cover Page**

**North Fourth Asset Management, LP**

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This brochure (the “**Brochure**”) provides information about the qualifications and business practices of North Fourth Asset Management, L.P. (the “**Adviser**” or “**North Fourth**”). If you have any questions about the contents of this Brochure, please contact us at (646) 735-3192. 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.

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

North Fourth is a registered investment adviser. Registration with the SEC as an investment adviser does not imply that North Fourth or any of its employees possess a particular level of skill or training.

**September 2022**

## **Item 2 – Material Changes**

Since our last annual updating amendment in March 2022, there have been no material changes to North Fourth's Brochure. In the future, this section will discuss any material changes made to the document since the last annual update of this Brochure.

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#### Item 4 - Advisory Business

- A. North Fourth was formed in June 2017 as a Delaware limited partnership and has its principal place of business in New York, New York. The sole owner and principal of North Fourth is Mr. Anthony Vaccarino Jr. (the “**Principal**”), who has the overall responsibility for the day-to-day supervision and management of North Fourth’s business. North Fourth acts as an investment adviser to the following private pooled vehicles: (i) North Fourth Master Fund LP, a Cayman Islands exempted limited partnership, North Fourth Fund LP, a Delaware limited partnership, North Fourth Offshore Fund Ltd, a Cayman Islands exempted company (collectively referred to herein as the “**Fund**”) for sophisticated, qualified investors (“**Investors**”); and (ii) two sub-advised accounts (the “**Managed Accounts**”, which, collectively with the Fund, are referred to as the “**Clients**”))<sup>1</sup>.
- B. North Fourth pursues its investment strategy through managing its Clients. North Fourth has discretion with respect to investment decisions made for the Clients. The Adviser provides investment advisory services to the Fund based on the investment objectives and strategies described in the Fund’s confidential offering memorandum and governing documents. North Fourth provides its services to the Managed Accounts in accordance with an investment management agreement between North Fourth and Managed Accounts. The Clients’ investment objective is to generate superior, risk-adjusted returns by employing a relative value, fundamental equity long-short strategy with a focus on the consumer discretionary and consumer staples sectors (based on the Global Industry Classification Standard).
- C. While each of its Clients follow the general strategy mentioned above, the Adviser may tailor the specific advisory services with respect to the individual needs of such Clients pursuant to the agreed upon terms described in the applicable confidential offering memorandum and governing documents, including but not limited to an investment management agreement (referred to collectively as “**Offering Documents**”). Each advisory agreement was separately negotiated and designed to suit the needs of the respective Client and its respective investment guidelines. Such advisory agreements may impose restrictions on North Fourth’s ability to invest in certain securities or types of securities. Additional portfolio restrictions may also include exposure limits, concentration limits, industry and sector limits, geographical limits and liquidity limits.
- D. The Adviser will not participate in wrap fee programs.
- E. As of December 31, 2021, the Adviser managed approximately \$550,768,045 in regulatory assets under management on a discretionary basis. North Fourth does not manage any advisory client assets on a non-discretionary basis.

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<sup>1</sup> As a registered investment adviser, the Adviser owes a fiduciary duty to all of its clients. In 2006, the decision by the Court of Appeals for the D.C. Circuit in *Goldstein v. SEC*, 451 F.3d 873 (D.C. Cir. June 23, 2006), with respect to private funds, clarified that the “client” of an investment adviser to a private fund is the Fund itself and not an Investor in the Fund.

## Item 5 - Fees and Compensation

The below describes how the Firm is generally compensated in connection with providing advisory services to its Clients. However, the Adviser may enter into different fee arrangements on a Client by Client basis. A potential investor in the Fund or any potential Client should review any and all Offering Documents in their entirety before making any investment decisions.

- A. Set forth below is a description of the fees and expenses paid by the Fund and Managed Accounts, respectively:

### *The Fund*

The Adviser is entitled to a management fee which is calculated based on the net asset value of the Fund's account quarterly in advance (the "**Management Fee**"), and such fees are deducted by the Adviser from the Fund. The Management Fee is an amount equal one and one-half percent (1.5%) per annum of the balance of each Investor's capital account as of the first day of the relevant fiscal quarter. The Management Fee may be waived, reduced or discounted from time to time in the Adviser's discretion with respect to one or more Investors without consent of the other Investors.

The general partner of the Fund is entitled to a performance allocation from the Fund based on a percentage of the capital appreciation/net gain of the client assets (the "**Performance Allocation**") and upon withdrawals/redemptions by investors and such fees are generally deducted by the Adviser from such account. The Performance Allocation is an amount equal to twenty percent (20%) of the amount of net gain allocated to the capital account of each Investor. Performance-based fees may be waived, reduced or discounted from time to time in the Adviser's discretion with respect to one or more investors without consent from the other Investors.

### *Managed Accounts*

The Adviser is compensated by each Managed Account through a pre-negotiated monthly and quarterly compensation. Additionally, the Managed Accounts pay to North Fourth an annual performance fee, equal to a set percentage of net appreciation of the assets held by such accounts.

- B. As stated above, the Fund pays a management fee, calculated based on the net asset value of the Fund's account, quarterly in advance, as compensation for the management services to be performed by the Adviser. Such fees are generally deducted by the Adviser from the Fund. The Adviser has the right to reduce, waive, assign, participate or otherwise share or modify the management fee chargeable with respect to any Investor (including any affiliate of the General Partner or the Adviser) without the consent of, or notice to, any other Investor.

Fees are not automatically deducted from the Managed Accounts. North Fourth bills the applicable Managed Account for fees incurred. The Adviser is compensated pursuant to advisory agreements that were individually negotiated with each Managed Account.

- C. The Clients may incur brokerage and other transaction costs. Additionally, Clients may incur expenses relating to the organization, maintenance and operation of the Client accounts including, but not limited to, registered agent fees, costs related to compliance, regulatory and AML matters, costs associated with gaining access to non-U.S. markets, all direct trading expenses, including but not limited to, execution and clearing commissions, transaction charges, ticket charges, fees and expenses incurred in the borrowing and lending of securities, custodian and trustee fees, bank service fees, transfer taxes, withholding taxes, administrative fees (including fees paid the Client's administrator) accounting, tax preparation and audit fees, fees paid to third-parties retained by the Client related to the delivery of the trade file, and other fees and expenses related to the purchase, sale or other disposition of assets. Please see the disclosures in *Item 12* as it relates to North Fourth's brokerage activities.

The Fund may incur normal and customary expenses relating to its operations, and such expenses are allocated among the Investors in the Fund pursuant to the terms of its Offering Documents.

The Fund bears its own operating and other expenses including, but not limited to: (i) expenses associated with all investments and transactions considered, evaluation and/or consummated by the Fund, including, but not limited to, expenses associated with sourcing, negotiating, investigating, researching, financing and structuring of investments and potential investments, whether or not consummated (including third-party research, data, analytics, modeling, structuring, pricing, execution and other third-party information systems, software and service fees (including data feeds, subscriptions, reports and similar items)); (ii) expenses associated with holding, financing, monitoring, hedging, maintaining and disposing all investments of the Fund and all transaction and other costs associated therewith; (iii) travel and related expenses associated with investments and potential investments; (iv) professional fees associated with investments and potential investments, including, but not limited to, consulting, investment banking, accounting, legal and other advisory fees and expenses; (v) transaction fees, brokerage commissions, custodial fees, clearing and settlement charges and similar fees and expenses associated with the acquisition, disposition and settling of investments and potential investments; (vi) expenses associated with legal and regulatory filings of the Fund (including, without limitation, pursuant to Sections 13 and 16 of the Securities Exchange Act of 1940, as amended) and of the Adviser or general partner related to the Fund; (vii) administrative, custodial, appraisal, valuation, legal, consulting, advisory and similar fees and expenses associated with the Fund's operations, investment and transactions, including fees and expenses of the administrator; (viii) broken-deal, failed transaction, break-up and similar fees, costs and expenses; (ix) costs and expenses of leverage or any other borrowings of the Fund, including interest charges and fees; (x) auditing and accounting expenses of the Fund, including expenses associated with the preparation of the Fund financial statements, tax returns and Schedules K-1 and the fees and expenses of the auditor; (xi) costs and expenses associated with investor communications and reports and the delivery thereof to investors; (xii) costs and expenses associated with any investor meetings; (xiii) insurance expenses, including, but not limited to, directors' and officers' liability insurance, errors and omissions insurance

and other policies, if any; (xiv) costs and expenses (including entity-level taxes, fees or other governmental charges) associated with the formation, organization and operation of any subsidiary, special purpose vehicle, alternative investment vehicle, holding company or similar entity formed with respect to investments, credit facilities or other transactions entered into for the benefit of the Fund; (xv) wind-up, liquidation, termination and dissolution expenses; (xvi) costs, fees and expenses related to registration, qualification and/or exemption under any applicable U.S. federal, state, local or non-U.S. laws, rules or regulations, including blue sky fees and other securities and/or investment-related filing expenses; (xvii) costs related to any transfers of interests, unless otherwise charged to or borne by the applicable transferor and/or transferee; (xviii) any extraordinary expenses (including all litigation-related and indemnification and contribution expenses, including the amount of any judgement or settlement paid in connection therewith); (xix) any entity level taxes, fees or other governmental charges on the Fund, including any withholding taxes not due to the status or noncompliance of a particular Investor; (xx) the management fee; and (xxi) all other fees, costs, charges and expenses associated with the business, affairs and/or operations of the Fund.

Any expenses incurred by the Adviser that are not set forth in the respective investment advisory agreements shall be the responsibility of the Adviser and will not be passed through to the Clients.

- D. As stated above, management fees are deducted directly from the Fund's capital and paid quarterly in advance. The management fee is prorated for any period that is less than full quarter for capital contributions made by new or existing investors, and refunded on a prorated basis upon withdrawal or redemption from the Fund prior to quarter-end.

The Managed Accounts pay North Fourth compensation based on the relevant Managed Account's percentage of the Adviser's assets under management. Upon the termination of an advisory contract, a Managed Account shall pay a draw prorated through the end of the foregoing notice period.

- E. Other than as described above, neither North Fourth nor any of its supervised persons receives any additional compensation from the sale of securities or other investment products.

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

As stated in *Item 5* above, North Fourth and its affiliates may receive performance-based fees from its Clients. The specific structure and calculation of the performance-based fee are described in detail in each respective Offering Document. These payments are subject to Section 205(a)(1) of the Investment Advisers Act of 1940, as amended (the “**Advisers Act**”), in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3, which requires that performance-based fees only be charged to “qualified clients” (as such term is defined in Rule 205-3).

Performance-based fees, in general, may create an incentive for an adviser or its supervised persons to make investments that are riskier and more speculative than would be the case in the absence of a performance-based fee. Such fee arrangements may also create an incentive to favor higher fee-paying clients over other clients in the allocation of investment opportunities. To address these conflicts of interest, the Adviser has implemented policies and procedures to ensure that all client accounts receive equitable and fair treatment over time with respect to the allocation of investment opportunities.



## **Item 7 - Types of Clients**

As mentioned in *Item 4*, North Fourth provides investment advisory services to its Clients based on the investment objectives and strategies described in its Offering Documents.

Investors in the Fund are required to complete and submit a subscription agreement binding them to the terms of the Fund's governing documents. North Fourth only admits "accredited investors", as defined in Rule 501(a) of Regulation D under the Securities Act of 1933 and "qualified clients" as defined in Rule 205-3 of the Advisers Act. The minimum investment in the Fund is \$1,000,000, although the general partner may accept investments in a lesser amount at its sole discretion.

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

- A. The Adviser's principal investment strategy is to generate superior, risk-adjusted returns by employing relative value, fundamental equity long-short strategy with a focus on the consumer discretionary and consumer staples sectors (based on the Global Industry Classification Standard). The Adviser intends on using fundamental analysis of factors such as each issuer's financial condition and industry positions, as well as market and economic conditions, to select its investments.

Investing in securities and other instruments involves risk of loss that Investors should be prepared to bear, including but not limited to, those described below. The management style offered by North Fourth is not intended as a complete investment program, and may not be suitable for all investors. It is designed for sophisticated investors who fully understand and are capable of bearing the risk of such an investment. No guarantee or representation is made that the Adviser will achieve its investment objectives or that there will be any return of capital, and investment results may vary substantially on monthly, quarterly or annual basis.

Although the Adviser seeks to reduce the risks associated with the Clients' investments, prospective investors should consider carefully, among other factors, the risks described below. Such risk factors are not meant to be an exhaustive listing of all potential risks associated with investments in the Clients.

- B. The following is a brief summary of certain significant risks associated with the Adviser's investment strategies:

General Investment and Trading Risks. All securities investments present a risk of loss of capital. Volatile financial markets increase that risk. If the Adviser's evaluation of an investment opportunity should prove incorrect, the Clients could experience losses as a result of a decline in the market value of securities in which the Clients holds a long position or an increase in the value of securities in which the Clients holds a short position. The Clients' investment program may use such investment techniques as margin transactions, short sales and leverage, which practices can involve substantial volatility and can, in certain circumstances, substantially increase the adverse impact to which the Clients may be subject. The risk management techniques that may be used by the Adviser do not provide any assurance that the Clients will not be exposed to a risk of significant investment losses. No guarantee or representation is made that the Clients' investment program will be successful, that the Clients will achieve its targeted returns or that there will be any return of capital invested to investors in the Clients. In addition, investment results may vary substantially over time.

Investment Judgment. The profitability of a significant portion of the Clients' investment program depends to a great extent upon correctly assessing the future course of the price movements of securities and other investments. There can be no assurance that the Adviser will be able to predict these price movements accurately.

Nature of Investments. The Adviser has broad discretion in making investments for Clients.

Investments generally consist of equity securities, equity-related instruments and other assets that may be affected by business, financial market or legal uncertainties. There can be no assurance that the Adviser will correctly evaluate the nature and magnitude of the various factors that could affect the value of and return on investments. Prices of investments may be volatile, and a variety of factors that are inherently difficult to predict, such as domestic or international economic and political developments, may significantly affect the results of the applicable Client's activities and the value of its investments. No guarantee or representation is made that a Client's investment objective will be achieved.

General Economic Conditions. The success of the Clients' activities will be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of the Clients' investments), trade barriers, currency exchange controls and national and international political circumstances (including wars, terrorist acts and security operations). These factors may affect the level and volatility of the prices and liquidity of the Clients' investments and could impair the Clients' profitability or result in losses. The Clients could incur material losses even if the Adviser reacts quickly to difficult market conditions, and there can be no assurance that the Clients will not suffer material losses and other adverse effects from broad and rapid changes in market conditions in the future. Investors should realize that markets for the financial instruments in which the Clients will seek to invest can correlate strongly with each other at times or in ways that are difficult for the Adviser to predict. Even a well-analyzed approach may not protect the Clients from significant losses under certain market conditions.

Business and Regulatory Risks of Alternative Investment Funds. The financial services industry generally, and the activities of alternative investment funds and their managers in particular, have been subject to intense and increasing regulatory scrutiny. Such scrutiny may increase the Clients exposure to potential liabilities and to legal, compliance and other related costs. Increased regulatory oversight may also impose additional administrative burdens on the Adviser, including, without limitation, responding to examinations and investigations, implementing new policies and procedures and complying with recordkeeping and reporting obligations. Such burdens may divert such parties' time, attention and resources from portfolio management activities.

Securities, futures and credit markets are subject to comprehensive statutes, regulations and other requirements. The SEC, other regulators and self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies. The regulation of derivatives transactions and funds that engage in such transactions is an evolving area of law and is subject to modification by government and judicial actions. Additionally, the regulation of the markets in which the Clients may participate is increasing and is subject to modification by government and judicial actions. The effects of any changes in law or interpretations of existing laws on the Clients could be substantial and adverse.

With the passage of the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act (the "**Dodd-Frank Act**"), the U.S. government has undertaken extensive rulemaking and

regulatory changes that affect private fund managers, the funds that they manage and the financial industry as a whole. Under the Dodd-Frank Act, the Commodity Futures Trading Commission (“**CFTC**”) and the SEC have mandated (and will mandate) recordkeeping, reporting, central clearing and mandatory trading on electronic facilities, which add costs to the legal, operational and compliance obligations of the Adviser and the Clients and increase the amount of time that the Adviser spends on non-investment-related activities. The Dodd-Frank Act affects a broad range of market participants with whom the Clients interacts or may interact, including banks, non-bank financial institutions, rating agencies, mortgage brokers, credit unions, insurance companies, payday lenders and broker-dealers, and may change the way in which the Adviser conducts business with counterparties. It may take years to understand the impact of the Dodd-Frank Act on the financial industry as a whole, and, therefore, the continued uncertainty may make markets more volatile and make it difficult for the Adviser to execute the investment strategy of its Clients. The Dodd-Frank Act also created the Financial Stability Oversight Council (the “**Council**”) that is charged with monitoring and mitigating systemic risk. As part of this responsibility, the Council will have the authority to subject banks and other financial entities to regulation by the U.S. Federal Reserve Board, which could limit the amount of risk-taking engaged in by the Clients. The Council also may require that the Adviser or the Clients respond to queries in order to provide the Council with necessary information in order for it to monitor systemic risk.

The regulatory environment for alternative investment funds is evolving, and changes in the regulation of private funds and their investing activities may adversely affect the ability of the Clients to pursue its investment program, the value of the investments held by the Clients and the Clients’ ability to obtain leverage. There has been an increase in governmental, as well as self-regulatory, scrutiny of the alternative investment industry in general. It is impossible to predict whether changes in regulations may occur, but any regulations that restrict the Clients’ activities could have a material adverse effect on the Clients’ investments. In addition, such regulatory scrutiny may increase the Clients’ exposure to potential liabilities and to legal, compliance and other related costs.

The Financial Crisis and its Continued Effect on Global Financial Markets. In the recent past, world financial markets experienced extraordinary market conditions, including, among other things, extreme losses and volatility in securities markets and the failure of credit markets to function. In reaction to these events, regulators in the U.S. and several other countries undertook unprecedented regulatory actions. The U.S. government and securities regulators of many other jurisdictions continue to consider and implement rules and regulations for the U.S. and global financial markets. However, global financial markets may remain volatile, and it is uncertain whether regulatory actions will be able to prevent further losses and volatility in securities markets. It is possible that regulatory actions might increase the possibility of future volatility. Regulations may increase market fragmentation and decrease the global flow of capital as it may be too difficult for the Clients and other market participants to comply with multiple regulatory regimes. There may be significant new regulations that could limit the Clients’ activities and investment opportunities or change the functioning of capital markets, and there is the possibility of another worldwide economic downturn. Consequently, the Clients may not be capable of, or successful at,

preserving the value of its assets, generating positive investment returns or effectively managing its risks.

Availability of Suitable Investments. The success of the Clients' investment and trading activities depend on the ability of the Adviser to identify overvalued and undervalued investment opportunities and to manage market exposure risk. Identification and exploitation of the investment strategies to be pursued by the Clients involve a high degree of uncertainty. No assurance can be given that the Adviser will be able to identify suitable investment opportunities in which to deploy all of the Clients' capital. A reduction in overall market volatility and liquidity, as well as other market factors, may reduce the pool of profitable investments for the Clients. Certain of the investment strategies employed by the Clients may be based on historical relationships among equity prices, exchange rates, interest rates and bond prices. There can be no assurance that these historical relationships will continue and no representation made by North Fourth as to what results the Clients will or are likely to achieve based on these trends and relationships.

Available Information. The Adviser will select investments, in part, on the basis of information and data filed by the issuers of securities with various government regulators or made directly available to the Adviser by such issuers, or through sources other than the issuers. Although the Adviser evaluates all such information and data, and seeks independent corroboration when the Adviser considers it appropriate and when it is reasonably available, the Adviser is not in a position to confirm the completeness, genuineness or accuracy of such information and data, and in some cases complete and accurate information is not readily available.

Companies with Smaller Market Capitalizations. The Clients may become exposed to companies with smaller market capitalizations. Investments in small cap issuers and medium sized companies may involve greater risks and volatility than investments in larger companies. Companies with smaller market capitalizations may be at an earlier stage of growth, with limited financial resources and less depth in management than more established companies. In addition, these companies may have difficulty withstanding competition from larger more established companies in their industries. The securities of companies with smaller market capitalizations may be thinly traded (and therefore have to be sold at a discount from current market prices or sold in small lots over an extended period of time), may be followed by fewer investment research analysts, and may be subject to wider price swings. As a result, investments in these companies may be at risk of a greater chance of loss than investments in the securities of larger capitalization companies. In addition, transaction costs in smaller capitalization stocks may be higher than those of larger capitalization companies.

Market Disruptions. The Clients may incur major losses in the event of disrupted markets and other extraordinary events in which historical pricing relationships become materially distorted. The risk of loss from pricing distortions is compounded because in disrupted markets many positions become illiquid, making it difficult or impossible to close out positions against which the markets are moving. The financing available to the Clients from its dealers and other counterparties typically will be reduced in disrupted markets. Such a

reduction may result in substantial losses to the Clients if it is forced to close out positions that it is no longer able to finance, and likely in depressed market conditions. Market disruptions may from time to time cause dramatic losses for the Clients; such disruptions can result in otherwise historically low-risk strategies performing with unprecedented volatility and risk.

Diversification Risk. The Clients may hold a limited number of positions (both long and short) at any given time. As a result of the Clients' lack of diversification, a significant loss in any one position may have a material adverse effect on the net asset value of the Clients and the Clients' rate of return. Diversification of Clients assets among different industries is not a primary goal of the Clients. Further, the Clients' investment portfolio may become concentrated in one industry, sector, strategy, country or geographic region, and such concentration of risk may increase the losses suffered by the Clients. It could also become concentrated to a limited number or types of financial instruments, which could expose the Clients to losses disproportionate to market movements in general if there are disproportionately greater adverse price movements in those financial instruments.

Litigation Risk. Distressed companies such as those in which the Clients may occasionally invest may be subject to litigation, including bankruptcy litigation, shareholder derivative suits and creditor suits.

Stock Market Volatility. Stock markets are volatile and may decline significantly in response to adverse issuer, political, regulatory, market or economic developments. Different parts of the market and different types of equity securities may react differently to these developments. For example, small cap stocks may react differently than large cap stocks. Issuer, political or economic developments may affect a single issuer, issuers within an industry, sector or geographic region, or the market as a whole.

Portfolio Turnover. The Clients' investment program may involve frequent trading, which may result in higher investment costs and charges to the Clients and ordinary income or short-term capital gain treatment as opposed to long-term capital gain treatment for U.S. federal income tax purposes.

Changes in Investment Strategy. The Adviser has considerable discretion in choosing the securities that may be acquired and has the right to modify the investment strategy, selection criteria, or hedging techniques used by the Clients without the consent of the Investors. Any of these new investment techniques may not be thoroughly tested in the market before being employed and may have operational or theoretical shortcomings, which could result in unsuccessful investments and, ultimately, losses to the Clients. In addition, any new investment strategy or hedging technique developed may be more speculative than earlier techniques and may increase the risk of an investment in the Clients.

Risk of Operations/Liquidity Risks. Although the securities that the Clients may acquire will be traded on public exchanges, each exchange typically has the right to suspend or limit trading in all securities that it lists. Such a suspension could render it difficult or impossible for the Clients to liquidate its positions and would thereby expose it to losses. In addition,

some of the securities in which the Clients may invest may be thinly traded, potentially making it difficult for the Clients to dispose of a position at the time or price desired. Moreover, in periods of extreme market volatility, the bid/ask spreads for some securities that ordinarily are liquid may widen, making it difficult or undesirable to sell the securities. Furthermore, if Investors elected to withdraw a substantial amount from their capital accounts as of the end of a given fiscal year, the Fund might be forced to close out existing positions at a time when it was disadvantageous to do so. There can be no assurance that the trading markets will remain liquid enough for management to close out existing positions at any time there is a need to do so.

Risk of Global Investing. The Clients may invest its assets in non-U.S. securities and other financial instruments denominated in non-U.S. currencies. Investments in securities of non-U.S. issuers and securities denominated in non-U.S. currencies pose currency exchange risks to the extent not hedged. In addition, foreign securities regulators may exercise less regulatory supervision than those in the U.S., and foreign governments may afford less legal protection to the Clients as an investor. In addition, Clients' investments that are denominated in a foreign currency are subject to the risk that the value of a particular currency will change in relation to one or more other currencies.

Price and Liquidity Fluctuations of Clients' Investments. It is expected that the Clients' investments will generally be in public securities. However, the market value of the Clients' investments may fluctuate with, among other things, changes in prevailing interest rates, general economic conditions, the condition of financial markets, developments or trends in the securities markets and the financial condition of the issuers of the securities in which the Clients invests. During periods of limited liquidity and higher price volatility, the Clients ability to acquire or dispose of its investments at a price and time that the Clients deems advantageous may be impaired. As a result, in periods of rising market prices, the Clients may be unable to participate in price increases fully to the extent that it is unable to acquire the desired positions quickly; the Clients inability to dispose fully and promptly of positions in declining markets will conversely cause its net asset value to decline as the value of unsold positions is marked to lower prices.

Competition. The securities industry is extremely competitive. The Adviser will compete for investment opportunities against various other investors, including many of the larger securities and investment banking firms, which have substantially greater financial resources and research staffs. Competitive investment activity by other firms may reduce the Clients' opportunity for profit by reducing the availability of or increasing the price of what the Clients believes to be, based on its investment criteria, exceptional investment opportunities.

Investment Limitations. The Adviser is subject to certain limitations with respect to exposure, concentration, industry, sector, geography, and liquidity with respect to the Clients. Such limitations may cause substantial risks that are not present in investment products that are not limited by the foregoing limitations, and may result in limitations on investments (including follow-on investments) that would otherwise be in the best interest of the Clients. In addition, due to the foregoing limitations, the Clients may be more vulnerable to changes in the economy, market or other factors than other investment

products, and, as a result, performance results may be highly volatile and may result in the Clients significantly outperforming, or underperforming, the market as a whole.

Consumer Discretionary Industry Concentration. The consumer discretionary industries can be significantly affected by the performance of the overall economy, interest rates, competition, consumer confidence and spending, and changes in demographics and consumer tastes.

Consumer Staples Industry Concentration. The consumer staples industries can be significantly affected by demographics and product trends, competitive pricing, food fads, marketing campaigns, environmental factors, government regulation, the performance of the overall economy, interest rates, consumer confidence and cost of commodities.

Leverage. The Clients may use leverage in its investment strategy. The use of leverage by the Clients can substantially increase the market exposure (and market risk) to which the Clients' investment portfolio may be subject. Trading on leverage will result in interest charges or costs and, depending on the amount of leverage, such charges or costs could be substantial. The level of interest rates generally, and the rates at which the Clients can leverage in particular, can affect the operating results of the Clients. The Clients' anticipated use of short-term margin borrowings results in certain additional risks to the Clients. For example, should the securities pledged to brokers to secure the Clients' margin accounts decline in value, the Clients could be subject to a "margin call," pursuant to which the Clients would be required either to deposit additional funds with the broker or to suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a sudden precipitous drop in the value of the Clients' assets, the Clients might not be able to liquidate assets quickly enough to pay off its margin debt.

Dependence on Occurrence of Events. The ability to realize a profit on certain of the Clients' investments may be dependent upon the occurrence of certain events, for example, the bankruptcy, sale, or successful reorganization of a company. If the event that the Adviser is expecting to occur does not occur, the Clients may sustain a significant loss.

Institutional Risks. Institutions will have custody of the assets of the Clients through the Clients. Certain assets of the Clients will be exposed to the credit risk of the dealers, brokers and exchanges through which the Adviser deals, whether the Adviser engages in exchange-traded or off-exchange transactions. These firms and/or financial institutions, regardless of how large or well-capitalized, may encounter financial difficulties that impair the operating capabilities or the capital position of the Clients. If any broker-dealer or other financial institution holding the Clients' assets were to become bankrupt or insolvent, it is possible that the Clients would be able to recover only a portion, or in certain circumstances, none of its assets held by such bankrupt or insolvent entity.

Counterparty Risk. Brokers may trade with an exchange as principals on behalf of the Clients, in a "debtor-creditor" relationship, unlike other clearing broker relationships where the broker is merely a facilitator of the transaction. Such broker could, therefore, have title to all of the assets of the Clients (for example, the transactions that the broker has entered



into on behalf of the Client as principal as well as the margin payments that the Client provides). In the event of such broker's insolvency, the transactions into which the broker has entered as principal could default, and the Clients' assets could become part of the insolvent broker's estate, to the detriment of the Clients. The Clients' assets may be held in "street name," in which case, a default by the broker could cause the Clients' rights to be limited to that of an unsecured creditor.

To the extent that the Clients invests in swaps, derivative or synthetic instruments, or other over-the-counter transactions, including forward contracts, or, in certain circumstances, non-U.S. securities, the Clients may also take a credit risk with respect to the parties with whom it trades and may bear the risk of settlement default. These risks may differ materially from those entailed in exchange-traded transactions, which generally are backed by clearing organization guarantees, daily marking-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered into directly between two counterparties generally do not benefit from such protections and expose the parties to the risk of counterparty default.

Convergence Risk/Relative Value Strategy Risk. North Fourth may pursue relative value strategies by taking long positions in securities believed to be undervalued and short positions in securities believed to be overvalued. In the event that the perceived mispricing underlying the Clients' trading positions were to fail to converge toward, or were to diverge further from, relationships expected by the Adviser, the Clients may incur a loss.

Hedging. The Clients may engage in a variety of hedging transactions, including derivatives, options and swaps. Hedges can be more difficult to implement than many other types of transactions, and the possibilities for errors may be greater than for other transactions. Additionally, there is no guarantee that these hedging transactions will prevent losses to the Clients. The success of the Clients' hedging strategy will be subject to the Adviser's ability to correctly assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the investments in the portfolio being hedged. Since the characteristics of many securities change as markets change or time passes, the success of the Clients' hedging strategy will also be subject to the Adviser's ability to continually recalculate, readjust and execute hedges in an efficient and timely manner. In addition, hedging transactions may result in poorer overall performance for the Clients than if no such hedging transactions were executed. Moreover, the Adviser may determine not to hedge against, or may not anticipate, certain risks. Finally, the Clients may be exposed to certain risks that cannot be hedged, such as credit risk (relating both to particular investments and counterparties).

Short Sales. Short selling involves selling securities that may or may not be owned and borrowing the same securities for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the investor to profit from a decline in market prices to the extent such decline exceeds the transaction costs and the costs of borrowing the securities. However, since the borrowed securities must be replaced by purchases at market prices in order to close out the short position, any appreciation in the price of the borrowed securities would result in a loss. A short sale involves the risk of

a theoretically unlimited increase in the market price of the security. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss. As the Clients may use borrowed money as part of its strategy, the Clients also could be forced to close out a short sale prematurely as a result of an increase in margin requirements, coupled with an inability to provide the required additional margin on short notice. In addition, short sellers are subject to the risk of a “short squeeze.” A short squeeze is a situation in which the short seller is prematurely forced out of a short position. The lender of a security used to cover a short generally has the right to demand the return of the security that has been loaned at any time. If a lender were to demand the return of securities that Clients had borrowed, the Clients would be required to replace the borrowed securities by borrowing identical securities from another lender. If the Clients were unable to replace the borrowed securities, it would be required to close out the short sale by buying identical securities in the market in order to make delivery. In such event, the Clients could incur significant losses if the securities sold short had increased in value.

Securities Lending and Borrowing. The Clients may lend securities to securities brokers and other institutions as a means of earning additional income, or may borrow securities from securities brokers or other institutions to cover short positions. If the other party to such transaction becomes insolvent or bankrupt, the Clients could experience delays and extra costs in recovering payment or the securities. To the extent that, in the meantime, the value of securities changes, the Clients could experience further losses. Security loans must be fully collateralized, and the Adviser must be satisfied with the creditworthiness of the other party to the transaction.

Cyber Security Risks. With the increased use of technologies such as the internet and the dependence on computer systems to perform necessary business functions, investment vehicles such as the Clients and its service providers may be prone to operational and information security risks resulting from cyber-attacks. In general, cyber-attacks result from deliberate attacks, but unintentional events may have effects similar to those caused by cyber-attacks. Cyber-attacks include, among other behaviors, stealing or corrupting data maintained online or digitally, denial-of-service attacks on websites, the unauthorized release of confidential information and causing operational disruption. Successful cyber-attacks against, or security breakdowns of, the Fund, the general partner, the Managed Accounts, the Adviser, the Administrator and/or other third-party service providers may adversely impact the Clients or the Investors. For instance, cyber-attacks may interfere with the processing of Investor subscriptions or withdrawals, impact the Clients’ ability to value its assets, cause the release of private Investors information or confidential information of the Clients, impede Client operations, cause reputational damage, and/or subject the Clients to regulatory fines, penalties or financial losses, reimbursement or other compensation costs, and/or additional compliance costs. The Clients also may incur substantial costs for cyber-security risk management to prevent any cyber incidents in the future. The Clients and the Investors could be negatively impacted as a result. While the Clients have established business continuity plans and systems designed to prevent such cyber-attacks, there are inherent limitations in such plans and systems including the possibility that certain risks have not been identified. Similar types of cyber security risks are also present for issuers of

securities or other instruments in which the Clients invests, which could result in material adverse consequences for such issuers, and may cause the Clients' investment therein to lose value.

Reliance on Key Individual. The success of the Clients will be entirely dependent on the efforts of Mr. Anthony Vaccarino. The loss of the services of this individual would adversely affect the Clients.

While North Fourth strives to mitigate these risks through a variety of techniques, it makes no guarantee or representation that a client's investment program and related trading will be successful. As a result of the foregoing and other factors, Clients face the risk of losing all or substantially all of their investment.

North Fourth maintains its Managed Accounts strictly in accordance with the strategies and investment guidelines set forth in its advisory agreements and may not pursue, initiate or employ any new or different trading and investment strategies without the prior written consent of the Managed Accounts.

- C. The following is a brief summary of the risks involved with particular securities recommendations:

Equity Securities. The Clients may invest in equity and equity-related securities, including, without limitation, equity investments acquired in connection with restructured debt securities or instruments, or in connection with reorganizations and/or restructurings of debt securities, equity securities or other obligations and assets of undervalued, operationally challenged and/or financially troubled companies or institutions. Equity securities fluctuate in value in response to many factors, including the activities and financial condition of individual companies, the business market in which individual companies compete, industry market conditions, interest rates and general economic environments.

Options. Investing in options can provide a greater potential for profit or loss than an equivalent investment in the underlying asset. The value of an option may decline because of a change in the value of the underlying asset relative to the strike price, the passage of time, changes in the market's perception as to the future price behavior of the underlying asset, or any combination thereof. In the case of the purchase of an option, the risk of loss of an investor's entire investment (i.e., the premium paid plus transaction charges) reflects the nature of an option as a wasting asset that may become worthless when the option expires. Where an option is written or granted (i.e., sold) uncovered, the seller may be liable to pay substantial additional margin, and the risk of loss is unlimited, as the seller will be obligated to deliver, or take delivery of, an asset at a predetermined price which may, upon exercise of the option, be significantly different from the market value.

Exchange Traded Funds and Other Similar Instruments. Investments in ETFs and other instruments involve certain inherent risks generally associated with investments in a broadly-based portfolio of stocks including risks that the general level of stock prices may decline, thereby adversely affecting the value of each unit of the ETF or other instrument.

In addition, an ETF may not fully replicate the performance of its benchmark index because of the temporary unavailability of certain index securities in the secondary market or discrepancies between the ETF and the index with respect to the weighting of securities or number of stocks held. Because ETFs and pools that issue similar instruments bear various fees and expenses, the Clients investment in these instruments will involve certain indirect costs, as well as transaction costs, such as brokerage commissions. North Fourth considers the expenses associated with an investment in determining whether to invest in an ETF or other instrument.

Securities of Sub-Investment Grade Companies. Special risks may arise if the Clients invests in the securities of sub-investment grade and highly leveraged companies. Although such investments may result in significant returns to the Clients, they involve a substantial degree of risk. If the “natural leverage” created by a company’s high level of borrowing should work against a Clients short position, the Clients’ losses would be heightened. Although the Clients may not do so frequently, should the Clients purchase distressed and/or non-performing debt securities, and subsequent to purchasing them find that they are no longer readily traded by broker-dealers, these securities may not show any return for a considerable period of time. Many distressed and/or non-performing securities ordinarily remain unpaid while the company is in bankruptcy and may not ultimately be paid unless and until the company reorganizes and/or emerges from bankruptcy proceedings. As a result, if they are no longer readily traded by broker-dealers, such securities may have to be held for an extended period of time. There is no assurance that the Adviser will correctly evaluate the nature and magnitude of the various factors that could affect the prospects for a successful reorganization or similar action. In any reorganization or liquidation proceeding relating to a company in which the Clients invests, the Clients, may lose its entire investment. Under such circumstances, the returns generated from the Clients’ investments may not compensate the Investors adequately for the risks assumed.

Restricted and Illiquid Investments; Unregulated Transactions. The Clients may invest in securities, debt and other assets, that are subject to legal or other restrictions on transfer or for which no liquid market exists. Such investments are subject to the restrictions contained herein. The market prices, if any, for such investments tend to be volatile and may not be readily ascertainable and the Clients may not be able to sell them when it desires to do so or to realize what it perceives to be their fair value in the event of a sale. The sale of restricted and illiquid securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets. The Clients may not be able to readily dispose of such illiquid investments and, in some cases, may be contractually prohibited from disposing of such investments for a specified period of time. Companies whose securities are not publicly traded are not subject to the same disclosure and reporting requirements that are generally applicable to companies with publicly traded securities, nor is the trading of such non-publicly traded securities regulated by any governmental agency. Accordingly, the protections accorded by such regulation will not be available in making such investments. In addition, in certain circumstances, governmental or regulatory approvals may be required for the Clients to dispose of an investment. Restricted securities may sell at a price lower than similar securities that are not subject to restrictions on resale.

An investment in the Clients is suitable only for certain sophisticated investors who do not require immediate liquidity for their investments.

Derivative Instruments. The Clients could potentially create leverage via the use of instruments such as options and other derivative instruments. The value of a derivative depends largely upon price movements in the underlying asset; hence many of the risks applicable to trading the underlying asset are also applicable to derivatives of such asset. In addition, there are a number of other risks associated with derivatives trading, such as increased exposure for the Clients, exposure to liquidity risks and counterparty risks. The Clients may invest in options, which can provide a greater potential for profit or loss than an equivalent investment in the underlying asset and may involve different risks than investing in directly in the underlying asset.

Futures Contracts. The value of futures depends upon the price of the instruments, such as commodities, underlying them. Futures contracts may be used by the Clients to manage currency and general market risk. The prices of futures contracts are highly volatile, and price movements of futures contracts can be influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, as well as national and international political and economic events and policies. In addition, investments in futures contracts are also subject to the risk of the failure of any of the exchanges on which the Clients' positions trade or of its clearinghouses or counterparties. Futures positions may be illiquid because certain exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits." Under such daily limits, during a single trading day, no trades may be executed at prices beyond the daily limits. Once the price of a particular futures contract has increased or decreased by an amount equal to the daily limit, positions in that contract can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. This could prevent the Clients from promptly liquidating unfavorable positions and subject the Clients to substantial losses or prevent it from entering into desired trades. In extraordinary circumstances, a futures exchange or the CFTC could suspend trading in a particular futures contract, or order liquidation or settlement of all open positions in such contract.

Forward Trading. Forward contracts and options thereon, unlike futures contracts, are not traded on exchanges and are not standardized; rather, banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and "cash" trading is substantially unregulated; there is no limitation on daily price movements and speculative position limits are not applicable. For example, there are no requirements with respect to record-keeping, financial responsibility or segregation of customer funds or positions.

In contrast to exchange-traded futures contracts, interbank traded instruments rely on the dealer or counterparty being contracted with to fulfill its contract. As a result, trading in interbank foreign exchange contracts may be subject to more risks than futures or options trading on regulated exchanges, including, but not limited to, the risk of default due to the failure of a counterparty with which the Clients have a forward contract. Although the

Adviser seeks to trade with reliable counterparties, failure by a counterparty to fulfill its contractual obligation could expose the Clients to unanticipated losses. The principals who deal in the forward markets are not required to continue to make markets in the currencies or commodities they trade, and these markets can experience periods of illiquidity, sometimes of significant duration. There have been periods during which certain participants in these markets have refused to quote prices for certain currencies or commodities or have quoted prices with unusually wide spreads between the prices at which they were prepared to buy and those at which they were prepared to sell. Disruptions can occur in forward markets due to unusually high trading volume, political intervention or other factors. The imposition of controls by governmental authorities might also limit such forward (and futures) trading to a lower volume than that which the Adviser would otherwise recommend, to the possible detriment of the Clients. Market illiquidity or disruption could result in significant losses to the Clients.

**THE FOREGOING LIST OF RISK FACTORS DOES NOT PURPORT TO BE A COMPLETE ENUMERATION OR EXPLANATION OF THE RISKS INVOLVED ASSOCIATED WITH NORTH FOURTH'S INVESTMENT ANALYSIS AND INVESTMENT STRATEGIES. SUBSTANTIAL ADDITIONAL RISKS MAY BE PRESENT. PROSPECTIVE INVESTORS SHOULD READ THE OFFERING DOCUMENTS AND CONSULT WITH THEIR OWN ADVISORS BEFORE DECIDING TO MAKE AN INVESTMENT.**

**Item 9 - Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to the evaluation of the Adviser or the integrity of Adviser's management.

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

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

- A. The Adviser is not registered, and does not have an application pending to register, as a broker-dealer or registered representative of a broker-dealer. Currently, no employees of the Adviser are registered representatives of a broker-dealer.
- B. Neither the Adviser nor any of its management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of the foregoing entities.
- C. The Fund is an affiliate of the Adviser. Additionally, the Fund's general partner, North Fourth Partners GP LLC, is an affiliate of the Adviser. Since the general partner is entitled to receive a share of the Performance Allocation from the Fund, this may create an incentive for the Adviser to make investments that are riskier or more speculative than would be the case if such arrangement was not in effect. However, as noted in *Item 11*, the Adviser has a written Code of Ethics that contains policies and procedures to address conflicts of interest. Under such policies and procedures, the Adviser is required to make investment decisions for its Clients in a manner that is consistent with its fiduciary duties to its Clients.
- D. The Adviser does not recommend or select other investment advisers for its Clients nor does it have any business relationship with other advisers that might create a material conflict of interest.



## Item 11 - Code of Ethics, Participation in Client Transactions and Personal Trading

- A. The Adviser has adopted a written Code of Ethics (the “**Code**”) designed to address and avoid potential conflicts of interest as required under Rule 204A-1 under the Advisers Act. The Code sets forth a standard of business conduct and compliance with federal securities laws by all of the Adviser's employees. The Code contains policies and procedures that Adviser employees execute personal securities trading in a manner that mitigates actual or potential conflicts of interest or any abuse of an individual's position of trust and responsibility. The Adviser requires pre-clearance of purchases of an IPO or a new private placement; pre-clearance of certain personal securities transactions; periodic reporting of employees' personal securities transactions and holdings; and prompt internal reporting of Code violations.

As part of its Code, the Adviser has established procedures to reduce the abuse of material, non-public information, which includes procedures for, among other things, the use and maintenance of restricted trading lists. Because the structure of the Adviser would make information barriers impractical, the firm has not imposed information barriers to restrict the internal flow of possible material, non-public information. Thus, all professionals are deemed to be in receipt of material, non-public information, in all instances where any professional of the Adviser has received material, non-public information, and, therefore, may not trade on the basis of that information.

The Adviser will provide a copy of the Code to any investor or prospective investor upon request.

- B. Neither the Adviser nor any of its related persons recommend to its Clients securities in which the Adviser or any related persons have a material financial interest.
- C. The Adviser or related persons may invest in securities that it recommends to Clients. This may create an incentive for the Adviser to allocate securities in favor of the Adviser's proprietary accounts over the Client accounts. To address these conflicts of interest, the Adviser has implemented personal trading policies within the Code that requires pre-clearance of personal trades in certain circumstances; requires periodic reporting of employees' personal securities transactions and holdings; and requires prompt internal reporting of Code violations.
- D. Subject to the requirements of the Code, the Adviser or related persons may recommend investments to Clients, or make investments for Clients, at or about the same time that the Adviser or its related persons buys or sells the same investments for their own personal account. See *Item 11.C.* above for a discussion on how these conflicts of interest are addressed.

## Item 12 - Brokerage Practices

- A. The Adviser has complete discretion to determine, subject to each Client's disclosed investment objectives, policies and strategies, the securities to be purchased or sold and in what amounts, the broker-dealers and other financial intermediaries will use in effecting the transactions for Clients, and the commission rates to be paid for such transactions.

### *Brokerage*

The Adviser selects the broker-dealers and other financial intermediaries used to effect transactions on behalf of its Clients. The Adviser seeks to obtain "best execution" from these broker-dealers based on a variety of factors. In selecting broker-dealers to effect portfolio transactions, the Adviser may cause the Clients to enter into arrangements pursuant to which the Clients pay transaction costs in an amount greater than would be incurred if another broker-dealer were used. The Adviser is not required to solicit competitive bids or seek the lowest available commission or transaction costs. The transactions executed by the Clients may be cleared through, and the Clients' investment instruments may be held by, a number of financial institutions the Adviser will select on terms negotiated with each such financial institution individually. Subject to the Adviser's Offering Documents, the Adviser may use a variety of financial institutions both to take advantage of differing expertise and capabilities and to avoid, due to credit concerns, having all investment instruments concentrated at one firm.

### *Brokerage for Client Referrals*

In selecting or recommending broker-dealer for client accounts, the Adviser nor its related person will consider the receipt of client referrals when selecting broker-dealers to execute transactions.

### *Directed Brokerage*

The Managed Accounts will have designated firms to serve as both the custodian and prime broker for its assets. The Managed Accounts, however, will not routinely recommend, request or require the Adviser to execute transactions through a specified broker-dealer. The executing brokers retained by the North Fourth will be selected by the Adviser at its sole discretion.

### *Soft Dollars*

The Adviser may receive from a Client's broker-dealers, products and services in addition to brokerage services.

A portion of the commissions generated on the Client's brokerage transactions may generate "soft dollar" credits that the Adviser is authorized to use to pay for research and other non-research related services and products used by the Adviser or its affiliates. The Adviser may enter into "soft dollar" arrangements with one or more broker-dealers whereby the Adviser

will direct securities transactions to the broker-dealer in return for research products and services from the broker-dealer. The Adviser will use the research and services in making investment decisions for the applicable Client. The Adviser may also enter into “soft dollar” arrangements to cover Client expenses or costs and expenses of the Adviser to the extent such arrangements are permitted by law.

The Adviser has authority to use “soft dollar” credits generated by the Clients’ securities transactions to pay for expenses that might otherwise have been borne by the Adviser. This may give the Adviser an incentive to select brokers or dealers for Client transactions, or to negotiate commission rates or other execution terms, in a manner that takes into account the soft dollar benefits received by the Adviser rather than giving exclusive consideration to the interests of the Client. In the event that the Adviser elects to use soft dollars, it intends to limit such use to services that fall within the safe harbor afforded by Section 28(e) of the Securities Exchange Act of 1934, as amended, or such services that are otherwise reasonably related to the investment decision-making process.

The term “soft dollars” refers to the receipt by an investment adviser of products and services provided by brokers, without any cash payment by the investment adviser, based on the volume of revenues generated from brokerage commissions for transactions executed for clients of the investment adviser. The products and services available from brokers include both internally generated items (such as research reports prepared by employees of the broker) as well as items acquired by the broker from third parties (such as quotation equipment).

The use of brokerage commissions to obtain investment research services and to pay for the administrative costs and expenses of the Adviser may create a conflict of interest between the Adviser and its Clients, because a Client will pay for such products and services that may not be exclusively for the benefit of the Client and that may be primarily or exclusively for the benefit of the Adviser. To the extent that the Adviser is able to acquire these products and services without expending its own resources, the Adviser’s use of “soft-dollars” would tend to increase the Adviser’s profitability. In addition, the availability of these non-monetary benefits may influence the Adviser to select one broker rather than another to perform services for its Clients. The Offering Documents of both the Fund and Managed Accounts specifically authorize these practices to the fullest extent permitted by law.

- B. In managing Clients’ portfolios, the Adviser generally will aggregate trades, because it believes that doing so is consistent with its duty to seek best execution and to negotiate more favorable commission rates or other transaction costs than might be paid if orders are placed independently. When Advisory Client trades in the same security or other instrument cannot be aggregated into a single order, the Adviser’s Chief Investment Officer or traders will direct the trades to the market in a way that seeks to best achieve equivalent treatment.

#### Trade Allocations

Trade allocation decisions are made in a manner that is both fair and equitable to all of its Advisory Clients in accordance with the investment objectives of the Advisor’s Clients. The

Adviser will take steps to ensure that no Client will be systematically disadvantaged by the aggregation, placement or allocation of trades. The Adviser will allocate investments among the accounts of its Clients in a manner which it believes to be fair and equitable. The Adviser will not allocate investment opportunities based on anticipated compensation or profits to the Adviser, any affiliates or its professionals. In addition, no allocations will be made to a personal account of any employee of the Adviser. To ensure fairness in the allocation of investment opportunities amongst Clients, the Adviser will allocate investment opportunities with regard to the suitability of such investments to each Client. In determining the suitability of each investment opportunity for a Client, consideration will be given to a number of factors, the most important being the Advisory Client's investment objectives, strategies, guidelines, existing portfolio composition and cash levels, as well as legal, tax and regulatory suitability. For investments that are suitable for more than one of the Adviser's Clients, the Adviser will allocate trades pursuant to a standard allocation methodology set forth in the Adviser's trade allocation policy. The Adviser may, however, determine not to allocate investments that may be suitable for multiple Clients in accordance with a standard allocation method for a variety of reasons that are set forth in the trade allocation policy adopted by the Adviser.

#### Trade Error Policy

The Adviser may from time to time make trade errors. Trade errors are not errors in judgment, strategy, market analysis, economic outlook, etc., but rather errors in implementing specific trades which the Adviser had determined (rightly or wrongly) to make. Trade errors include, for example, keystroke errors that occur when entering trades into an electronic trading system or typographical or drafting errors related to derivatives contracts or similar agreements. Given the volume of transactions executed by the Adviser on behalf Clients, Clients should assume that trading errors will occur.

Clients (and not the Adviser or any of its affiliates or personnel) will retain all gains resulting from trade errors. In accordance with the exculpation and indemnification provisions contained in the agreements between the Adviser and its Clients (and the investors therein), as a general matter, all losses resulting from trade errors (that are not reimbursed by third parties, such as executing brokers) shall be borne by the affected Client, and not the Adviser, unless (i) such trade error was caused by the Adviser or its personnel acting with willful misconduct, recklessness or gross negligence or (ii) reimbursement by the Adviser to the affected Client is otherwise required by applicable law. In order to address the risk presented by trade errors, the Adviser has adopted written policies and procedures to ensure the internal reporting and correction of trade errors.

### **Item 13 - Review of Accounts**

- A. The Adviser is responsible for reviewing Client investment portfolios. The Principal of the Adviser is responsible for reviewing Client investment portfolios on a continuous basis relating to, among other factors, position sizes; security positions; exposure levels; margin requirements and investment opportunities.
- B. See *Item 13.A.* above.
- C. The Adviser provides written periodic financial reports, such as audited annual financial statements to the Investors in the Fund. North Fourth or the custodian of the Managed Accounts provides a written account statement or report to the Managed Accounts on a periodic basis, depending on the terms negotiated between the Managed Accounts and North Fourth. The reports include the performance of the account along with other information as agreed by North Fourth and the Managed Accounts.

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

- A. The Adviser does not receive any economic benefit, including sales awards or prizes, from any third party for providing advisory services to its Clients.
- B. Despite that the Adviser currently does not use a placement agent, it may enter into agreements with certain placement agents that provide for compensation to be paid for referring Investors to the Fund. In the event the Adviser chooses to engage a placement agent in the future, all such solicitation arrangements will be in compliance with the Advisers Act. The Fund and the Investors will not be responsible for any of the fees paid to the placement agents.

## **Item 15 - Custody**

The Adviser is deemed, under Rule 206(4)-2 of the Advisers Act, to have custody of the assets of the Fund by virtue of the common control of the Adviser and the general partner of the Fund. All assets and securities of the Fund are held by qualified custodians. As noted in *Item 13* above, Fund Investors receive annual financial statements audited by an independent public accounting firm. Fund investors are urged to carefully review these statements.

North Fourth is not deemed to have custody of the assets held in the Managed Accounts. The Managed Accounts do not surrender ownership of any cash or securities comprising the assets in its accounts. North Fourth may not remove any cash or securities from a Managed Account and the assets subject to supervision will be maintained in street name in the respective Managed Account's custody with the custodian and/or broker-dealer selected by the Managed Accounts and set forth in each respective investment management agreement. Managed Accounts should carefully review account statements received from the broker-dealer, bank or other qualified custodian. North Fourth periodically evaluates its status under the custody rule to determine any change.

## **Item 16 - Investment Discretion**

North Fourth exercises full discretionary authority in managing the investments made by the Fund, based on the Fund's investment objectives, policies and strategies disclosed in its Offering Documents. North Fourth contractually assumes discretionary authority over the assets of the Fund under an investment management agreement entered among North Fourth, the Fund and its general partner.

The Managed Accounts appoint the Adviser as agent and attorney-in-fact, with full power and authority in the Adviser's sole and absolute discretion to purchase, sell (including short sale), tender, exchange, convert or exercise and otherwise acquire or dispose of and trade and deal in or with the investments for the Managed Accounts in such manner as the Adviser considers appropriate, consistent with its strategies and the limits fully described in its investment management agreement.



## Item 17 - Voting Client Securities

- A. As a general practice, the Adviser does not anticipate voting securities on behalf of its Clients, however, it retains the right to vote such proxies on behalf of its Clients at its sole discretion. If a situation arises where the Adviser needs to exercise proxy voting, it will comply with its written policies and procedures governing the voting of client securities to ensure such proxies are voted in the best interests of its Clients.

If a material conflict is identified, the Principal, or such other designee (in consultation with outside compliance consultants and/or legal counsel) will determine what course of action is in the best interests of the affected Clients (which may include utilizing an independent third party to vote such proxies). Further, North Fourth will determine whether it is appropriate to disclose the conflict to affected Clients and give such Clients (and investors, if applicable) the opportunity to vote the proxies in question themselves.

In the event the Adviser participates in proxy voting, the Adviser will keep record of its proxy voting policies and procedures, proxy statements received, votes cast, all communications received and internal documents created that were material to voting decisions and each client request for proxy voting records and North Fourth's response for the previous five years. Investors do not have the ability to direct proxy votes.

Advisory Clients may obtain additional information regarding how North Fourth voted proxies and may obtain a copy of North Fourth's proxy voting policies and procedures by contacting [michael@northfourthasset.com](mailto:michael@northfourthasset.com).

- B. As discussed above, North Fourth has the authority to vote Client securities, but as a general practice, does not participate in such voting.

**Item 18 - Financial Information**

- A. North Fourth does not require or solicit prepayment of more than \$1200, six months or more in advance.
- B. North Fourth does not believe it has any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to its Clients.
- C. North Fourth has not been the subject of a bankruptcy petition at any time during the past ten years.