

# **Kula Investments, LLC**

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**March 2023**

This “**Brochure**” provides information about the qualifications and business practices of Kula Investments, LLC (hereinafter “**Kula Investments**,” “**we**,” “**us**,” “**our**” or the “**Firm**”). If you have any questions about the contents of this Brochure, please contact our Chief Compliance Officer (“**CCO**”), Jonathan Yaffe, by email at [jyaffe@kulainvestments.com](mailto:jyaffe@kulainvestments.com). Information in this Brochure has not been approved or verified by the U.S. Securities and Exchange Commission (“**SEC**”) or by any state securities authority.

Kula Investments is a Registered Investment Adviser with the SEC. Registration as an investment adviser does not imply that Kula Investments or any of its principals or employees possesses a particular level of skill or training in the investment advisory business or any other business.

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

**Item 2: Material Changes**

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This Brochure is Kula Investments' Annual Update to its Form ADV Part 2A. There have been no material changes since Kula Investments filed its 120-day update Brochure in June 2022. Pursuant to SEC requirements and rules, you will receive a summary of any material changes to this Brochure within one hundred twenty days of the close of Kula Investments' fiscal year. This Brochure may be requested at any time, without charge, by contacting Kula Investments' CCO at [jyaffe@kulainvestments.com](mailto:jyaffe@kulainvestments.com).

*The information set forth in this Brochure is qualified in its entirety by the applicable offering and/or governing documents. In the event of a conflict between the information set forth in this Brochure and the information in the applicable offering and/or governing documents, such documents will prevail.*

We encourage current and future investors to read this Brochure as well as all of the governing and offering documents applicable to your current or prospective investment, in their entirety.

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**Item 4: Advisory Business**

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Kula Investments, LLC (hereinafter “**Kula Investments**,” “**we**,” “**us**,” “**our**” or the “**Firm**”) is organized as a Delaware limited liability corporation with a principal place of business in Chicago, Illinois. Kula also maintains an office in New York City. Jeffrey Applebaum (indirectly through Spingold LLC), Rohan Reddy and Senthil Sundaram (indirectly through Kula Investments Holdings) and Akuna Holdings, LLC (collectively, the “**Owners**”) own Kula Investments. Jeffrey Applebaum, Rohan Reddy, Senthil Sundaram (“**The Managers**”) will direct all activities and operations of Kula Investments.

We serve as the investment adviser, with discretionary trading authority, to private, pooled investment vehicles, the securities of which are offered through a private placement memorandum to accredited investors, as defined under the Securities Act of 1933, as amended, and qualified purchasers, as defined under the Investment Company Act of 1940, as amended. We do not tailor our advisory services to the individual needs of any particular investor.

Kula Investments provides management services to qualified investors through its private funds (collectively, the “**Funds**”), and separately managed institutional accounts (“**SMA**s”). At this time, we serve as the investment manager for the following private funds: Kula Equity Market Neutral Fund LP, a Delaware limited partnership (the “**Onshore Fund**”), Kula Equity Market Neutral Offshore Fund LP, a Cayman Islands exempted limited partnership (the “**Offshore Fund**”), Kula Equity Market Neutral Offshore Fund II Ltd, a Cayman Islands exempted company (the “**Offshore Fund II**”), and Kula Equity Market Neutral Master Fund LP, a Cayman Islands exempted limited partnership (the “**Master Fund**”). The Onshore Fund and the Offshore Funds are feeder funds that invest through the Master Fund.

The Onshore Fund, Offshore Fund, Offshore Fund II, the Master Fund, and the SMA's as herein referred to as the “**Client**”, and collectively referred to as the “**Clients**”.

The Onshore Fund and Offshore Fund’s “**Limited Partners**” and the Offshore Fund II’s “**Shareholders**” hereinafter collectively referred to as the “**Investors**” where appropriate.

Kula Equity Market Neutral Fund GP LLC serves as the “**General Partner**” to the Master Fund, Onshore Fund, and Offshore Fund.

Our investment decisions and advice with respect to the Funds and SMA's are subject to each Fund’s investment objectives and guidelines, as set forth in its respective “**Offering Documents**” and each Separately Managed Account’s objectives and guidelines, as set forth in its respective Investment Management Agreement, Portfolio Manager Agreement, or Investment Advisory Agreement (collectively “**Investment Management Agreements**”).

We do not currently participate in any Wrap Fee Programs.

As of December 31, 2022, Kula Investments has approximately \$608,170,638 in Regulatory Assets Under Management (“**RAUM**”). All assets managed by Kula Investments are currently on a discretionary basis; we do not expect to manage any assets on a non-discretionary basis.

**Item 5: Fees and Compensation**

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Our fees and compensation are described in the advisory contracts we enter into with the Funds or SMAs, as well as in the Funds' Offering Documents or the SMAs' Investment Management Agreements. All of our Investors are "qualified purchasers" (as defined in Section 2(a)(51) of the Investment Company Act of 1940, as amended). A brief summary of such fees is provided below. All fees are deducted from a Client's assets. Persons reviewing this Brochure should not construe this as an offering of the Funds described herein, which will only be made pursuant to the delivery of Offering Documents to prospective investors.

***Management Fee***

The Master Fund will pay a monthly management fee ("**Management Fee**") to Kula Investments equal to 0.1667% (a 2.0% annual rate) of the aggregate Gross Asset Value of each Sub-Account, in each case as of the last calendar day of each calendar month. The Management Fee will be appropriately pro-rated for partial months.

***Incentive Fee***

As of each December 31, the Master Fund will pay an incentive fee ("**Incentive Fee**") to Kula Investments equal to 20% of New Appreciation (if any) then attributable to each Investor's Sub-Account.

Incentive Fees do not themselves reduce New Appreciation or Appreciation for purposes of calculating future Incentive Fees—i.e., the Firm does not need to "earn back" Incentive Fees previously paid in order to generate additional Incentive Fees.

If an Investor has multiple Sub-Accounts, the Incentive Fee (and Appreciation, New Appreciation and the High Water Mark) will be calculated separately with respect to each Sub-Account. That is, the Incentive Fee will be calculated and made separately with respect to each Capital Contribution made by an Investor, irrespective of the overall performance of the Funds, such Investor's Capital Account or all Interests held by such Investor.

Incentive Fees do not, until paid, reduce the Proportionate Share of a Sub-Account for purposes of allocating Net Income or Net Loss. An Investor's "Proportionate Share" with respect to each Sub-Account will equal the fraction (expressed as a percentage) the numerator of which is the Gross Asset Value of such Sub-Account, and the denominator of which is the aggregate Gross Asset Value of all Capital Accounts. "Net Loss" means, with respect to any given Accounting Period, the decrease in the Net Asset Value of the Funds from the beginning to the end of such Accounting Period. "Net Income" means, with respect to any given Accounting Period, the increase in the Net Asset Value of the Funds from the beginning to the end of such Accounting Period. "Gross Asset Value" means Net Asset Value prior to reduction for any accrued Incentive Fee.

In the discretion of Kula Investments, the Incentive Fee may be paid to the Firm or its affiliate at the level of the Funds (rather than at the level of the Master Fund). If the Incentive Fee is paid at the Funds' level, there will be no Incentive Fee paid at the Master Fund level on the assets of the Funds invested in the Master Fund.

***Other Types of Fees or Expenses***

Kula Investments is authorized to incur and pay in the name and on behalf of its Clients all expenses which they deem necessary or advisable.

The Firm is responsible for and shall pay, or cause to be paid, all of their own ordinary administrative and overhead expenses, including, without limitation, all costs and expenses related to rent, furniture, fixtures, equipment, office supplies, clerical expenses and all salaries, bonuses and benefits paid to, or on behalf of, personnel of the Firm.

To the extent that expenses to be borne by the Clients are paid by the Firm, the Clients will reimburse the Firm for such expenses. We may waive any such reimbursement with respect to any Client expenses. Any waiver by us for reimbursement of any Client expenses shall not serve as a waiver of reimbursement for any future Client expenses to be paid by us.

Neither Kula Investments nor its employees accept compensation, including sales charges or service fees, from any person for the sale of securities or other investment products.

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

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Performance-based fees and allocations are described in the Offering Documents or Investment Management Agreements for the relevant Client and have been described generally in the preceding section, Item 5 – Fees and Compensation.

We and our affiliates are entitled to performance-based compensation from each of the Funds and SMAs based upon the terms described in the Offering Documents or Investment Management Agreements, as applicable. As of the date of this filing, all of our Clients are subject to performance-based compensation fees. As a result, we are not subject to certain conflicts of interest that could arise if we and/or our affiliates accepted performance-based fees from some Clients, but not from other Clients, however at times conflicts arise because the performance-based compensation charged for some Clients is greater than the performance-based compensation charged to other Clients.

Performance-based compensation arrangements at times creates an incentive for us to recommend investments which may be riskier or more speculative than those which we would recommend under a different arrangement. Kula Investments will review the allocation of investment opportunities across Clients in such cases where a conflict may arise and follow the Firm's policies and procedures regarding the allocation of investment opportunities.

**Item 7: Types of Clients**

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Kula Investments currently provides investment management and administrative services to private pooled investment vehicles and SMAs for institutional investors, which are all qualified purchasers.

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

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The descriptions set forth in this Brochure of specific advisory services that we offer to Clients, and investment strategies pursued, and investments made by us on behalf of our Clients, should not be understood to limit in any way our investment activities. We may offer any advisory services, engage in any investment strategy and make any investment, including any

not described in this Brochure, that we consider appropriate, subject to each Client's investment objectives and guidelines as set forth in the Offering Documents. The investment strategies we pursue are speculative and entail substantial risks. Clients should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any Client will be achieved.

### ***Methods of Analysis and Investment Strategies***

The investment objective of the Offshore Fund and Onshore Fund is to provide superior risk-adjusted returns across all market cycles while maintaining approximate dollar and beta neutrality with low correlation to the equity markets. The Funds will systematically invest in a diversified, generally market-neutral portfolio of liquid, U.S. listed equity securities and exchange-traded funds ("ETFs"). The Firm will seek to achieve the Funds' investment objective by employing multiple proprietary quantitative-based systematic strategies across the markets in which the Funds will invest. The Funds will primarily invest in U.S. publicly traded equities and equity-related instruments, including ETFs, and may invest in such other publicly-traded, liquid instruments, rights, and interests as determined by the Firm. Subject to the foregoing, the Firm may invest in issuers in any market, sector, or market capitalization. However, the Firm may initially limit the Funds' investment activities in respect of certain markets until its capital base reaches a certain scale. It is anticipated that the Firm will generally target an overall low net market exposure for the Funds' portfolio. The Firm expects to use individual short positions and ETF short positions to hedge certain risks, and may use other instruments, such as index and currency futures, forwards, non-deliverable forwards and swaps for hedging purposes.

### ***Risk Management***

The Funds' investment program is speculative and entails substantial risks. There can be no assurance that the investment objectives of the Funds will be achieved or that the Funds will be profitable, and results may vary substantially over time. The Firm will focus on managing risk through the quality of its investment process and monitoring of investments. The Firm may not broadly diversify the portfolio, and, in such event, the Funds will bear greater risk with respect to each investment than would be the case with respect to a diversified portfolio.

### ***Risk of Loss Factors***

The following risk factors do not purport to be a complete list or explanation of the risks involved in an investment in the Clients advised by us. These risk factors include only those risks we believe to be material, significant or unusual and relate to significant investment strategies or methods of analysis employed by us.

An investment involves significant risks and is suitable only for those persons who can bear the economic risk of the loss of their entire investment, who have limited need for liquidity in their investment, and who have met the conditions set forth in the Offering Documents. There can be no assurances that we will achieve our investment objectives. An investment carries with it the inherent risks associated with investments in publicly traded stocks and bonds, options, and related instruments, including, without limitation, the risks described below. Each prospective investor should carefully review the Offering Documents and the documents referred to herein before deciding to invest with Kula Investments.

*General Investment and Trading Risks:* All securities investments present a risk of loss of capital. Volatile financial markets increase that risk. If the Firm's evaluation of an investment opportunity should prove incorrect, the Funds could experience losses as a result of a decline in the market value of securities in which the Funds hold a long position. The risk management techniques that may be used by the Firm do not provide any assurance that the Funds will not be exposed to a risk of significant investment losses. No guarantee or representation is made that the Funds' investment program will be successful, that the Funds will achieve its targeted returns or that there will be any return of capital to Investors. In addition, investment results may vary substantially over time.

*Investment Judgement:* The profitability of a significant portion of each Client's investment program depends to a great extent upon correctly assessing the future profitability of companies and future price movements of securities and other investments. There can be no assurance that the Firm will be able to accurately predict the long-term results of any security or other investment.

*General Economic Conditions:* The success of the Funds' 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 Funds' investments), tax considerations and tax treatment, 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 Funds' investments and could impair the Funds' profitability or result in losses. The Firm may consider some or all these factors when making trading decisions. The Funds could incur material losses even if the Firm reacts quickly to difficult market conditions, and there can be no assurance that the Funds 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 Funds will seek to invest can correlate strongly with each other at times or in ways that are difficult for the Firm to predict. Even a well-analyzed approach may not protect the Funds from significant losses under certain market conditions.

*Availability of Suitable Investments:* Certain markets in which the Firm, on behalf of the Funds, may invest are extremely competitive for attractive investment opportunities and, as a result, there may be reduced expected investment returns, or the liquidity of one or more of the Funds' portfolio positions may be reduced. There can be no assurance that the Firm's quantitative-based systematic strategies will be able to identify or successfully pursue attractive investment opportunities in such environments. Among other factors, competition for suitable investments from other pooled investment vehicles, the public equity markets, and other investors may reduce the availability of investment opportunities. There is significant competition among quantitatively-focused managers, which may result in increased competition to the Firm on behalf of the Funds, in obtaining suitable investments.

*Hedging:* The Funds may engage in certain 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 Funds. The success of the Master Fund's hedging strategy will be subject to the Firm'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 Funds hedging strategy will also be subject to the Firm'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 Funds than if no such hedging transactions were executed. Moreover, the Firm may determine not to hedge against, or may not anticipate, certain risks. Finally, the Funds may be exposed to certain risks that cannot be hedged, such as credit risk (relating both to particular investments and counterparties).

*Short Sales:* The Funds will sell securities short. A short sale is effected by selling a security which the Funds do not own. In order to make delivery to the buyer of a security sold short, the Funds must borrow the security. In so doing, it incurs the obligation to replace that security, whatever its price may be, at the time it is required to deliver it to the lender. The Funds must also pay to the lender of the security any dividends or interest payable on the security during the borrowing period and may have to pay a premium to borrow the security. This obligation must be collateralized by a deposit of cash or marketable securities with the lender.

Short selling is subject to a theoretically unlimited risk of loss because there is no limit on how much the price of a security may appreciate before the short position is closed out. There can be no assurance that the securities necessary to cover the short position will be available for purchase by the Funds. In addition, purchasing securities to close out the short position can itself cause the price of the relevant securities to rise further, thereby increasing the loss incurred by the Funds. Furthermore, the Funds may prematurely be forced to close out a short position if a counterparty from which the Funds borrowed securities demands their return, resulting in a loss on what might otherwise have been ultimately a profitable position.

*Interest Rates:* The prices of the equities held by the Funds may be sensitive to interest rate fluctuations. In addition, interest rate increases generally will increase the costs of the leverage used by the Funds. The operations of the issuers in which the Funds invests may also be sensitive to interest rate changes. To the extent such issuers rely on financing for working capital needs, their profitability will be materially impacted by changes in interest rates, and such changes can also materially affect consumer demand.

The Firm does not purport to have any expertise predicting future interest rate movements, particularly as interest rates can be materially influenced by government interests reflecting changing political as well as macro-economic factors.

*Trade Errors Risk:* Given the nature of the Firm's strategies, there is a risk that trade errors may occur in trading on behalf of the Funds. Examples of trade errors may include, but are not limited to, the misallocation of orders among the Firm's clients' accounts (including the Funds), the buying or selling of securities which violate a particular account's investment restrictions, or the incorrect entry of information (in terms of security name, order size, buy/sell instruction, etc.) into the Firm's ordering systems. While Kula Investments intends to implement electronic systems designed to reduce the likelihood and impact of trade errors, such systems cannot guarantee that trade errors will not occur or will not result in losses to the Funds.

Given the nature of its strategy, Kula Investments believes that trade errors are a known cost of doing business. Therefore, the Firm intends to implement a policy under which the Funds will generally bear the losses of any trade errors (as well as benefit from any profits derived from trade errors). However, the Firm will reimburse the Funds for any losses resulting from

any trade error due to the Kula Investments' gross negligence or wilful misconduct. The Firm has a conflict of interest in determining whether the trade error is due to its gross negligence or wilful misconduct. Kula Investments will provide a copy of its trade error policy upon request.

*Equity Securities:* The Funds will invest in equity securities. The value of these financial instruments generally will vary with the performance of the issuer and movements in the equity markets. As a result, the Funds may suffer losses if the Funds invests in equity instruments of issuers whose performance diverges from the Firm's expectations or if equity markets generally move in a single direction and the Firm has not hedged against such a general move.

*Exchange-Traded Funds:* The Funds may invest in ETFs. ETFs represent shares of ownership in either funds or unit investment trusts that hold portfolios of common stocks, bonds, or other instruments, which are designed to generally correspond to the price and yield performance of an underlying index. A primary risk factor relating to ETFs is that the general level of stock or bond prices may decline, thus affecting the value of an equity or fixed income ETF, respectively. An ETF may also be adversely affected by the performance of the specific sector or group of industries on which it is based. Moreover, although ETFs are designed to provide investment results that generally correspond to the price and yield performance of their underlying indices, ETFs may not be able to exactly replicate the performance of the indices because of various sources of tracking error, including the expenses associated with ETFs and a number of other factors.

*Market Volatility:* Equity and commodity prices have been subject to periods of excessive volatility in the past, and such periods can be expected to recur in the future. Price volatility is influenced by many unpredictable factors, such as market sentiment, inflation rates, interest rate movements, and general economic and political conditions. On the other hand, the equities and commodities markets from time to time enter into "stagnant" periods of significantly reduced volatility.

The Firm believes that its strategy can be successful in a wide range of volatility environments. However, the profit potential of this strategy could be adversely affected during periods when market volatility approaches extreme levels (either high or low).

*Restrictions on Withdrawals:* Investors cannot make withdrawals other than monthly and are subject to certain restrictions on the amount of withdrawal that can be made. Because withdrawals are limited and the Interests are not freely tradable or transferrable, an investment in the Funds is illiquid. Irrespective of the success or failure of the Firm's strategies, an Investor's inability to withdraw from the Funds on short notice materially increases the risk of an investment in the Interests because it is not possible to make withdrawals in order to recognize profits or mitigate losses before such profits may have been eliminated or such losses significantly accelerated. In fact, under certain circumstances, the Funds may postpone Investor's ability to make withdrawals, leaving them fully exposed to the risk of the Funds' performance for an indefinite period of time.

*Restrictions of Litigation:* In the ordinary course of business, the Funds, the Investor or the Firm may be subject to litigation from time to time. In addition, the Funds may accumulate substantial positions in the securities of issuers that become involved in proxy contests or other litigation. As a result of such investments, the Funds or the Firm could be named as a defendant in a lawsuit or regulatory action. The outcome of such proceedings, which may

materially adversely affect the value of the Funds, may be impossible to anticipate, and such proceedings may continue without resolution for long periods of time. Any litigation may consume substantial amounts of the Firm's or the Investor's time and resources to an extent materially disproportionate to the amounts at stake in the litigation.

*Lack of Liquidity:* Despite the generally heavy volume of trading in the instruments included in the Funds' portfolio, the market for certain of these instruments may from time-to-time exhibit limited or erratic liquidity. Lack of liquidity can make it economically unfeasible for the Funds to recognize profits or limit losses on open positions. While the Firm believes that it is unlikely that market illiquidity will make it infeasible for the Funds to transact in the equities in its portfolio, market illiquidity can increase transaction costs and delay the recognition in the market of the price movements caused by idiosyncratic factors correctly identified by the Firm—perhaps for a period longer than the Firm believes is prudent for the Funds to hold the affected positions.

*Counterparty Risk:* Institutions, such as brokerage firms, banks, and broker-dealers, generally have custody of the Funds' portfolio assets and may hold such assets in "street name." The Funds are subject to the risk that these firms and other brokers, counterparties, or clearinghouses with which the Funds deals may default on their obligations to the Funds. Any default by any of such parties could result in material losses to the Funds. Bankruptcy or fraud at one of these institutions could also impair the operational capabilities or the capital position of the Funds. In addition, securities and other assets deposited with custodians or brokers may not be clearly identified as being assets of the Funds, causing the Funds to be exposed to a credit risk with regard to such parties. The Funds generally will only be an unsecured creditor of its trading counterparties in the event of bankruptcy or administration of such counterparties. In some jurisdictions, the Funds may also only be an unsecured creditor of its brokers in the event of bankruptcy or administration of such brokers.

*Trade Execution Risk:* The Funds will acquire a significant number of both long and short positions. The cost of doing so will be materially affected by the speed and efficiency of the Funds' transactions. Inefficient executions can generate substantial transaction costs over time, possibly materially reducing the profitability of the Funds' positions.

*Securities Lending:* The Funds borrow and lends securities. In doing so, the Funds may lend securities to, or borrow securities from, third parties and these transactions may generate income for the Funds. Third parties that borrow securities from the Funds may not be able to return these securities on demand, possibly causing the Funds to default on its obligations to other parties and may also default on the payment obligations owed to the Funds in connection with such securities loans, potentially resulting in substantial losses to the Funds.

*Risks of Foreign Investments:* The Funds may invest in securities of foreign companies, governments and government agencies. Investing in such securities, which are generally denominated in foreign currencies, and the use of forward foreign currency exchange contracts, involves unusual risk not typically associated with investing in securities issued by U.S. companies or by the U.S. government or its agencies or instrumentalities. Investing in emerging markets poses greater risks and a greater potential for returns than investing in developed countries. Securities of companies in these emerging markets are generally more volatile and may be much more volatile than securities issued by companies located in developed countries. The Funds may be affected favorably or unfavorably by exchange control regulations or changes in the exchange rate between such currencies and the U.S. dollar. Moreover, individual foreign economies may compare unfavorably with the U.S. economy in

growth of gross national product, rate of inflation, rate of savings and capital reinvestment, resource self-sufficiency, balance-of-payment positions and in other respects. Some of the countries in which the Funds may invest have laws and regulations that currently preclude or severely restrict direct foreign investment in securities of their companies. Securities of some foreign companies are less liquid and their prices are more volatile than securities of comparable U.S. companies. Investing in foreign securities creates a greater risk of securities clearance and settlement problems. Further, some of the securities in which the Funds may invest may be thinly traded and relatively illiquid or may cease to be traded after the Funds invest in them. In addition to being illiquid, such securities may be issued by unseasoned companies and may be highly speculative. In addition, the Funds occasionally may acquire relatively large positions in a few securities. In such cases, and in the event of extreme market activity, the Funds may not be able to liquidate investments promptly, if the need should arise, which could materially and adversely affect the results of such investments.

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**Item 9: Disciplinary Information**

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To the best of our knowledge, there are no legal or disciplinary events that are material to an Investor's or prospective investor's evaluation of our advisory business or the integrity of our management.

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

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Neither Kula Investments nor any of its management persons are registered, or have an application pending to register, as a broker-dealer or a futures commission merchant, commodity pool operator, a commodity trading advisor or an associated person of the foregoing entities.

It should be noted that affiliates of Kula Investments may serve as the General Partner to certain Clients. If this occurs, the General Partner would be entitled to a performance-based fee.

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

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***Code of Ethics***

Kula Investments has adopted a Code of Ethics pursuant to Rule 204A-1 under the Investment Advisers Act of 1940, as amended (the "Advisers Act"), that establishes the high standard of conduct that we expect of our employees and procedures regarding our employees' personal trading of securities. Our employees are required to certify their adherence to the terms set forth in the Code of Ethics upon commencement of employment and annually thereafter. Employees also are required to provide quarterly certifications of compliance with certain Code of Ethics provisions.

It is the Firm's policy generally that all Employees act in good faith and in the best interests of the Firm. To this end, Employees must not put themselves or the Firm in a position that would create even the appearance of a conflict of interest. If there are any doubts or questions about the appropriateness of any interests or activities, Employees should contact the CCO. Any

interest or activity that might constitute a conflict of interest under the Firm's Code of Ethics must be fully disclosed to the CCO so that a determination may be made regarding the activity.

The foundation of our Code of Ethics is based upon the following underlying fiduciary principles:

- Employees must at all times place the interests of the Funds and Investors first;
- Employees must ensure that all personal securities transactions are conducted consistent with the Code of Ethics' Employee Personal Investment Policy (described below); and
- Employees should not take inappropriate advantage of their position at the Firm.

Employees are permitted to maintain personal brokerage accounts for the purpose of trading "**Reportable Securities**" (as defined in the Code of Ethics, and which includes a wide variety of investments such as stocks, bonds, fixed income, options, warrants, futures, and derivatives) subject to pre-clearance by the CCO. Employees are also prohibited from personally, or on behalf of a Client, purchasing or selling securities that appear on the Firm's Restricted List.

The CCO may place certain securities on a "Restricted List." Employees are prohibited from personally, or on behalf of a Client, purchasing or selling securities that appear on the Restricted List. A security may be placed on the Firm's Restricted List for a variety of reasons including, but not limited to:

- The Firm or an Employee is in possession of material, nonpublic information (as defined below) about an issuer;
- An Employee is in a position, such as a member of an issuer's board of directors, that may be likely to cause the Firm or such Employee to receive MNPI;
- The Firm has executed a non-disclosure or similar agreement with a specific issuer that restricts trading in that issuer's securities;
- An Employee trading in the security may present the appearance of a conflict of interest or an actual conflict of interest;
- Any Security which at the time of such transaction is:
  - being considered for purchase or sale by a Client,
  - being purchased or sold by a Client, or
  - at the time of such proposed transaction, held for the account of one or more Clients.

The CCO is responsible for maintaining the Restricted List and securities will remain on the Restricted List until such time as the CCO deems their removal appropriate.

Employees must obtain pre-approval from the CCO before: (i) engaging in any outside business activities; (ii) making any private investments; or (iii) making any political contributions.

The Firm's "Insider Trading Policy" applies to every Employee and extends to activities outside the scope of his or her duties at the Firm. The Firm forbids any Employee from engaging in any

activities that would be considered illegal Insider Trading. Any questions regarding this Insider Trading Policy must be referred to the CCO.

We will provide a copy of our Code of Ethics to our Investors, or any prospective investor, upon request, to be viewed on the premises.

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

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Kula Investments has discretion to (i) buy or sell securities, (ii) determine the amount of the securities to be bought or sold, (iii) select the broker or dealer to be used in such purchase or sale and (iv) agree to the commission rates paid in connection with such purchase or sale. In selecting broker- dealers to execute transactions, we do not need to solicit competitive bids and do not have an obligation to seek the lowest available commission cost. It is not our practice to negotiate “execution only” commission rates; therefore, the Funds may be deemed to be paying for research, brokerage or other services provided by the broker which are included in the commission rate.

We also have the authority to select and appoint custodians of the assets of the Funds while the SMAs have the authority to select and appoint custodians specific to the SMA. The Firm’s authority is limited by its own internal policies and procedures and each Fund’s investment guidelines.

##### ***Best Execution***

In selecting an appropriate broker-dealer to effect a Client trade, we seek to obtain “**Best Execution**,” meaning generally the execution of a securities transaction for a Client in such a manner that a Client’s total costs or proceeds in the transaction are most favorable under the circumstances. Accordingly, in seeking Best Execution, we take into consideration the price of a security offered by the broker-dealer, as well as a broker-dealers’ full range and quality of their services including, among other things, their facilities, reliability and financial responsibility, execution capability, commission rates, responsiveness to us, brokerage and research services provided to us (for example, research ideas, analysis, and investment strategies), special execution and block positioning capabilities, clearance, and settlement and custodial services.

##### ***Soft Dollars***

The Firm may use “**Soft Dollars**”. In such cases, Soft Dollar credits, generated by the Fund’s trading activities, would be used to purchase brokerage and research services or products that would otherwise have been a Fund expense. We intend to keep any such arrangements within the parameters of the safe harbor of Section 28(e) of the Exchange Act.

##### ***Directed Brokerage***

Neither Kula Investments nor any related person receives Client referrals from any broker-dealer or third party. However, subject to best execution, we may consider, among other things, capital introduction and marketing assistance with respect to Investors in the Funds in selecting or recommending broker-dealers for the Funds or SMAs.

The provision by a broker of research and other services and property to us creates an incentive for us to select such broker since we would not have to pay for such research and

other services and property as opposed to solely seeking the most favorable execution for a Client. Any research, services or property provided by a broker may benefit any client and such benefits may not be proportionate to commission dollars related to the provision of such research, services or property.

The Firm may cause Clients to pay commissions (or mark-ups or markdowns) higher than those charged by other broker-dealers in return for soft dollar benefits.

Kula Investments does not accept direct brokerage arrangements. Not all advisers require their Clients to direct brokerage.

### ***Trade Errors***

Kula Investments' "Trade Error Policy" provides that any Trade Error should be corrected as soon as possible following discovery of the Trade Error in accordance with the principles and procedures described below. The Firm generally seeks to detect such errors prior to settlement and promptly correct and/or mitigate them. A Trade Error may not be resolved by reallocating the trade to another Client. Soft Dollar credits, if any, may not be used to pay for correcting Trade Errors.

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

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Our Portfolio Manager and investment professionals continuously monitor and analyze the transactions, positions, and investment levels of the Fund to ensure that they conform with the investment objectives and guidelines that are stated in the Fund's Offering Documents and the SMAs Investment Management Agreements. In these reviews, the Firm pays particular attention to any changes in the investment's fundamentals, overall risk management and changes in the markets that may affect price levels.

### ***Account Reporting***

We will distribute an audited financial report with respect to the previous fiscal year to all Investors within 120 days of fiscal year end. We may also distribute monthly unaudited net asset value statements, quarter-end performance reports, and a quarterly investor letter to all Investors.

In addition, ad hoc reviews of a Client account may be triggered by special circumstances (e.g., securities restriction, appropriate allocation).

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

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We have entered into a selling agreement with Merrill Lynch, Pierce, Fenner & Smith Incorporated ("**Selling Agent**", The Selling Agent is an unaffiliated broker-dealer that has been contracted to solicit qualified investors to invest in the Funds. The Selling Agent shall receive a distribution fee equal to a percentage of the net asset value of the classes of shares or interests in a Fund held by accounts at the Selling Agent or its affiliates. The fees paid to the Selling Agent are paid by us and not borne by clients. The Selling Agent is not involved in the management of, day to day activities of, or investment activities of Kula or the General Partner, and does not have any involvement with, or responsibility or liability to, any party for the General Partner's, Kula's or their respective affiliates' compliance or non-compliance with applicable legal, investment, tax or regulatory requirements or for the performance of the Funds.



We do not receive economic benefits from non-Clients for providing investment advice and other advisory services. Neither we nor any of our related persons, directly or indirectly, compensate any person who is not a supervised person for Client referrals.

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**Item 15: Custody**

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We are deemed to have custody of Client funds and securities. Account statements related to the Clients are sent by qualified custodians to Kula Investments generally on a monthly basis. We will comply with Rule 206(4)-2 of the Investment Advisers Act of 1940, (i.e., the “custody rule”) by meeting the conditions of the pooled vehicle annual audit approach. Upon completion of the relevant Fund’s annual audit by an independent auditor that is registered with, and subject to inspection by, the Public Company Accounting Oversight Board (PCAOB), we will distribute the Fund’s audited financials to Investors within 120 days of such Fund’s fiscal year end.

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**Item 16: Investment Discretion**

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The Firm obtains discretionary authority from a Client at the outset of an advisory relationship and exercises such discretion in a manner consistent with the investment guidelines and investment restrictions stated in Kula Investments’ Offering Documents or Investment Management Agreements.

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**Item 17: Voting Client Securities**

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In compliance with Rule 206(4)-6 of the Advisers Act (i.e., the “proxy voting rule”), we have adopted proxy voting policies and procedures (“Proxy Voting Policy”). The general policy is to vote all proxy proposals, amendments, consents or resolutions (collectively, “Proxies”) in a prudent and diligent manner that will serve the applicable Client’s best interests and is in line with the Client’s investment objectives.

We may take into account all relevant factors, as determined by us in our discretion, including, without limitation:

- the impact on the value of the securities or instruments owned by the relevant Client and the returns on those securities;
- the anticipated associated costs and benefits;
- the continued or increased availability of portfolio information; and
- industry and business practices.

Clients may not direct our vote in a particular solicitation.

Clients may obtain a copy of our Proxy Voting Policies and our proxy voting records upon request.

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**Item 18: Financial Information**

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Kula Investments does not require or solicit the prepayment of any fees and does not have any adverse financial condition that is reasonably likely to impair Kula Investments’ ability to continuously meet its contractual commitments to its Clients. Kula Investments has not been the subject of any bankruptcy proceedings.