

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

**nVerses Capital, LLC**  
**12783 West Forest Hill Blvd., Suite 9B**  
**Wellington, FL 33414**  
**Phone: (561) 234-0766**  
**Email: [compliance@nVerses.com](mailto:compliance@nVerses.com)**

This brochure provides information about the qualifications and business practices of nVerses Capital, LLC. If you have any questions about the contents of this brochure, please contact us by phone at (561) 234-0766 or via email at [compliance@nVerses.com](mailto:compliance@nVerses.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about nVerses Capital, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The Firm's CRD/IARD number is 323291.

**The date of this brochure supplement is March 31, 2023.**

**Any reference to nVerses Capital, LLC as a “registered investment adviser” or as being “registered” does not imply a certain level of skill or training.**

## Item 2 - Material Changes

This brochure for nVerses Capital, LLC (“nVerses,” the “Advisor,” the “firm,” “we” or “us”) is being filed as part of the Advisor’s initial registration application. As a result, there are no material changes to disclose.

Whenever you would like to receive a complete copy of our Firm Brochure and Brochure Supplement, please contact us by phone at (561) 234-0766 or via e-mail at [compliance@nverses.com](mailto:compliance@nverses.com).

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#### **Item 4 - Advisory Business**

nVerses Capital, LLC is a Delaware limited liability company that was formed on December 9, 2021. The Advisor is principally owned by Jung Bae Kim.

nVerses is registered as an investment adviser with the SEC under the Investment Advisers Act of 1940, as amended. The address of nVerses is 12783 West Forest Hill Blvd., Suite 9B, Wellington, FL 33414; telephone (561) 234-0766.

We will provide discretionary investment advice to separately managed accounts and private investment funds. We generally will invest and trade on behalf of our clients pursuant to a number of different trading strategies relating to equities, swaps, futures contracts, forward contracts and/or other derivatives that are traded on United States and foreign exchanges.

We generally will not permit investors in any private investment funds we manage, as applicable, to impose limitations on the investment activities described in the offering documents for those funds. Under certain circumstances, we may contract with a client to adhere to certain limited risk and/or operating guidelines imposed by the client. We negotiate client arrangements on a case-by-case basis. (See Item 16 “Investment Discretion.”)

We do not participate in wrap fee programs.

As of December 31, 2022, we managed \$196,000,000 on a discretionary basis.

#### **Item 5 - Fees and Compensation**

Our fees and compensation are described in the advisory contracts we enter into with our clients. Our fees and compensation may vary, but will typically consist of a percentage of assets under management and/or a percentage of net profits, which percentages may vary depending upon which of our investment portfolios the accounts participate in.

##### For Separate Accounts

Depending upon the strategy utilized for a client, we will typically charge an annual management fee of up to 2% of assets under management (payable monthly in arrears) and a quarterly or annual incentive fee of between 15% and 33% of net profits, subject to a high-water mark. The specific fee percentages to be applied will be negotiated with each client.

##### For Private Investment Funds

Our compensation will depend upon the private investment fund and/or the class of shares or interests subscribed for by an investor. We will typically charge an annual management fee of up to 2% of assets under management (payable monthly in arrears) and a quarterly performance fee/allocation of between 15% and 33% of net profits, subject to a high-water mark. Additional details of the fees and expenses of the private investment fund(s) will be described in the relevant fund’s offering memorandum.

The management fees for the separately managed accounts we manage are generally deducted monthly in arrears by the custodian of the accounts. Depending on the arrangement with the client and the custodian of the account, either we calculate the management fees due and provide the custodian with our calculation or the custodian calculates the management fees due, which we then

confirm. We generally receive performance-based fees or allocations from client accounts on a quarterly or annual basis in arrears and upon redemptions/withdrawals by investors.

Private investment funds to be managed by nVerses will generally bear expenses related, directly or indirectly, to their respective operations and affairs and their investing business and trading activities. These expenses may include some or all of the following: all brokerage commissions and custody charges; interest and commitment fees on loan and debit balances; research fees and materials; back office expense; costs of any outside appraisers; accountants; attorneys or other experts or consultants engaged by us in connection with specific transactions; bank charges; specialized software pertaining to the private investment funds' trading or operations; insurance costs (including director and officer insurance); legal fees and costs (including settlement costs) arising in connection with any litigation or regulatory investigation instituted against us in connection with the affairs of the private investment funds; withholding or transfer taxes; government charges and professional fees; and expenses incurred in connection with the preparation of the private investment funds' offering materials and operating agreement or memorandum and articles of association; as applicable, as well as their respective organizational documents; filing fees; costs of accounting; including the audit of the private investment funds' annual financial statements and the preparation of their tax returns; the fees and expenses of the private investment funds' legal counsel in connection with advice directly relating to their legal affairs; costs of preparing and mailing reports to investors; and other ordinary and out-of-pocket expenses of the private investment funds. Where any of the foregoing costs are incurred by or on behalf of more than one private investment fund, each private investment fund will bear only its proportionate share of such costs. (*See Item 12 "Brokerage Practices" below.*)

The funds will not bear expenses for the following: office rental; utilities; furniture; computer hardware for the business of nVerses (as opposed to hardware expenses that are related to trading); and employee compensation.

The expenses that are charged to separately managed accounts will be as agreed to on a case-by-case basis.

We may also allocate a portion of certain clients' capital to money market funds, exchange-traded funds or similar types of investments. In addition to the fees and expenses discussed above, investors will indirectly incur similar fees and expenses if we invest clients' capital in such money market funds or exchange-traded funds, as these funds in turn pay similar fees to their investment managers and other service providers.

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

We typically will receive quarterly or annual performance-based fees or incentive allocations from the separately managed accounts and private investment funds we manage, which are based on a percentage of the capital appreciation of client assets, subject to a high-water mark.

The terms of the performance-based fees and allocations may differ among the separately managed accounts and/or the various private investment funds we manage. This may result in a conflict of interest when we allocate opportunities among these accounts because we will have an incentive to favor accounts that have higher performance-based fees and allocations. To avoid such a conflict of interest, we generally follow documented policies and procedures in allocating opportunities among such accounts, which do not take into account the performance-based fees and allocations to which such accounts are subject (*see Item 12 "Brokerage Practices" - "Allocation of Investment Opportunities" below*).

The performance-based fees and allocations that we receive may also create an incentive for us to make investments that are riskier or more speculative than would be the case if we were paid only a fixed fee.

As the management fees and performance-based fees and allocations are based directly on the net asset value of the client accounts, we have a conflict of interest in valuing the assets held in the accounts. We will follow our documented valuation policies and consult with the third-party administrator to the accounts in order to mitigate this conflict of interest.

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

We primarily provide investment advice to clients (either through a separately managed account or a fund-vehicle) who are institutional investors, investment managers, private investment funds, high net worth individuals, pension and profit-sharing plans, trusts, estates, or charitable organizations, and other entities. Investors in private investment funds are generally high net worth individuals and institutional investors that qualify as “accredited investors” (as defined in Rule 501 under the Securities Act of 1933, as amended) and “qualified clients” (as defined under the Investment Advisers Act of 1940, as amended (the “Advisers Act”)). There is no minimum dollar requirement for establishing a separately managed account and we consider each prospective client on a case-by-case basis; however, we suggest that prospective clients refrain from opening a separately managed account unless they can commit a minimum of eighteen months to the investment and a minimum client account size of at least \$100 million, depending upon the strategy to be traded for the client. Generally, nVerses will impose a minimum investment of \$1 million to \$5 million for investors in the funds that we manage.

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

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

nVerses pursues a multi-strategy quantitative approach to investing, with the goal of generating attractive absolute and risk-adjusted returns regardless of the overall market environment for traditional investments. In implementing our strategies, our principals and researchers, many of whom hold advanced degrees in mathematics and/or science, seek to identify indicators with predictive value, using mathematical techniques. The indicators are primarily technical (e.g., price or volume) or fundamental (information relating to companies, industries, or markets) in nature. The research results are incorporated into proprietary models that analyze large amounts of real-time and historical data to generate buy or sell orders in equities, futures contracts, and derivatives thereon.

Our quantitative strategy is designed to systematically identify, and take advantage of, pricing anomalies and discrepancies in various related and unrelated securities and financial instruments traded on US and foreign markets. The orders generated by nVerses’s investment strategies are primarily executed through third party broker algorithms, though we also may trade some orders manually or utilize our proprietary trading algorithms. nVerses’s quantitative trading approach seeks to optimize performance by managing market impact and by responding to changing market conditions.

\* \* \*

In the future, other models, sub-programs, sub-portfolios and/or markets may be included in any one or multiple portfolio options in our discretion, and the portfolios may be leveraged in a manner

that reflects the addition of other models, sub-programs, sub-portfolios and/or markets. Allocation and leverage decisions are made by us, with the aid of certain research studies and other experience, in an effort to minimize risk and maximize profit opportunities.

Investing in securities and other financial instruments involves risk of loss that clients and investors should be prepared to bear. Risks of investing in our programs include, but are not limited to those described below.

**Certain Material Risks Associated with Methods of Analysis and Investment Strategies.**

The following is a list of certain material risks associated with nVerses's significant methods of analysis and investment strategies. Investors in private investment fund managed by nVerses should refer to the applicable fund's confidential private placement memorandum for a description of additional risks associated with an investment in such private investment fund. Additionally, investors should consult their own legal, financial, tax and other advisors prior to making any such investment.

**No Reliance on Prior Performance.** Prospective investors should not rely on the prior performance of any of our investment programs or any other accounts managed by us, our principals, or any entity with which they have been affiliated, as an indication of the future performance of any investment program. There can be no assurance we will achieve the investment objective of any investment program. PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.

**Investment and Trading Risks.** All investments risk the loss of capital. We believe that our trading programs will moderate this risk through a careful selection of securities and other financial instruments. No guarantee or representation is made that our trading programs will be successful or that investors will not incur losses. The firm's trading programs will utilize such investment techniques as the use of leverage and short sales, which practices can, in certain circumstances, increase the adverse impact to which the client's portfolio may be subject.

Generally, client accounts will be "hedged" against market fluctuations with risk model(s) that are adjusted for the risk tolerance levels appropriate for each client. However, these risk models contain estimated values that may not truly represent transient market conditions and therefore might not reduce losses in the account.

**Short Sales.** We may engage in short selling on behalf of accounts. A short sale involves the sale of a security that a client account does not own in the expectation of purchasing the same security (or a security exchangeable therefor) at a later date at a lower price. To make delivery to the buyer, such client account must borrow the security and will be obligated to return the security to the lender, which is accomplished by a later purchase of the security by such account. When a client account makes a short sale in the U.S., it must leave the proceeds thereof with the broker and it must also deposit with the broker an amount of cash or U.S. government or other securities sufficient under current margin regulations to collateralize its obligation to replace the borrowed securities that have been sold. If short sales are effected on a foreign exchange, such transactions will be governed by local law. A short sale involves the risk of a theoretically unlimited increase in the market price of the security that would result in a theoretically unlimited loss.

**Leverage.** We will use leverage in the course of our trading on behalf of accounts, using as collateral the securities that such accounts own from time to time. Consequently, the level of interest rates, generally, and the rates at which such accounts, in particular, are able to borrow, may strongly

affect performance results. As in the case of other leveraged investments, losses may result that exceed the amount of the capital or assets of such accounts.

*Markets May Be Illiquid.* It is not always possible to execute a buy or sell order at the desired price, or to close out an open position, due to market illiquidity. Illiquidity may be caused by intrinsic market conditions (lack of demand or overabundant supply) or it may be the result of extrinsic factors like the imposition of daily price fluctuation limits (that set a floor and ceiling on the price at which a trade may be executed) and circuit breakers (that halt trading in certain stock indices; for example, whenever the Dow Jones Industrial Average or the S&P 500 Average declines by a certain number of percentage points). In these cases, it is possible that an account could be required to maintain a losing position that it otherwise would execute and incur significant losses or be unable to establish a position and miss a profit opportunity. It is impossible to quantify the frequency or magnitude of these risks, however, especially because the conditions often occur unexpectedly.

*Trading Decisions Based on Quantitative Methods.* Our trading decisions will be generated systematically based on a myriad of diverse data sources, including, but not limited to technical, fundamental and macro.

The profitability of systematic investment approaches depends upon the ability to interact profitably with price moves of varying duration across multiple markets. No assurance can be given with respect to our proprietary trading methodologies to identify such price moves. The best trading method or strategy will not be profitable if there are no price moves of the kind the trading method or strategy seeks to identify and pursue. In the past, there have been periods without discernible price moves and, presumably, such periods will continue to occur from time to time in the future. Any factor which would lessen the prospect of such price moves occurring in the future (such as increased government control of, or participation in, the financial markets) may reduce the prospect that a particular trading method or strategy will be profitable in the future. Moreover, any factor which would make it more difficult to execute trades at desired prices in accordance with the signals of the trading method or strategy (such as a significant lessening of liquidity in a particular market) would also be detrimental to profitability.

The calculations that underlie our trading programs involve a number of variables that are determined in part by information generated by computer analysis. The use of a computer in collating information or in developing and operating a trading method does not assure the success of the method because a computer is merely an aid in compiling and organizing information. Accordingly, no assurance is given that the decisions based on our trading programs will produce profits for our investors.

*Computerized Trading and Order Routing Systems.* We generally execute trades on behalf of client accounts via computerized trading and order routing systems, which may significantly differ from traditional open outcry pit trading and manual order routing methods. Transactions executed via a computerized system are subject to the rules and regulations of the exchanges offering the system or listing the contract. Characteristics of computerized trading and order routing systems vary widely among the different electronic systems with respect to order matching procedures, opening and closing procedures and prices, error trade policies and trading limitations or requirements. There are also differences regarding qualifications for access and grounds for termination, as well as limitations on the types of orders that may be entered into the system. Each of these matters may present different risk factors with respect to trading via a particular system. Each system may also present risk factors related to system access, varying response times and security. In the case

of internet-based systems, there may be additional risk factors pertaining to service providers and the receipt and monitoring of electronic mail.

*Risks Associated with Electronic Trading.* The trading systems that we use in association with our trading programs are multi-functional electronic systems designed for order entry through computerized means. Numerous features have been designed into these systems to prevent system failures, including redundant broker communication lines, redundant data feeds and system/power redundancy. However, as with any electronic system, the potential exists for service to be interrupted due to a confluence of certain events. In such instances, depending upon the type of failure, it may not be possible to access a particular system to enter new orders and/or modify/cancel orders previously entered, and any such entry/modifications/cancellations would have to be effected manually (*i.e.*, by contacting the executing broker's trade desk). Positions may or may not be closed based upon our independent analysis of the severity of the outage, and trading may consequently cease until such time as we determine otherwise.

*Cybersecurity Risk.* Cybersecurity breaches may include, but are not necessarily limited to, unauthorized access to systems, networks, or devices; infection from computer viruses or other malicious software code; and attacks that shut down, disable, slow, or otherwise disrupt operations, business processes, or website access or functionality. A cybersecurity breach could result in the loss or theft of client data or funds, the inability to access electronic systems, loss or theft of proprietary information, physical damage to a computer or network system, or costs associated with system repairs. Such incidents could also cause nVerses or other service providers to incur regulatory penalties, additional compliance costs, or financial loss. nVerses maintains robust policies and procedures to reduce risks related to cybersecurity.

*Quantitative Strategies; Model Risk.* nVerses's research and modeling process is extremely complex. Some of our models are based on economic or investment hypotheses, but others are mainly driven by statistical and computational techniques that analyze and draw inferences from patterns in data. The complexity of the components of nVerses's strategies, and the interactions among such components, often makes it difficult or impossible to detect the source of any weakness or failure in such strategies before losses (including material losses) are incurred. Clients should not expect to be made aware of any weaknesses or errors discovered by nVerses (regardless of whether or not such weaknesses or errors are corrected by nVerses).

Even if all of the assumptions underlying the models used by nVerses are correct, prices will often not move as the models predict. The models used by nVerses use historical data to make future predictions about the securities and other instruments in their respective portfolios, and the actual performance of those securities and other instruments rarely matches the model's predictions. The risk of divergence between actual and predicted performance is greatest when nVerses launches models in markets where nVerses has not traded before or in markets that have undergone substantial market structure changes in the recent past. Even markets in which nVerses has traded for an extended period of time and that are relatively stable act in unpredictable ways. The models utilized by nVerses are not able to take into account all of the complexities of the financial markets, including events or circumstances that are not readily foreseeable, such as natural disasters, accounting fraud, litigation, or regulatory developments. In unforeseen or low-probability scenarios (e.g., the COVID-19 pandemic, the 2022 Russian invasion of Ukraine), and when deployed in markets where nVerses does not fully understand all of the trading nuances (e.g., markets where nVerses has not previously traded), predictive models are more likely to produce unexpected results. Investment decisions (including hedging decisions), made on information that the models fail to understand completely have in the past had, and are likely in the future to have, a (potentially material) adverse impact on the accounts managed by nVerses. As a result, nVerses's

models have in the past performed, and may in the future perform, substantially worse than expected, resulting in losses.

*Dependence on Technology; Cybersecurity.* nVerses’s investment processes, including research, production trading, risk management, and trade coordination and allocation, are highly automated and rely heavily on technology, including proprietary and third-party hardware and software. We believe that technology is critical to our success, and any failure on the part of nVerses to anticipate or respond adequately to industry best practices or applicable technological advancements (including by being slow to adopt new technologies or inadequately resourcing efforts to onboard new technologies) could have a material adverse effect on the accounts managed by nVerses.

nVerses is exposed to the risk of a security breach or cyber-intrusion that could lead to the theft of nVerses’s intellectual property. While nVerses devotes considerable care and resources to reduce the risk of theft by employees and unaffiliated parties, such a security breach or cyber-intrusion could occur which could cause serious harm to our investment performance.

*Coding Errors.* Software is prone to coding errors and, given the manner in which nVerses trades for our client portfolios, a single software coding error can result in the execution of a large number of unwanted and/or incorrect trades (potentially thousands or more) or, alternatively, the failure to place many wanted orders. The occurrence of coding errors is inevitable given nVerses’s complicated and highly technical trading processes, and coding errors are not considered “trade errors” under our firm’s policies (*see Item 12 – “Brokerage Practices” below*). Investors should understand that they are assuming the risks associated with all coding errors (even significant errors) by investing with nVerses. We do not expect to disclose discovered coding errors to investors (even if significant), and losses arising from coding errors (including significant errors) will be borne by the client and not reimbursed by nVerses.

Coding errors also have the potential to introduce additional security vulnerabilities (*see “Dependence on Technology” above*). While nVerses has change management procedures and tools (which include review and approval procedures), no procedures and tools guarantee perfect results. In addition, nVerses’s change management processes can be circumvented by malicious or negligent employees.

The decision to deploy new software involves trade-offs. The expected benefit of any timely change is weighed against the risks that the software contains errors which might be discovered with more exhaustive testing. Despite nVerses’ efforts to strike the optimal balance, from time to time, nVerses may inadvertently deploy new software too quickly or too slowly, negatively impacting one or more funds we manage. From time to time, nVerses also deploys new code with errors that could have been detected with more exhaustive or independent testing. In addition, if nVerses believes that the benefit of a pending change outweighs the risk of insufficient testing, nVerses will deploy the new code despite known weaknesses on a case-by-case basis. In such cases, it is possible that nVerses’ decision to deploy the change without addressing the known weakness will prove wrong in hindsight and a fund could be negatively impacted.

*Operational Errors.* Although nVerses has adopted procedures to manage operational risk, operational errors occur with some regularity. Errors made in the confirmation or settlement of transactions, management of data feeds, accrual of expenses, preparation or delivery of investor or regulatory reports, and similar issues, if substantial, are likely to cause nVerses or the accounts managed by nVerses to suffer financial loss, liability to third parties, regulatory sanctions, or reputational damage.

While nVerses's trading strategies primarily utilize quantitative models and automated processes, the activities and decisions of nVerses's personnel play a key role in nVerses's investment approach.

*Reliance on Data.* The models that are utilized by nVerses to trade and manage risk for clients' portfolios rely on historical and current market and other data provided by third parties. Any interruption in the flow or quality of data, which happens from time to time, disrupts our ability to effectively trade and manage the portfolios.

*Exercising Discretion in Non-Model Driven Trading Decisions.* nVerses may execute trades (or restricts trading) on behalf of clients for reasons not directly related to its quantitative investment models. For example, we exercise such discretion, among other reasons, when we believe that markets or assets are reacting to events that are not well understood by our investment models, when there are issues with trading certain instruments, and when we believe it is appropriate to hedge certain exposures. Such exercises of discretion are subjective decisions made by individuals that have in the past proved and will in the future prove to be inappropriate, which could result in losses.

*Open-Source Software.* nVerses uses software and development tools governed, directly or indirectly, by open-source licenses and at times incorporates such software or tools into its proprietary systems. Given the nature of open-source licenses, third parties may assert intellectual property claims against nVerses in connection with such open-source licenses. If any of these claims were to materialize, nVerses may be forced to: (i) re-engineer its proprietary systems and/or software; (ii) release certain proprietary software code; or (iii) make its proprietary software available under the terms of any open-source license – any of which could materially and adversely affect nVerses's operations and, as a result, negatively impact the performance of the portfolios it manages.

*Regulatory Focus on Algorithmic Trading.* Algorithmic trading is the subject of ongoing regulatory attention. In the past, the Securities and Exchange Commission ("SEC"), the Commodity Futures Trading Commission ("CFTC"), and the European Securities and Markets Authority ("ESMA"), among other regulators and exchanges, have undertaken efforts to review the impact of algorithmic trading on the functioning of markets and to suggest systems and controls for trading participants. While the impact of such regulatory focus on algorithmic trading in general is not entirely clear, new regulations, if adopted, will require nVerses to implement additional technology and controls, and these new rules will consume limited internal resources, thereby impeding our ability to pursue other initiatives, including improvements to our strategies.

The certain risk factors discussed above are not intended to be an exhaustive listing of all potential risks associated with an investment utilizing nVerses's methods of analysis and/or investment strategies. Investors in funds advised or sub-advised by nVerses should also review all additional risk factors discussed in the relevant fund's offering documents.

## **Item 9 - Disciplinary Information**

*Not applicable.*

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

nVerses does not have any other financial industry affiliates or registration.

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

### **Code of Ethics Generally**

We have adopted a Code of Ethics (the “Code of Ethics”) which provides that we are committed to conducting our business in accordance with all applicable laws and regulations and in an ethical and professional manner. In addition, we recognize that we have a fiduciary duty to the investors in the private investment funds and other accounts we manage, and that all of our employees must conduct their business on our behalf in a manner that enables us to fulfill this fiduciary duty. In this regard, we have developed policies and procedures in our Code of Ethics that are premised on fundamental principles of openness, integrity, professionalism, honesty and trust. In addition, among other things, our Code of Ethics governs all personal investment transactions by our employees, our policies with respect to gifts and entertainment, compliance with applicable federal securities laws, and the manner in which violations of our Code of Ethics are to be reported. We will provide a copy of our Code of Ethics to any client or prospective client upon request.

### **Participation or Interest in Client Transactions and Transactions between Client Accounts**

In the event that in the future we effect a cross trade between an account in which we or our controlling persons own more than twenty five percent (25%) and another client account, such transaction may be deemed to be a principal transaction under the Advisers Act. Such transactions may create a conflict of interest for us because we may put our or our control persons’ interests in such accounts before the interests of our clients in the other account. In order to mitigate this conflict of interest, we monitor the interests of our principals, their immediate family members and their affiliates in our client accounts, and our portfolio managers may not cause any client account to (i) purchase portfolio securities or other investment interests from or sell portfolio securities or other investment interests to our account, any of our affiliates’ accounts or any other client; or (ii) purchase securities or other investment interests issued by another client, in each case without the prior authorization of our Chief Compliance Officer. Our Chief Compliance Officer will not authorize us to effect any cross trades between accounts if we believe that such trade would result in a principal transaction without disclosing to the owners of such accounts in writing before the completion of such transaction the capacity in which we (or such affiliate) acted and obtaining the consent of the owners of such accounts to the transaction.

Our Code of Ethics includes policies on personal securities trading by nVerses personnel. Personal trading by our employees is limited to certain investments specified therein.

## **Item 12 - Brokerage Practices**

### **Selection of Brokers**

Brokerage transactions are executed by brokers and dealers generally selected on the basis of obtaining the best overall terms available based on a variety of factors, including: the ability to achieve prompt and reliable executions at favorable prices; the operational efficiency with which transactions are effected; the financial strength, integrity and stability of the broker; the quality and comprehensiveness of related services considered to be of value; and the competitiveness of commission rates in comparison with other brokers satisfying other selection criteria. Subject to seeking the best execution, we may also consider referrals of potential investors as a factor in the selection of brokers. We may pay a broker a commission in excess of that which another broker might have charged for effecting the same transaction in recognition of the value of the brokerage

and other services provided by the broker. Accordingly, if we determine in good faith that the amount of commissions charged by a broker is reasonable in relation to the value of the brokerage and other products or services provided by such broker, clients may pay commissions to such broker in an amount greater than the amount another broker might charge.

We do not have any formal soft dollar arrangements with our brokers. However, our prime broker(s), clearing broker(s) and executing broker(s) may provide us with front and back office services, including trading, securities lending, clearing, reporting, and settlement for equities, fixed income, and options, among others. Subject to applicable law, our brokers may also provide us with capital introduction services.

We execute transactions on behalf of client accounts with brokers that provide us with access to proprietary research reports (such as standard investment research and credit reports). To our knowledge, these services are generally made available to all institutional investors doing business with such brokers. These bundled services are made available to us on an unsolicited basis and without regard to the rates of commissions charged or paid by client accounts or the volume of business that we direct to such brokers.

We may have a conflict of interest in selecting brokers for transactions in client accounts because we may have an incentive to select brokers based on the research and other services they provide. This conflict is mitigated by the fact that we generally do not use the research provided by brokers in formulating our investment advice and therefore do not consider the provision of such items when selecting brokers for our clients.

#### **Directed Brokerage**

Separately managed account clients are free to use the Prime Broker (“PB”) or Executing Broker (“EB”) of their choice. We reserve the right to approve any PB or EB requested by a client. Our approval will take into consideration such factors as execution capability, costs, services provided, financial resources and industry reputation, among others.

We may direct trades to any executing broker we choose for execution with instructions to “give-up” to a client’s PB and/or EB. The PB and/or EB will then pay the brokerage and additional fees to the executing broker from the client’s account. In addition, clients will be required to sign documentation which specifically authorizes us to execute orders utilizing a give-up procedure and to enter into give-up agreements with the executing and clearing brokers involved, and may authorize us to act on behalf of the client in negotiating and/or executing those agreements.

#### **Allocation of Investment Opportunities**

It is our policy to objectively allocate trade executions that afford each client account the same likelihood of receiving favorable or unfavorable executions over time.

We will act in a fair and reasonable manner in allocating suitable investment and trading opportunities among our client accounts. We will determine whether a particular opportunity meets the overall investment objectives of a particular client under the circumstances (which may include liquidity, the size/amount of the available opportunity, the risks involved or other factors relating to such investment) and we are not required to make all investment opportunities available to each client. In order to fulfill our fiduciary duties to our clients, we will not arbitrarily distinguish among clients and proprietary accounts and will not internally give promising positions to underperforming client accounts to boost performance or vice versa. The foregoing policy does

not require that each client opportunity be introduced to all client accounts, leaving significant discretion to us to make good faith determinations with respect to the allocation of trades.

In allocating investment opportunities on behalf of our clients, we owe our clients the highest duty of loyalty. We will act primarily for the benefit of our clients and will seek to treat all clients fairly and equitably over time. We will endeavor to ensure that:

- Each client account is treated fairly as to the securities purchased or sold for its account;
- Each client account is treated fairly with respect to priority of execution of orders;
- Each client account is treated fairly in the allocation of investment opportunities;
- Bunched trades are allocated on a timely basis (under normal conditions, orders shall be allocated to clients by no later than the end of each day, in accordance with either exchange average pricing methodologies and/or our proprietary allocation methodology);
- Appropriate execution records are maintained; and
- Accurate records of client trades and positions are maintained.

*Pro rata* allocations among all participating client accounts are not required, but in all cases in which a non-*pro rata* allocation is made, we will demonstrate the general criteria on which such allocation was made. The general criteria may include (but are not limited to):

- Whether a client already has sufficient exposure to the securities, issuer, sector, industry or markets in question;
- The different liquidity positions and requirements of the participating client accounts;
- Tax considerations;
- Regulatory considerations;
- The relative capitalization and cash availability of the participating client accounts;
- The relative risk profiles of the participating client accounts;
- Differing investment strategies and objectives;
- Portfolio concentration considerations;
- Formal diversification requirements imposed by the respective client account's constituent documents;
- The right and ability of a particular client to borrow, either with respect to the particular investment opportunity under consideration or its portfolio in general;
- Different historical and anticipated subscription, commitment, contribution and redemption patterns;

- Minimum investment criteria;
- Fund ramp up and ramp down periods;
- Investment time horizons; and/or
- The ability of a particular client account to employ leverage, hedging, derivatives or other similar strategies in connection with acquiring, holding or disposing of the particular investment opportunity.

Notwithstanding the foregoing, we recognize that in certain circumstances strict compliance with these procedures may not be feasible and that unusual or extraordinary conditions may on occasion warrant deviation from the standard practices and procedures set forth in our trade allocation policy. In such circumstances, the Managing Member, the principals and the Chief Compliance Officer (or at least any two of the five, when all are not available) shall determine the appropriate action which, in their reasonable judgment, will serve the best interests of, and will be fair and equitable to, all client accounts involved.

#### **Trade Error Policy**

Subject to applicable law, nVerses will reimburse the applicable client account(s) for net losses that occur as a result of trade errors to the extent that the firm has beached the standard of care set forth in the investment management agreement with a respective client. Coding errors are not deemed to be “trade errors” (see *Item 8 “Methods of Analysis, Investment Strategies and Risk of Loss”*)

#### **Aggregation of Orders**

We will generally aggregate client trades, subject to best execution. Aggregation, or “bunching,” describes a procedure whereby an investment adviser combines the orders of two or more clients into a single order for the purpose of obtaining better prices and lower execution costs. Aggregation opportunities generally arise when more than one client is capable of purchasing or selling a particular instrument based on investment objectives, available cash and other factors. In such event, instruments purchased or sold will generally be allocated among client accounts on an average price basis. When an aggregated order is only partially filled, we will allocate the investment opportunity as described in *Item 12 – “Brokerage Practices” - “Allocation of Investment Opportunities.”*

We may also aggregate subsequent orders for the same instrument entered during the same day with any previously filled orders. This determination may take into consideration changes in the market price of the instrument and differences in allocations among accounts.

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

Client portfolios are periodically reviewed by the Managing Member and the principals. They review client portfolios within the context of prevailing/historical market conditions, current positioning, new entry/exit signals, timing and method of execution, liquidity constraints, volatility/risk parameters, margin requirements, and counterparty risks, as well as a host of other considerations that may prove to be relevant from time to time.

Client portfolios are also reviewed daily by members of our trading and operations teams to ensure consistency of exposure and to monitor compliance with the applicable trading mandate and any

applicable risk and/or operating guidelines. Client portfolios are evaluated pursuant to a variety of internal risk reports, which summarize daily and month-to-date performance, position-level exposures, margin to equity, and trading commissions, as well as a host of other custom reports that may prove to be relevant from time to time.

We may, in our discretion, furnish investors in the private investment funds we manage with periodic written unaudited performance reports on a monthly basis. On an annual basis, investors receive a copy of the relevant fund's annual audited financial statements and, where applicable, a statement of taxable income (Schedule K-1).

We may provide certain investors access to more frequent and/or more detailed information regarding the private investment funds' securities positions, performance, finances, and management and/or other information about the private investment funds or us (including, notification of the commencement of certain disciplinary actions, legal proceedings, investigations or similar matters against a fund, us and/or our personnel, or of redemptions from a fund by us and/or our personnel), possibly enabling such investors to better assess the prospects and performance of the funds.

We provide the owners of the separately managed accounts we manage with periodic unaudited reports at such times as the relevant parties may agree. The custodians of such accounts send account statements to the owners of such accounts no less frequently than monthly. In addition, since a managed account investor directly owns the positions in its separately managed account, such investor may have full, real-time transparency as to all transactions and holdings in such account, and may be better able to assess the future prospects of a portfolio that is substantially similar to the portfolios of the private investment funds managed by us. The investors in such separately managed accounts may have the right to withdraw all or a portion of their capital from such managed accounts on shorter notice and/or with more frequency than the terms applicable to an investment in the private investment funds we manage.

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

We may obtain certain research and brokerage products and services in return for directing client securities transactions to the broker (*see Item 12 "Brokerage Practices" - "Selection of Brokers"*).

#### **Item 15 - Custody**

As noted in Item 13, owners of the separately managed accounts we manage will receive account statements no less frequently than monthly from the custodians of such accounts. Clients should carefully review these statements that are received from the custodians of such accounts.

#### **Item 16 - Investment Discretion**

Generally, we have authority to buy and sell securities for our clients without specific ongoing client supervision. However, we may be subject to client-imposed limits on the kind or amount of securities to buy or sell. Investors in any private investment funds managed by us generally may not place any limits on our authority beyond the limitations set forth in the offering and governing documents of such private investment funds. On a case-by-case basis, owners of the separately managed accounts we manage may negotiate certain risk and/or operating guidelines that we will adhere to when exercising our discretionary authority over such accounts.

## **Item 17 - Voting Client Securities**

Due to their quantitative nature – in particular their generally market-neutral and highly diversified portfolios – nVerses’s investment strategies generally will not hold significant voting power with respect to any particular issuer. In addition, given the relatively high turnover of its strategies, it is unlikely that securities held on a particular record date would be held by a client account on the date of the vote or when the effect of the matter voted upon was realized, which significantly reduces the relevance of the proxies that nVerses might vote on behalf of a client. The costs and expenses of proxy voting can be significant. For these reasons, nVerses has determined that the costs associated with voting proxies outweigh the potential benefit, if any, that would accrue to its client. Therefore, it is our general policy not to vote proxies on behalf of the clients.

From time to time, class action lawsuits, or other analogous lawsuits (in jurisdictions outside of the United States) are initiated against issuers of securities traded or held by clients. For many of the same reasons that nVerses does not ordinarily vote proxies on behalf of the clients, nVerses has determined that the costs associated with participating in such lawsuits outweigh the potential benefit, if any, that would accrue to the clients from such participation. Therefore, it is nVerses’s policy not to participate in class action litigations or settlements on behalf of the clients.

Notwithstanding the foregoing, nVerses may vote proxies or participate in class action lawsuits upon agreement with a particular client and/or upon the approval of the Managing Member.

In certain situations, a client or its fiduciary may provide us with a statement of proxy voting policy or guidelines they can agree to follow. In such situations, we shall seek to comply with such policy or guidelines to the extent that it would not be inconsistent with applicable regulations or our fiduciary responsibilities. In such cases we would likely use a reputable proxy voting service.

## **Item 18 - Financial Information**

A balance sheet is not required to be provided because nVerses does not require prepayment of fees of more than \$1,200 per client, six months or more in advance.