

GOBI CAPITAL LLC

**909 Montgomery Street, Suite
400 San Francisco, CA 94133**

Telephone: (415) 288-7288

FORM ADV PART 2A

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This brochure provides information about the qualifications and business practices of Gobi Capital LLC. If you have any questions about the contents of this brochure, please contact us at (415) 288-7288. 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 Gobi Capital LLC also is available on the SEC's website at www.adviserinfo.sec.gov.

Gobi Capital, LLC is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training.

Item 2. Material Changes

This Item of the Brochure will discuss only specific material changes that are made to the Brochure since the last update and provide clients with a summary of such changes. The last annual update of our Brochure was on March 22, 2022. There have been no material changes to this Brochure since the date of its last annual update. This version contains changes related to updates in assets under management under Item 4.

(Brochure Date: March 28, 2023)

If you are interested in receiving the most current copy of our Brochure, please contact Steven Chen, Chief Compliance Officer, at (415) 288-7288 or steven.chen@gobicap.com.

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Item 4. Advisory Business

Structure; History and Ownership

Gobi Capital LLC is an investment advisory firm with its principal place of business in San Francisco, California. Gobi Capital LLC will also be referred to in this brochure as “Gobi Capital,” “we” or “the firm.”

Gobi Capital is organized as a Delaware limited liability company that was established in 2010.

Types of Advisory Services

We provide investment advisory services to seven private investment funds (referred to in this brochure as the “funds”) and a separately managed account (collectively with the funds referred to in this brochure as the “clients”) as general partner and/or investment adviser. Bo Shan is the portfolio manager with respect to the client portfolios.

Our investment objective is to generate attractive long-term risk-adjusted returns, by investing primarily on a long basis and short basis in a select number of publicly-traded equity securities and other investments that we identify as mispriced by the marketplace relative to their intrinsic values. Our primary investment methodology is value-oriented, employing extensive fundamental research and analysis to identify investments that are materially undervalued (or, in the case of short positions, overvalued) by the marketplace.

In addition to our core investment strategies, we may employ other investment strategies on behalf of the clients as we deem appropriate and may invest in and trade a variety of securities and instruments, including for hedging and other purposes. Except as otherwise agreed upon, we may cause the clients to employ leverage as we deem appropriate.

The funds to which we currently provide investment advisory services are as follows:

- Gobi Investment Partners LP, a Delaware limited partnership (the “Flagship onshore feeder fund”);
- Gobi Investment Fund Ltd., a Cayman Islands exempted company (the “Flagship offshore feeder fund”); and
- Gobi Master Fund Ltd. a Cayman Islands exempted company (the “Flagship master fund”).
- Gobi Concentrated Partners LP, a Delaware limited partnership (the “Concentrated onshore feeder fund,” and together with the Flagship onshore feeder fund, the “onshore feeder funds”);
- Gobi Concentrated Fund Ltd, a British Virgin Islands exempted company (the “Concentrated offshore feeder fund,” together with the Flagship offshore feeder fund, the “offshore feeder funds,” and together with the onshore feeder funds and the Flagship offshore feeder fund, the “feeder funds”);
- Gobi Concentrated Master Fund Ltd., a British Virgin Islands exempted company (the “Concentrated master fund,” together with the Flagship master fund, the “master funds”); and
- Druid Investment Partners LP, a Delaware limited partnership (the “Druid fund”).

The Flagship onshore feeder fund and the Flagship offshore feeder fund invest substantially all of their available capital in the Flagship master fund. The Concentrated onshore feeder fund and the Concentrated offshore feeder fund invest substantially all of their available capital in the Concentrated master fund. As a consequence of the master-feeder investment structures, the feeder funds will implement their investment strategy indirectly, through their respective master funds. The master funds will have the same investment objective and employ the same investment strategy as their respective feeder funds. The Druid fund is a standalone private investment fund that employs substantially the same investment strategy as the Flagship master fund.

The funds do not offer their interests to the public. Fund interests are offered only in private placements to qualified investors. Interests in the Concentrated onshore feeder fund are offered to U.S. investors that are “accredited investors,” within the meaning of SEC Regulation D promulgated under the U.S. Securities Act of 1933, as amended (the “Securities Act”); and “qualified clients,” within the meaning of SEC Rule 205-3 promulgated under the Advisers Act. Shares of the offshore feeder funds generally are only offered to U.S. tax-exempt investors who meet the investor suitability criteria for U.S. investors and non-U.S. investors. Interests in the Druid fund and the Flagship onshore feeder fund are offered to U.S. investors that are “accredited investors,” within the meaning of SEC Regulation D promulgated under the Securities Act; and “qualified purchasers,” within the meaning of Section 2(a)(51) of the Investment Company Act of 1940, as amended. The terms applicable to investors in the funds are detailed in the funds’ organizational documents and described in each fund’s offering memorandum or explanatory memorandum.

The investment strategies we employ on behalf of the clients are described in greater detail below at Item 8 and in the offering documents of the funds or the investment management agreement of the separately managed account. We do not tailor the funds’ strategies to the needs of individual fund investors.

Assets Under Management

As of December 31, 2022, we managed \$1,689,526,916 of client assets on a discretionary basis.

Item 5. Fees and Compensation

Compensation

We are generally entitled to two types of fees and other compensation from the funds: (i) an asset-based management fee, which is payable by the feeder funds and the Druid fund; and (ii) an incentive allocation based upon fund performance. Our incentive compensation from the feeder funds takes the form of an allocation from the investor’s underlying interest in the applicable master fund to the firm or an affiliate of the firm. Our incentive compensation from the Druid fund takes the form of a partnership allocation from the limited partners to the firm or an affiliate of the firm.

The management fee is typically a weighted average annual rate determined by applying: (a) a rate of 1.5% *per annum* with respect to the first \$100 million or portion thereof of the Firm AUM (as defined herein); (b) a rate of 1.25% *per annum* with respect to the next \$100 million or portion thereof of the Firm AUM; and (c) a rate of 1.00% *per annum* with respect to all incremental amounts in excess of \$200 million of the Firm AUM. As used herein “Firm AUM” means aggregate assets under management of the clients, calculated on a “net” basis.

The incentive allocation of a master fund is typically 20% of the net profits of an investor’s underlying interest in the applicable master fund (“master fund share”) for the relevant period. The incentive

allocation is typically determined and allocated on an annual basis, but may be determined and allocated for shorter periods under certain circumstances (such as with respect to amounts withdrawn/redeemed from a fund). The incentive allocation is subject to a loss carry forward or high water mark provision that generally requires that any losses suffered by a master fund share (adjusted to reflect withdrawals/redemptions) be offset by subsequent net profits before we are entitled to subsequent incentive allocations. In addition, we are only entitled to receive an incentive allocation from an investor of a feeder fund if the net profits of the master fund share attributable to such investor exceed a “hurdle amount” equal to the net asset value of such master fund share as of the beginning of the calendar year multiplied by the MSCI Index (Bloomberg Ticker Symbol MXWO) rate of return for the calendar year (or partial calendar year, if applicable).

Detailed information regarding fees and other compensation is included in the Druid fund’s offering memorandum. Because Druid fund investors who receive this brochure must be “qualified purchasers” as defined in section 2(a)(51) of the Investment Company Act of 1940, a complete description of the Druid fund’s compensation arrangements is not required to be included in this brochure.

Fees paid for services provided to separately managed accounts are determined on a client-by-client basis and may, but are not required to, be substantially similar to those paid by funds. Separately managed accounts will typically pay the firm’s management and performance fees in consideration of the services to be provided by the firm. These fees are subject to negotiation and are outlined in the relevant investment management agreement.

The details of how the compensation is calculated for the clients can be found in their respective offering documents or investment management agreements, which are provided to potential investors.

The compensation described above is our typical compensation rates. However, management fee and incentive allocation rates may be negotiable. We have the right to enter into agreements with one or more fund investors to waive or modify certain terms of the offering of a fund’s interests, or certain rights and obligations of fund investors, including compensation, otherwise applicable to such interest(s), in each case without notice to the funds’ other investors.

The compensation payable by the funds is deducted from the assets of the funds and paid to us or, in the case of incentive allocations, are reallocated from the capital accounts of investors and into our capital account or to the account of a designated affiliate, in accordance with the procedures described in Item 15. Separately managed accounts are typically invoiced for any fees.

As noted above, management fees payable by the funds are payable quarterly in advance. In the event that a fund investor was permitted to make a subscription to the fund other than at the beginning of a month or a withdrawal/redemption other than at the end of a month, the investor would be subject to a *pro rated* management fee with respect to the relevant assets based upon the portion of the month for which the assets were invested.

Expenses

Each fund pays, or reimburses us or the funds’ administrator for, all operating expenses and other costs of the fund that we are not required to bear including, but not limited to:

- all trading expenses and transaction costs, including, but not limited to, fees and expenses of securities and commodities brokers, dealers or merchants, brokerage commissions and expenses relating to short sales, clearing and settlement charges, interest on loans and debit balances, margin interest, broker service fees and other clearing and custodial expenses;
- all custodial fees, bank service fees, fees or expenses associated with insuring the funds’ assets;

- the management fees;
- all applicable federal, state and foreign taxes payable by the funds; and
- any extraordinary expenses, such as indemnification and litigation expenses.

Notwithstanding the foregoing, we may elect to bear some or all of the above expenses of the funds. Other than the Druid fund, we bore the organizational expenses of the funds.

Expenses associated with separately managed accounts are as set forth in the relevant investment management agreement.

As we consider appropriate, we may invest a portion of a client's assets in one or more money market funds, mutual funds or exchange-traded funds. When any such investments are made, the client will be paying, in addition to the compensation payable to us, the client's proportionate share of any management fees charged by the manager of such money market fund, mutual fund or exchange-traded fund.

A description of the brokerage and other transaction costs that will be borne by the clients are described in more detail in Item 12 (Brokerage Practices) in this brochure.

Item 6. Performance-Based Fees and Side-by-Side Management

As described in Item 5 above, we receive part of our compensation from the clients in the form of performance-based allocations.

Item 7. Types of Clients

We generally provide investment advice to private investment funds and separately managed accounts. The types of investors in the funds we advise include the following: pension and profit sharing plans; trusts, estates and charitable organizations, institutional investors, funds of hedge funds (whether organized as partnerships, corporations or other entity types), high net worth individuals and family offices.

The funds each have a minimum initial investment amount of \$1,000,000. Additional investments to any of the funds must be in increments of \$100,000. Subject to applicable statutory minimums, such minimum investment amounts are negotiable.

Item 8. Methods of Analysis, Investment Strategies and Risk of Loss

Methods of Analysis and Investment Strategies

Investment Strategies

Our investment objective for the clients is to generate attractive long-term risk-adjusted returns, by investing primarily on a long basis and short basis in a select number of publicly-traded equity securities and other investments identified by us as mispriced by the marketplace relative to their intrinsic values. Any or all of the investments, investment strategies and activities described below may be pursued by each

client directly, including by each feeder or master fund, or by affiliated or third-party investment advisers, if any, engaged by us to manage client capital.

Our primary investment methodology is value-oriented, employing extensive fundamental research and analysis to identify investments that are materially undervalued (or, in the case of short positions, overvalued) by the marketplace. The research and analysis we perform with respect to a prospective investment may involve, without limitation, one or more of the following: review of the business model; analysis of financial statements; analysis of the dynamics of the company's industry; and evaluation of the management team. We will ordinarily review publicly available regulatory filings and other publicly available information regarding candidate companies.

Our investment methodology is flexible and opportunistic. As such, there will be no limitation on portfolio companies' market capitalizations, industries or sectors, or countries of organization or domicile. Further, while the clients are expected to invest a majority of their assets in equity securities that are publicly traded, the clients may also invest and trade in any other securities, derivatives or investments. Hedging techniques (such as, without limitation, options) may be employed from time to time to varying degrees to reduce certain market, economic and/or investment-specific risks.

The clients' net market exposure may vary significantly depending on our assessment of shifting economic and market conditions as well as particular long and short investing opportunities; consequently, the clients have neither a long nor short bias. If we believe that investment opportunities are limited or we otherwise deem it appropriate, a portion (which may be substantial) of the clients' assets may be held in cash or cash equivalents (such as U.S. Treasury and agency securities, commercial paper, bankers' acceptances, certificates of deposit and short-term money-market obligations).

In a typical market, the master funds' investment portfolio is expected to consist primarily of a combination of long and short positions in a limited number of companies. We expect that the Flagship master fund and the Druid fund will each ordinarily hold between 15 and 25 long positions and that the Concentrated master fund will ordinarily hold 10 long positions, subject in each case to variation at the discretion of the firm. The number of short positions is likely to vary.

We may cause the master funds to employ leverage (through traditional margin or loan arrangements, or through derivatives or other synthetic methods) on a selective basis for investment or liquidity purposes. The Druid fund will not employ leverage but may enter into traditional margin or loan arrangements, or utilize derivatives or other synthetic methods.

In addition to our core investment strategies, we may employ other investment strategies on behalf of the clients as we deem appropriate.

Our investment strategies inherently involve certain significant risks. There can be no assurance that our investment objective will be realized or that any account will be profitable in the future. See the section titled "*Risks Associated with Our Investment Strategies*" below.

Investments

Common Stock. It is anticipated that a major portion of the clients' capital will be invested in publicly-traded common stocks of a limited number of U.S. companies.

As a general principle, the firm intends to select common stocks for investment on the basis of its investment methodology, and without any fixed requirements as to capitalization, revenues, earnings or other specific fundamentals. Accordingly, the clients could have positions in issuers of various capitalizations, in positions of limited liquidity or varying degrees of speculative quality. It is possible that certain of the clients' portfolio securities may not be widely traded and that the clients' positions in such securities may be substantial in relation to the public market ("float") for such securities.

Other Securities and Instruments. Although the clients will invest primarily in common stock, the clients may also invest in and trade a variety of securities, instruments and other investments, whether traded on exchanges, over-the-counter or negotiated or electronic markets. As a result, the clients' investments, in the discretion of the firm, may also include:

- preferred stock;
- fixed income securities;
- convertible and hybrid stocks and debt securities, including high-yield securities;
- warrants and options (including "market-basket options"), structured and other synthetic securities and related derivative instruments, such as swaps (including, but not limited to, credit default swaps and total return swaps), forwards, options, futures, caps and floors;
- other derivatives, including those relating to equity securities, equity indices, exchange-traded funds ("ETFs"), interest rate products;
- corporate and government securities, money market instruments, foreign currencies and interests in currencies, such as options, spot, swap and forward contracts;
- certificates of deposit, banker's acceptances, trust receipts and trade and commercial obligations, loans, bridge loans, advances, loan participations and creditor claims, whether secured or unsecured, performing or nonperforming, and irrespective of ranking;
- any other instruments or other evidences of indebtedness, and any other securities, instruments, derivatives and investments deemed appropriate by the firm; and
- the securities of foreign issuers, including both those traded overseas as well as those traded in the United States (such as American Depository Receipts).

The clients may also make the investments listed above through third-party investment advisers and so-called "funds of funds."

Long and Short Positions. In a typical market, the clients' investment portfolio is expected to consist primarily of a combination of long and short positions in a limited number of companies. The firm expects that the Flagship master fund and the Druid fund will each ordinarily hold between 15 and 25 long positions and that the Concentrated master fund will ordinarily hold 10 long positions, subject in each case to variation in the discretion of the firm. The number of short positions is likely to vary.

At any particular time, the clients' portfolio may be "net long" (i.e., the value of long positions, at cost, will be greater than the net exposure on short positions) or "net short" (i.e., the exposure on short positions will be greater than the value of long positions, at cost). However, the firm expects that the portfolio will be "net long" a majority of the time. The amount invested long and short at any particular time will depend upon a variety of factors, including relative attractiveness of long and short positions, exposure considerations, overall market direction and risk considerations.

Concentration. The firm is of the belief that while diversification may reduce investment risk, it may also dilute investment return. Accordingly, there are no fixed limitations as to the amount of client assets which may be invested in a single industry or company. The Flagship master fund's and the Druid fund's investment portfolios may therefore be expected at times to be significantly concentrated and the Concentrated master fund's investment portfolio will be significantly concentrated at all times, in all cases both as to industries and possibly with respect to particular companies as well. In the view of the firm, such concentration offers a greater potential for capital appreciation as well as increased risk of loss. Such concentration may also be expected to increase the volatility of the clients' investment portfolio.

Holding Periods. In view of the clients' investment strategies, the typical holding periods for the clients' positions may vary substantially, with anticipated holding periods for core positions ranging from several months to possibly as long as five years or more. In instances where investment criteria are not being met, positions (including core positions) may be liquidated earlier than originally anticipated. The clients' portfolio turnover will reflect the foregoing and may result in transaction costs which could be significant.

Restricted Securities. The funds may invest in so-called "restricted securities," i.e., securities as to which the public resale is currently restricted under the Securities Act, and which are not immediately convertible into freely tradable securities. The funds may purchase restricted securities where pricing and growth characteristics justify the limited liquidity and which provide the means of achieving eventual marketability, such as registration rights under the Securities Act or the right to convert into marketable securities.

Initial Public Offerings. A portion of the clients' portfolio may include stocks purchased in initial public offerings ("IPOs"), in situations when such companies satisfy the firm's investment methodology. Equity securities issued in an IPO (so-called "new issues") are subject to certain investment restrictions imposed by the Financial Industry Regulatory Authority ("FINRA"). Investors which are "restricted persons," within the meaning of FINRA Rule 5130, will be limited to an aggregate 10% participation in profits and losses resulting from the funds' investment in any new issues. In the event that beneficial interest in a fund by executive officers and directors of a public company or a covered non-public company under FINRA Rule 5131, and persons materially supported by such executive officers and directors, exceeds 25% of the fund, such persons would generally be excluded from allocations of items of cost, expense, profit, gain, income or loss with respect to new issues to the extent deemed necessary by us for the fund to be permitted to participate in new issues.

Foreign Issuers. The clients may invest in the securities of foreign issuers, including both those traded overseas as well as those traded in the United States. Trading in securities of foreign issuers often involves additional risks (such as those associated with unfavorable changes in exchange rates).

Cash Positions. As a defensive strategy, or pending the identification of companies meeting the firm's methodology, the clients may hold or invest in cash, U.S. government securities, commercial obligations, bankers' acceptances, certificates of deposit, money-market instruments and other cash equivalents. Such holdings may be significant at certain times. Accordingly, the clients may not be fully invested at all times.

Other Investments. The firm will be authorized to invest in all types of investments in furtherance of the clients' investment strategies, including, but not limited to, those described above. Accordingly, such possible investments to be utilized by the clients will not necessarily be limited to those described herein.

Investment Techniques

We are authorized to employ a broad variety of specified investment techniques in furtherance of our investment strategies.

Short Selling. Short selling will be employed where the firm believes the security sold short is likely to decline in price, and may also be employed in hedging situations, where the position is intended to wholly or partially offset another position in a related security. Selling securities short involves selling securities that the funds do not own. In order to make delivery to its purchaser, the funds must borrow securities from a third-party lender. The funds subsequently return the borrowed securities to the lender by delivering to the lender securities purchased in the open market. The funds must generally pledge cash with the lender equal to the sales proceeds of the borrowed securities as well as any additional cash or securities required as collateral under applicable margin regulations. In addition to lending the securities, the lender generally pays the funds a fee (or rebate of interest) for the use of the funds' cash. The funds will generally realize a profit (or a loss) as a result of a short sale if the price of the security decreases (or

increases) between the date of the short sale and the date on which the funds cover a short position, i.e., purchases the security to replace the borrowed security, at a cost less than (or greater than) its cost of establishing and maintaining its short position.

Hedging. Where the firm believes that it is both prudent and cost-effective to do so, the firm may seek to hedge certain market and macroeconomic risks on a portfolio-wide basis and/or risks related to certain individual positions. However, it may be expected that some or all market and other risks will be unhedged.

Leverage. The firm may utilize leverage on a selective basis, as it considers appropriate, in connection with the clients' investment activities. Leverage involves the use of borrowed funds, primarily margin borrowings, to increase the amount of invested capital in the clients' long or short positions. Leverage may also be employed "synthetically," through derivative instruments such as (without limitation) options, swaps and forwards. There is no fixed limitation on the clients' use or extent of leverage, other than applicable regulatory requirements. The use of leverage can increase both the proportionate amount of potential gain, as well as of potential loss, relative to the clients' equity capital. If, however, the value of the position declines (or, in the case of a margined short position, the securities sold short increase in value), the securities (or cash) serving as collateral for such margin position may be liquidated, resulting in a loss proportionately greater than would be the case absent such use of leverage. Leverage may also be utilized by the clients for liquidity purposes in connection with investor withdrawals or redemptions. The Druid fund will not employ leverage but may enter into traditional margin or loan arrangements, or utilize derivatives or other synthetic methods.

Options. The funds may engage in various types of options transactions, including speculative and hedging positions in options on securities, commodities, indices and other investments, including buying and selling both put and call options. Hedging activity is designed to reduce the risks relating to market fluctuations in the price of a security held long by the funds, as well as risks attendant to short selling, and may offset other transactions in the underlying stock or other securities held by the funds involved in the transaction. Long positions maintained by the funds may be hedged through the purchase of put options on the securities purchased. Short positions maintained by the funds may be hedged through the purchase of call options on the securities sold short. In certain situations, the funds may purchase call options as an alternative (in whole or in part) to establishing a long position, and may purchase put options as an alternative (in whole or in part) to establishing a short position.

The firm may utilize options on specific securities, as well as combinations of options, such as straddles or spreads, and market index or "market basket" options or other instruments, to increase or adjust investment exposure or in order to seek to limit certain risks. Accordingly, the funds may have positions in a variety of options or similar instruments.

Swaps and Other Derivatives. The firm may utilize various types of swaps and other derivatives, in furtherance of the clients' investment objective. These instruments may be employed in order to increase return (so-called "synthetic" leverage), as a partial or complete hedge against other client positions or against certain market or interest rate risks or as part of other trading strategies. Such instruments will generally be established through a negotiated contract entered into by the clients with a financial counterparty. In connection therewith, the clients will generally be required to deliver eligible collateral to the counterparty, typically consisting of cash, securities or other instruments held in the clients' portfolio. In the event of a default by the clients or other prescribed events, the counterparty may use, assign and/or liquidate the collateral and/or require the clients to provide additional collateral. Such instruments are generally illiquid with no trading market.

Futures Contracts. The funds may employ futures contracts, or options on such contracts, which involve the future purchase or sale of financial instruments or commodities. Futures contracts utilized by

the firm may be traded on recognized futures exchanges or may be negotiated or over-the-counter instruments.

Other Investment Techniques. The firm will be authorized to engage in a broad variety of investment techniques, in furtherance of the clients' investment strategies including, but not limited to, those described above. Accordingly, such possible investment techniques to be utilized by the clients will not necessarily be limited to those described herein.

Risk Management

We apply risk controls in the management of the clients' portfolios. The firm uses a variety of ongoing risk management policies and practices, including monitoring and adjustment of individual portfolio positions and portfolio exposure, the use of hedging instruments on a selective basis against general market and/or other risks, and the use of real-time portfolio evaluation tools. The clients may periodically maintain all or a portion of its assets in cash or cash equivalents, and may not be fully invested at all times.

Notwithstanding the above risk management practices, the clients' investment strategies inherently involve certain significant risks. See the section titled "*Risks Associated with Our Investment Strategies*" below.

There can be no assurance that the above practices will necessarily be applied in all cases, or if applied, will successfully limit risk to acceptable levels.

Risks Associated with Our Investment Strategies

The investment strategies described above that Gobi Capital uses for the clients covers a wide range of investment types. Material risks involved in the strategies are described below.

General Investment Risk. The clients' investments consist of securities identified by the firm's methodology. Since such strategy involves identifying securities which are generally undervalued (or, in the case of short positions, overvalued) by the marketplace, success of such strategy necessarily depends upon the market eventually recognizing such value in the price of the security, which may not necessarily occur. The clients' portfolio positions may undergo significant short term declines and experience considerable price volatility. Since the firm's methodology does not require any minimum market capitalization, the clients may take positions in smaller capitalization companies or other issuers which may involve an increased level of general investment risk. Equity positions may include speculative securities. Accordingly, investors in the funds and clients must be prepared to assume the risks inherent in such speculative investments. An investment in the funds should not be regarded as a complete investment program and should be considered solely by investors prepared to experience possible short term volatility and fluctuations in value in the interest of seeking superior long-term capital appreciation.

Concentration of Investments. The clients' investment portfolio may, at times, be confined to the securities of relatively few issuers. On average, the firm expects that the Flagship master fund and the Druid fund will hold, each in the aggregate, between 15 and 25 long positions. Ordinarily, the firm expects that the Concentrated master fund will hold, in the aggregate, approximately 10 long positions. There will be no fixed limits regarding concentration as to issuers, industries, industry sectors or types of investments. Any concentration necessarily increases the degree of client exposure to a variety of issuer-related, industry or market risks. By concentrating investments in a small number of large security positions relative to client capital, a loss in any such position could materially reduce the clients' performance asset base, to the extent not offset by other gains.

Short Selling. Short selling is a part of the firm's investment strategies and will be utilized both in situations where the firm believes the securities in question are overvalued, and therefore likely to experience significant price declines over time, or as a hedge or offset to related long positions. Short selling inherently involves certain additional risks. Selling securities short creates the risk of losing an amount greater than the initial investment in a relatively short period of time and the theoretically unlimited risk of an increase in the market price of the securities sold short. There is also the risk that the securities borrowed by the funds in connection with a short sale would need to be returned to the securities lender on short notice. If the request for return of securities occurs at a time when other short sellers of the security are receiving similar requests, a "short squeeze" can occur, and the funds might be compelled, at the most disadvantageous time, to replace borrowed securities previously sold short with purchases on the open market, possibly at prices significantly in excess of the proceeds received earlier. In addition, short selling can involve significant borrowing and other costs which can reduce the profit or create losses in particular positions.

There are other inherent difficulties and challenges in short selling. The general negative misperceptions about short-sellers may limit the firm's access to management of various issuers and impede its research efforts. Management and other stakeholders of issuers may take legal action against short-sellers to prevent or discourage the legal short sales of the issuer's securities to avoid depressing the value of its securities. The firm and the funds could be subject to such private legal actions. The cost of, and management time committed to, defending any such action(s) could be substantial.

Price Volatility. Stocks are inherently volatile. Such volatility may result in the value of the clients' assets fluctuating from time-to-time more greatly than that of other investment vehicles or accounts which may be more diversified. There can be no assurance that the firm's investment strategies, including its hedging techniques, or other investment strategies or techniques, will be effective in protecting the clients from such price volatility.

Investments in Restricted Securities. The funds may invest a significant portion of their assets in "restricted securities," which are securities subject to significant legal or contractual restrictions on their public resale. Investing in restricted securities involves a number of significant risks. Without the ability to resell restricted securities in the public markets, the funds may be compelled to hold such investments indefinitely or to dispose of them in private transactions on unattractive terms. Such restrictions therefore can impair both the avoidance of losses as well as the timely realization of gains. Although in some instances the funds may have registration rights or other contractual means of achieving liquidity as to their investment in restricted securities, such rights may in fact be limited or ineffective in achieving the secondary market desired. Restricted securities invested in by the funds may include highly speculative, developmental stage issuers, as well as securities of more seasoned companies, which can involve significant issuer or industry related risks.

Investments With Limited or No Liquidity. The clients may take significant positions in particular securities which are relatively large as compared to their trading volume or overall market capitalization. Such positions may at times prove more difficult to sell in a timely or efficient manner and could thus impair to some extent the clients' ability to fully realize portfolio gains or limit losses. The firm does not intend to generally limit investments to issues of any particular minimum capitalization and may, in fact, focus upon smaller capitalization stocks when such securities appear to afford greater appreciation potential. Such stocks often have less liquidity than large capitalization issues.

Equity Risks. The clients may invest in equity and equity derivative securities, including exchange traded funds and index based products. The value of these securities generally will vary with the performance of the issuer and movements in the equity markets. As a result, the clients may suffer losses if they invest in equity securities of issuers whose performance diverges from the firm's expectations or if equity markets generally move in a single direction and the clients have not hedged against such a general move. To the extent the clients invest in equity derivatives and private placements activities, the clients

will be exposed to risks that issuers will not fulfill their contractual obligations to the clients, such as delivering marketable common stocks upon conversions of convertible securities and registering restricted securities for public resale.

Options. The funds utilize options in furtherance of their investment strategies primarily for hedging certain risks but also for speculative purposes. Options positions may include long positions, where the funds are the holder of put or call options, as well as short positions, where the funds are the seller (writer) of an option. Although option techniques can increase investment return, they can also involve a relatively higher level of risk. The writing (selling) of uncovered options involves a theoretically unlimited risk of a price increase or decline, as the case may be, in the underlying security. The expiration of unexercised long option positions effectively results in loss of the entire cost or premium paid for the option. Option premium costs, as well as the cost of covering options written by the funds, can reduce or eliminate position profits or create losses as well. The funds' ability to close out their positions as purchasers of exchange-listed options are dependent upon the existence of a liquid secondary market on option exchanges. On occasion the funds may also utilize options, particularly in foreign markets, which may have limited liquidity.

The seller ("writer") of a call option which is covered assumes the risk of a decline in the market price of the underlying security or other instrument below the purchase price of the underlying instrument, less the amount of premium received by the seller, and forgoes the opportunity for gain on the underlying instrument above the exercise price of the option. The buyer of a call option assumes the risk of losing its entire investment (the premium paid) in the call option. If the buyer of a call option sells short the underlying security or other instrument, a loss on the call option itself may be offset, in whole or in part, by any gain on the short sale of the underlying position.

The seller ("writer") of a put option which is covered assumes the risk of an increase in the market price of the underlying security or other instrument above the sales price (in establishing the short position) of the underlying instrument, plus the premium received by the seller, and forgoes the opportunity for gain on the underlying instrument below the exercise price of the option. The buyer of a put option assumes the risk of losing its entire investment (the premium paid) in the put option. If the buyer of a put option holds a long position in the underlying security or other instrument, a loss on the put option itself may be offset, in whole or in part, by any gain on the underlying position.

Leverage; Interest Rates; Margin. As discussed above, the firm expects to utilize leverage, on behalf of the clients, on a selective basis, as the firm considers appropriate, primarily for investment purposes to increase investment positions or to make additional investments. Leverage may be employed by means of conventional margin arrangements, or through options, swaps, forwards and other derivative instruments (i.e., so called "synthetic" leverage). The Druid fund will not employ leverage but may enter into traditional margin or loan arrangements, or utilize derivatives or other synthetic methods.

While leverage (including the use of derivatives) presents opportunities for increasing the clients' total returns, it has the effect of potentially increasing losses as well. Accordingly, any event that adversely affects the value of an investment, either directly or indirectly, could be magnified to the extent that leverage is employed. The effect of the use of leverage by the clients in a market that moves adversely to the investments of the entity employing the leverage could result in a loss to the clients that would be greater than if leverage were not employed by the clients. In addition, to the extent that the clients borrow, the interest cost at which the clients can borrow will affect the operating results of the clients.

The use of short-term margin borrowings by the clients may result in certain additional risks. For example, should the securities that are pledged to brokers to secure the clients' margin accounts decline in value, or should brokers from which the clients have borrowed increase their maintenance margin requirements (i.e., reduce the percentage of a position that can be financed), then the clients could be subject to a "margin call," pursuant to which the clients must either deposit additional funds with the broker or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. The broker will typically have the right to liquidate the clients' portfolio in certain circumstances. In the event of a precipitous drop in the value of the assets of the clients, the clients might not be able to liquidate assets quickly enough to pay off the margin debt and might suffer mandatory liquidation of positions in a declining market at relatively low prices. Similar risks may arise in connection with longer-term borrowings and certain derivative transactions.

Derivatives. The derivatives markets are frequently characterized by limited liquidity, which can make it difficult as well as costly to close out open positions in order to either realize gains or to limit losses. Additionally, many derivatives are valued on the basis of dealers' pricing of these instruments. However, the price at which dealers value a particular derivative and the price which the same dealers would actually be willing to pay for such derivative should the clients be required to sell such position, may be materially different. Such differences may have a materially adverse effect on the clients if they are required to sell derivative instruments in order to raise funds for margin purposes or to pay withdrawals.

The pricing relationships between derivatives and the underlying instruments on which they are based may not conform to anticipated or historical patterns, resulting in unanticipated losses.

The stability and liquidity of forwards, swaps, repurchase agreements, and other over-the-counter derivative transactions depend in large part on the creditworthiness of the parties to the transaction. If there is a default by the counterparty to a transaction, the clients may have contractual remedies pursuant to the agreements related to the transaction; however, exercising such contractual rights may involve delays or costs, or may not be successful, which could adversely affect the clients. It is possible that in the event of a counterparty credit default, the clients may not be able to recover all or a portion of their investment in such derivative instrument and may be exposed to additional liability (i.e., the obligations associated with what has become an unhedged position).

Defaulted Debt Securities and Other Securities of Distressed Companies. The firm may invest a portion of client capital in low grade or unrated debt securities ("high yield" or "junk" bonds) or in securities of distressed companies. Such investments involve highly significant risks. High yield bonds are regarded as being predominantly speculative as to the issuer's ability to make payments of principal and interest. Issuers of high yield debt may be highly leveraged and may not have available to them more traditional methods of financing. Therefore, the risks associated with acquiring the securities of such issuers generally are greater than is the case with higher rated securities. The risk of loss due to default by the issuer is significantly greater for the holders of high yield bonds because such securities may be unsecured and may be subordinated to the senior creditors of the issuer.

Investments in securities of distressed companies involve highly significant risks. In general, the clients will only make such investments when the firm believes it is reasonably likely that the issuer of the securities will successfully complete an exchange offer or other restructuring or consummate a plan of reorganization, as the case may be. However, there can be no assurance that such restructurings or reorganization plans will be successfully completed or consummated. In addition, even if a restructuring or reorganization is completed, there can be no assurance that the securities or other assets received by the clients as a result of the restructuring or reorganization will not have a lower value or income potential than anticipated and may also be significantly restricted as to resale. Successful investing in distressed companies involves substantial time, effort and expertise, as compared to other types of investments.

Information necessary to properly evaluate a distress situation may be difficult to obtain or be unavailable and the risks attendant to a restructuring or reorganization may not necessarily be identifiable or susceptible of considered analysis at the time of investment.

Foreign Investments. A portion of the clients' assets may consist of foreign investments, which may include foreign or domestic equity securities denominated in foreign currencies and/or traded outside of the United States. Such investments require consideration of certain risks typically not associated with investing in U.S. securities or property. Such risks include, among other things, trade balances and imbalances and related economic policies, unfavorable currency exchange rate fluctuations, imposition of exchange control regulation by the United States or foreign governments, United States and foreign withholding taxes, limitations on the removal of funds or other assets, policies of governments with respect to possible nationalization of their industries, political difficulties, including expropriation of assets, confiscatory taxation and economic or political instability in foreign nations.

There may be less publicly available information about certain foreign companies than would be the case for comparable companies in the United States and certain foreign companies may not be subject to accounting, auditing and financial reporting standards and requirements comparable to or as uniform as those of United States companies. Securities markets outside the United States, while growing in volume, have for the most part substantially less volume than U.S. markets, and many securities traded on these foreign markets are less liquid and their prices more volatile than securities of comparable U.S. companies. In addition, settlement of trades in some non-U.S. markets is slower, less systematic and more subject to failure than in U.S. markets. There also may be less extensive regulation of the securities markets in countries other than the United States.

Transaction Execution and Costs; Brokerage Allocation. In many cases relatively narrow spreads may exist between the prices at which the clients will purchase and sell particular positions. The successful application of the clients' methodology will therefore depend, in part, upon the quality of execution of transactions, such as the ability of broker-dealers to execute orders on a timely and efficient basis. Although the firm will seek to utilize brokerage firms which will afford superior execution capability to the clients, there is no assurance that all of the clients' transactions will be executed with optimal quality. Furthermore, on account of the degree of trading, total commission charges and other transaction costs may be expected to be high. The level of commission charges, as an expense of the clients, may therefore be expected to be a factor in determining future profitability of the clients.

Cyber Security Risks. As part of our business, we process, store and transmit large amounts of electronic information, including information relating to the transactions of the clients and personally identifiable information of the clients and investors in the funds. Similarly, service providers of the firm and the clients, especially the funds' administrator, may process, store and transmit such information. With the increased use of technologies such as the Internet and the dependence on computer systems to perform necessary business functions, investment vehicles, such as the funds, and their services providers may be prone to operational and information security risks resulting from cyber-attacks. In general, cyber-attacks result from deliberate attacks, but unintentional events may have effects similar to those caused by cyber-attacks. Cyber-attacks include, among other behaviors, stealing or corrupting data maintained online or digitally, denial-of-service attacks on websites, the unauthorized release of confidential information and causing operational disruption.

We have procedures and systems in place that we believe are reasonably designed to protect such information and prevent data loss and security breaches. However, such procedures cannot provide absolute security. The techniques used to obtain unauthorized access to data, disable or degrade service, or sabotage systems change frequently and may be difficult to detect for long periods of time. Hardware or software acquired from third parties may contain defects in design or manufacture or other problems

that could unexpectedly compromise information security. Network connected services provided by third parties to the clients may be susceptible to compromise, leading to a breach of the clients' network. The clients' systems or facilities may be susceptible to employee error or malfeasance, government surveillance or other security threats. On-line services provided by the funds, or any of their service providers, to the investors in the funds may also be susceptible to compromise. Breach of the firm's or the clients' information systems may cause information relating to the transactions of the clients and personally identifiable information of the clients or investors in the funds to be lost or improperly accessed, used or disclosed.

The service providers of the firm and the clients are subject to the same electronic information security threats as are the firm and the clients. If a service provider fails to adopt or adhere to adequate data security policies, or in the event of a breach of its networks, information relating to the transactions of the clients and personally identifiable information of the clients or investors in the funds may be lost or improperly accessed, used or disclosed.

Cyber-attacks may interfere with the processing of investor transactions, impact the clients' ability to value their assets, cause the release of personally identifiable information of the clients, investors in the funds, or confidential information of the clients, or impede trading. Further, the loss of, improper access to, or improper disclosure of, the firm's proprietary information may cause the firm to suffer, among other things, financial loss, the disruption of its businesses, liability to third parties, regulatory intervention, fines, penalties, financial losses, reimbursement or other compensation costs, additional compliance costs or reputational damage. The clients could also incur substantial costs for cybersecurity risk management in order to prevent any cyber-attacks in the future. Any of the foregoing events could have a material adverse effect on the clients and the fund investors' investments.

Limitations on Shorting and Hedging Strategies. The firm may employ certain hedging techniques directed primarily toward general market risks. Hedging against a decline in the value of a portfolio position does not eliminate fluctuations in the values of portfolio positions, or prevent losses if the values of such positions decline, but establishes other positions designed to gain from those same developments, thus moderating the decline in the overall portfolio value. Such hedge transactions, however, also limit the opportunity for gain if the value of the portfolio position should increase. In addition, the degree of correlation between price movements of the instruments used in a hedging strategy and price movements in the portfolio position being hedged may vary. Insufficient correlation between hedged and hedging positions may not only result in failing to protect the clients against the risks sought to be hedged but may actually increase the magnitude of overall loss in the event of losses in the hedging positions.

For a variety of reasons, the firm may not seek or be able to establish a sufficiently accurate correlation between such hedging instruments and the portfolio holdings being hedged. Moreover, the firm may not necessarily endeavor to hedge the clients' portfolio whatsoever. In the event hedging is utilized, it will be employed, in general, solely as a technique to limit certain market risks. As a general matter, the clients' portfolio will still be exposed to basic issuer risk and other risks attendant to their investment strategies and to particular positions, which risks will not be generally hedged.

Overall Investment Risk. All securities investments risk the loss of capital. The nature of the securities to be purchased and traded by the clients and the investment techniques and strategies to be employed by the firm may increase this risk. Many unforeseeable events, including, but not limited to, actions by various government agencies, such as the Federal Reserve Board, and domestic and international economic and political developments, may cause sharp market fluctuations which could adversely affect the clients.

Alternative Investing Generally. The funds and separately managed accounts are designed for investors seeking potential long-term growth from alternative investments, who do not require regular current income and who can accept a high degree of risk in their investments. In view of, among other things, the clients' ability to invest in a wide range of securities and instruments and to use a broad variety of investment techniques, the clients may be deemed speculative in nature and are not intended to be a comprehensive investment program. The funds and separately managed accounts are intended for investment solely by sophisticated investors who are accustomed to and fully understand the risks of such investments.

For additional information concerning risks of investing in the funds, prospective investors should consult the offering memorandum for the relevant fund.

Item 9. Disciplinary Information

The firm has no information applicable to this Item.

Item 10. Other Financial Industry Activities and Affiliations

Conflicts of Interest

Other Investment Vehicles or Clients. Bo Shan is the managing member of Gobi Capital LLC and serves as the sole portfolio manager with respect to the client portfolios. In addition to the clients, we may in the future participate in or sponsor other investment vehicles, and possibly have other advisory accounts or clients. Such investment vehicles and accounts may employ investment strategies similar to those of the clients. The existence of such present and future multiple investment vehicles and accounts, or other businesses, and any other material conflicts of interest which might reasonably be expected to impair the rendering of unbiased or objective investment advice by the firm, are disclosed to the firm's clients.

Allocation Issues. It is likely that other investment vehicles, accounts and/or clients managed by the firm or its affiliates may invest in the same securities as the clients. The firm intends to allocate investment opportunities among the clients and such other investment vehicles, accounts and clients by applying such considerations as it deems appropriate, including:

- relative size of such investment vehicles, accounts and clients,
- amount of available capital,
- size of existing positions in the same or similar securities,
- impact of leverage,
- investment objective and strategy considerations, including, without limitation, concentration parameters and tax considerations and
- other factors.

As a result of such considerations, allocations among the clients and other such investment vehicles, accounts and clients will not necessarily be *pro rata*. No account will be entitled to investment priority, and accounts may not necessarily participate in every investment opportunity. In cases where a limited amount of a security or other instrument is available for purchase, the allocation of such security among the accounts may necessarily reduce the amount thereof available for purchase by any participating account.

Although accounts managed by the firm and its affiliates may generally invest in the same securities, the net performance of the accounts may vary materially from each other as a result of the allocation policies described above, as well as differing expenses, tax considerations, the impact of leverage and other factors.

Balancing Transactions. Other accounts of the firm that employ similar or substantially similar investment strategies to those of the funds and/or other firm accounts may invest and trade on a *pari passu* basis; however, certain differences in the specific investment strategies employed (including, applicable investment parameters, eligibility criteria with respect to various clients or investors, applicable expenses, available capital, the relative use of leverage and other factors), may result in non-*pari passu* treatment of specific clients with respect to some or all of their investment and trading activities.

The firm may, from time to time in its discretion, be expected to adjust (or “rebalance”) the portfolio holdings of one or more of its clients so as to eliminate or minimize variations among the portfolio holdings of such clients that employ the same or similar investment strategies or otherwise to maintain, in the view of the firm, a desirable portfolio composition for each of such clients, subject to the applicable client differences. With respect to any rebalancing transactions, different broker-dealers will generally be used to effect buy orders, on one hand, and sell orders, on the other hand, in the same security. Rebalancing transactions will be effected at the next publicly quoted price on the trading day on which securities are rebalanced among clients. Rebalancing transactions may, or may not, be subject to commissions.

Time Commitments. The portfolio manager intends to devote his primary efforts (*i.e.*, substantially all of his time during business hours) to management of the client portfolios. However, should he have additional clients or other business responsibilities in the future, such commitments may have the effect of reducing the time he devotes to the investment activities of the clients. The firm may retain additional personnel as the portfolio manager deems necessary.

Valuation Risk. The net asset value of the funds will be calculated by the funds’ administrator based on prices obtained from the firm and/or independent third-party sources including exchanges. The fair market value of those assets of the funds for which third-party prices are not available, or with respect to which the firm believes third-party pricing does not accurately reflect fair value, will be valued based on other sources deemed reliable by the firm, and may be based on internal valuation analysis, such as a discounted cash-flow valuation. In order to value the assets and liabilities of the funds, the firm or its designee may rely on information provided by employees of the firm or its affiliates or outside parties, and such persons may provide inaccurate, incomplete, outdated or otherwise unreliable information. In the case of employees of the firm who receive compensation based on the performance of certain investments, such employees may be motivated to provide incorrect valuation information in order to receive increased compensation. The firm may be unable to detect every error contained in the valuation information. To the extent the information received by the funds is inaccurate or unreliable, the valuation of the funds’ assets and liabilities may be inaccurate.

There is a risk that an investor that effects a withdrawal from the funds may be paid an amount less or more than it would otherwise be paid if the actual value of such assets is higher or lower than the value calculated by the funds’ administrator. In addition, there is a risk that additional contributions could dilute the underlying value of such assets for the other investors if the actual value of such assets is higher than the value calculated by the funds’ administrator. There is also a risk that greater management fees and incentive allocations may be paid by the funds than would have been paid if the actual value of such assets or liabilities is lower or higher than the value determined for the purposes of calculating those fees.

The firm will not be liable to the funds if a price reasonably believed by it to be an accurate valuation of a particular asset of the funds is found to be misvalued and/or mispriced.

Conflicts Regarding Advisory Fees. As a general matter, the incentive allocation payable to the firm or an affiliate of the firm for the funds will be determined and paid annually, based upon the increase, if any, in the aggregate net asset value of a master fund share attributable to each investor in a feeder fund during the year, subject to satisfying a “hurdle amount” and after reduction for any unrecovered prior period losses. The incentive allocation payable to the firm or an affiliate of the firm for the Druid fund will be determined and paid annually (as described in greater detail in the offering memorandum of the Druid fund). Performance fees (if any) payable to the firm or an affiliate of the firm from separately managed accounts will be determined as set forth in the applicable investment management agreement. Since incentive allocations and/or performance fees will generally be determined on both realized and unrealized gains, the firm may receive an incentive allocation and/or performance fee reflecting unrealized gains at the end of a year that are not subsequently recognized by the applicable clients. In general, the fact that an advisory fee is based on capital appreciation of the investments held by the funds or other clients may create an incentive for the firm to make investments that are more speculative than would be the case in the absence of such a performance-based advisory fee. The firm has the right to agree to reductions in the incentive allocation, performance fee and/or management fee chargeable to particular investors or clients, for such consideration it deems appropriate, without notice or offering any similar opportunity to other investors or clients.

Agreements with Certain Investors. The funds and the firm have entered into, and may from time to time enter into, agreements with one or more investors whereby in consideration for agreeing to invest certain amounts in one or more funds or other consideration deemed material by the firm, such investors may be granted favorable rights not afforded to other fund investors. Such rights include, without limitation, one or more of the following:

- special rights to make future investments in the funds and/or other investment vehicles or managed accounts managed by the firm and its affiliates;
- special withdrawal or redemption rights relating to frequency, notice and/or other terms;
- rights to receive reports from the funds on a more frequent basis or that include information not provided to other investors (including, without limitation, more detailed information regarding investment transactions and positions);
- rights to limit subscription amounts to the funds;
- rights to receive reduced rates of the incentive allocation and/or management fee; and
- such other rights as may be negotiated between the funds and such investors.

In addition, the firm and its affiliates have entered into, and may from time to time in the future enter into, similar agreements with respect to one or more funds or managed account clients, without the consent of or notice to other fund investors (unless explicitly agreed to in writing otherwise).

In addition, the firm may issue additional classes of interests or shares in a fund with offering terms that differ from the fund interests offered pursuant to the funds’ offering documents (including, with respect to participation in certain investments of the funds, withdrawal or redemption rights and compensation payable to the firm) without the consent of, or notice to, the existing fund investors (unless explicitly agreed to in writing otherwise).

It is possible that, under certain circumstances, one or more of the favorable rights granted to certain fund investors may have a material adverse effect on fund investors not receiving those benefits.

Factual information contained in this brochure, including without limitation, the investment strategy and policies, and certain other information, has been furnished largely by the firm and its affiliates and in general has not been independently confirmed or verified. Therefore, investors should seek to confirm such information, acquire additional information or conduct further investigation as they deem appropriate in connection with a decision to invest in one or more of the funds.

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

Code of Ethics

We have adopted a written code of ethics that applies to the firm, our employees and any other persons who provide investment advice on behalf of the firm and are subject to the firm's supervision and control. Our code of ethics is administered by our Chief Compliance Officer and/or his designees. Each client or fund investor may obtain a copy of our code of ethics by submitting a written request to Steven Chen at Gobi Capital LLC, 909 Montgomery Street, Suite 400, San Francisco, California 94133 or by contacting Mr. Chen at (415) 288-7288 or steven.chen@gobicap.com.

The following general principles and standards of conduct are established by our code of ethics:

- the interests of the firm's clients must be placed first at all times;
- employees should adhere to the fundamental standard that he or she should not take inappropriate advantage of his or her positions;
- employees should avoid actual or potential conflicts of interest;
- employees should conduct all personal securities transactions in a manner consistent with the code of ethics;
- employees should use reasonable care and exercise independent, professional judgement when conducting investment analyses, making investment recommendations, taking investment actions and engaging in other professional activities;
- employees should maintain and improve their professional competence; and
- employees must comply with all applicable provisions of the Federal securities laws and the terms of the code of ethics.

Our code of ethics deals with a range of topics including, without limitation, the following:

- oversight;
- gifts and entertainment;
- anti-bribery policy and procedures;
- political contributions and the firm's pay to play policy;
- employee investment policy;
- insider trading; and
- research communications.

Each firm employee is required to acknowledge that he or she has received and reviewed, and understands the Code of Ethics.

Interested Transactions

The firm will not be engaged as an investment adviser to advise clients as to the appropriateness of investing in the funds, and the firm will not receive any compensation for doing so or for selling interests in the funds.

The firm may, from time to time, recommend a security in which the firm, directly or indirectly, has an interest. For instance, fund assets may be invested in securities of issuers in which one or more other funds or accounts managed by the firm hold positions. Given the likely frequency of such occurrence, clients will not be provided with notification of such occurrences. This may represent a conflict of interest for the firm. This and any other material conflict of interest which might reasonably be expected to impair the rendering of unbiased or objective investment advice by the firm will be disclosed to any clients.

Item 12. Brokerage Practices

Selection of Brokers

The firm has full investment discretion with respect to the initiation of all portfolio securities transactions for the funds as well as full authority to select broker-dealers to execute such transactions. The firm has engaged prime brokers for the funds that will have certain administrative responsibilities, including the issuance of account statements and information with respect to securities transactions effected through other broker-dealers. The prime brokers will be allocated a portion of the funds' securities transactions, subject to principles of best execution. None of the funds are committed to continue their prime brokerage relationship with any of the prime brokers for any minimum period, and the firm, in its sole discretion, may select other or additional brokers to act as prime broker(s) of the funds at any time.

The firm intends to allocate a portion of the funds' brokerage business to additional brokers, other than the prime brokers, on the basis of certain considerations, which may include:

- the amount of commission,
- quality of execution,
- the reputation, experience and financial stability of the broker-dealer involved,
- the quality of service,
- familiarity with the securities markets and investment techniques employed by the funds,
- research and analytic services,
- clearing and settlement capabilities,
- the availability of margin or other leverage,
- block positioning or other special execution capabilities or
- other services provided to the funds.

In allocating brokerage to the prime brokers or such other broker-dealers, the commissions the funds will pay to such broker-dealers will not necessarily represent the lowest commission rates available, but will

reflect the firm's evaluation of the research and other brokerage-related services supplied by such broker-dealers and which benefit such funds, either alone or together with the other clients of the firm or its affiliates. In each case, the firm will make a determination that the amount of any increased commission costs on account of such research or other services is reasonable relative to the value of services so provided.

Subject to the considerations described above, the selection of a broker (including a prime broker) to execute transactions, provide financing and securities on loan, hold cash and short balances and provide other services may be influenced by, among other things, the provision by the broker-dealer of the following:

- capital introduction services,
- marketing assistance,
- consulting services with respect to technology,
- operational assistance,
- equipment and office space,
- commitment of capital,
- access to company management and
- access to deal flow.

In general, any and all brokerage allocations are subject to principles of best execution and the other allocation policies described above, as well as any restrictions imposed by applicable law.

To the extent that securities are purchased in non-U.S. markets, it is anticipated that the prime brokers will transfer funds to sub-custodians located in the countries in which the respective securities are purchased. Such sub-custodians will maintain custody of the securities until such time as they are sold, at which point uninvested proceeds will be transferred back to the funds' accounts at the applicable prime broker. In connection with derivatives activities of the funds, the prime brokers may transfer assets to fund counterparties.

Because securities of the funds held by the prime brokers and other broker-dealers will generally not be held in a fund's name and may not be held on a fiduciary basis or segregated from other assets of the relevant prime broker or other broker-dealer, a failure of a prime broker or other broker-dealer may put such securities at risk and is likely to have a greater adverse impact on such fund(s) than if such securities were registered in a fund's name.

Brokerage for Referrals

The firm may place transactions with a broker-dealer that (i) provides the firm (or an affiliate) with the opportunity to participate in capital introduction events sponsored by the broker-dealer or (ii) refers investors to the funds or other products advised by the firm (or an affiliate), if otherwise consistent with seeking best execution; *provided, however*, that the firm is not selecting the broker-dealer in recognition of the opportunity to participate in such capital introduction events or the referral of investors.

Soft Dollars

Section 28(e) of the Securities Exchange Act of 1934, provides a "safe harbor" to investment advisers who use commission dollars of their advisory accounts (so-called "soft-dollars") to obtain investment research, brokerage and other services that provide lawful and appropriate assistance to investment

advisers in performing investment decision-making responsibilities, provided, that the amount of any increased commission costs on account of such research or other services is reasonable relative to the value of the services so provided. Any such arrangement will be confined to the products or services that qualify as “research and brokerage services” within the meaning of Section 28(e) and that meet the other requirements of that Section. The firm does not believe that it has accepted any “soft dollars” on behalf of the clients in the past, and does not generally expect to do so in the future. However, the investment advisory agreements by and between the firm (with respect to each offshore feeder, master fund, and the separately managed account) and each limited partnership agreement (with respect to each onshore feeder fund and the Druid fund) contain provisions expressly authorizing the use of brokerage allocations and commissions for the purposes described in this paragraph.

The research obtained through the clients’ brokerage allocations, whether or not directly useful to them, may be useful to the firm in connection with services rendered by the firm and its affiliates to other clients. Since any particular research obtained by the firm may be useful to any of its clients, the firm, in considering the reasonableness of brokerage commissions paid by the clients, will not attempt to allocate the relative costs or benefits of research as between the clients except in limited circumstances where appropriate. Accordingly, brokerage allocations from the clients may also have the effect of indirectly benefiting other clients managed by the firm or its affiliates.

If we use the funds’ brokerage commissions (or markups or markdowns) to obtain research or other products or services, we may receive a benefit because we do not have to produce or pay for the research, products or services for which we would have otherwise been responsible. We may, therefore, have an incentive to select or recommend a broker-dealer based on our interest in receiving the research or other products or services, rather than on the funds’ interest in receiving most favorable execution.

In our last fiscal year, we did not use soft dollars.

Directed Brokerage

Investors in the funds may include funds of funds and/or clients of investment advisers and consultants, in each case that are affiliated with broker-dealers or, possibly, brokerage firms themselves; and, such funds of funds, investment advisers and consultants may recommend to the firm that it direct investment transactions to such broker-dealers from time to time. Separately managed account clients may also recommend to the firm that it direct investment transactions to certain broker-dealers. The firm will be subject to a conflict of interest in determining whether to select such brokers-dealers to execute transactions on behalf of the clients because such a brokerage allocation might conflict with principles of best execution and the firm’s other allocation policies.

Aggregation of Orders

When the firm and its affiliates deem the purchase or sale of securities to be in the best interest of the funds and any other managed entities or accounts, the firm and its affiliates may aggregate the securities to be purchased or sold by all such managed entities and accounts in order to obtain superior execution or lower brokerage expenses. In particular, execution prices for identical securities purchased or sold on behalf of multiple entities and/or accounts in any one business day may be averaged. In such events, allocation of the securities purchased or sold, as well as expenses incurred in the transaction, will be made among the funds and any other participating entities or accounts by applying such considerations as the firm and its affiliates deem appropriate, including:

- relative account size of such entities and clients,
- amount of available capital,
- size of existing positions in the same or similar securities,
- impact of leverage,
- investment objective and strategy considerations, including, without limitation, concentration parameters, tax considerations and other factors.

As a result of such considerations, allocations among the firm's accounts will not necessarily be *pro rata*. No account is entitled to investment priority over any other accounts, and each account may not necessarily participate in every investment opportunity. The firm will endeavor to make all investment allocations in a manner that it considers to be the most equitable to all managed entities and accounts.

The clients' securities transactions can be expected to generate a substantial amount of brokerage commissions and other compensation, all of which the clients, not the firm, will be obligated to pay. The firm will have complete discretion in deciding what brokers and dealers the funds will use and in negotiating the rates of compensation the funds will pay.

Item 13. Review of Accounts

Mr. Shan reviews all securities transactions for the clients on a daily basis.

After the end of each fiscal month, each investor in a fund is provided with an unaudited account statement that details the fund's investment performance. After the end of each fiscal year, each investor in a fund is provided with audited financial information with respect to the performance of the fund, as well as information regarding the status of the investor's capital account and certain tax reporting information. The firm also provides certain quarterly and annual reports to its separately managed account.

Item 14. Client Referrals and Other Compensation

We do not currently have any formal arrangements directly or indirectly with any person for client referrals. However, we may on occasion compensate individuals for client referrals. All such compensation will be fully disclosed to each client consistent with applicable law. The client will incur no additional costs or expenses as a result of any such compensation arrangements. Any such referred activities will be conducted in accordance with SEC Rule 206(4)-3 under the Advisers Act.

Item 15. Custody

Gobi Capital does not serve as the qualified custodian of any of the assets owned by the clients and does not maintain physical custody of any securities or cash owned by the funds (other than certain privately offered securities to the extent permitted by the Investment Advisers Act of 1940, as amended, and related SEC interpretive guidance). We are deemed to have custody, as defined in Rule 206(4)-2 under the Advisers Act, of the assets of the funds as a result of our role as the general partner of some of the funds we manage and our ability to remove the directors of some of the funds we manage. The funds are audited annually by an independent accounting firm that is registered and examined by the Public Company Accounting Oversight Board, and audited financial statements are delivered to investors within 120 days of the applicable fiscal year-end.

Item 16. Investment Discretion

Item 4 includes a description of the investment discretion that we exercise with respect to the funds. Fund investors generally do not have any ability to restrict the investment of the fund, although under limited circumstances we may agree with a particular investor that such investor will not participate in certain categories of investment made by the fund.

We generally exercise investment discretion pursuant to a power of attorney that is granted by each fund as part of the investment advisory agreement or limited partnership agreement relating to each such fund.

Separately managed account clients may set limits on the firm's investment discretion with regard to such clients.

Item 17. Voting Client Securities

We vote proxy proposals on a "case-by-case" analysis in the best interests of the clients and will apply the following guidelines, as applicable. As a general matter, our clients may not direct our vote in a particular proxy solicitation.

The firm will: (i) attempt to consider all aspects of the vote that could affect the value of the issuer or that of the client; (ii) vote in a manner that it believes is consistent with the client's stated objectives; and (iii) generally vote in accordance with the recommendation of the issuing company's management on routine and administrative matters, unless the firm has a particular reason to vote to the contrary. If at any time the firm becomes aware of an actual conflict of interest relating to a particular proxy proposal, we will refer that vote to an outside service for independent consideration. Each investor in a fund or client may obtain information on how we voted with respect to the securities of such fund or client by submitting a written request to Steven Chen at Gobi Capital LLC, 909 Montgomery Street, Suite 400, San Francisco, California 94133 or by contacting Mr. Chen at (415) 288-7288.

Item 18. Financial Information

Gobi Capital has no financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients, and has not been the subject of a bankruptcy proceeding.