

**Item 1: Cover Page**

**Form ADV Part 2A Brochure**

**Jade Capital Advisors, LLC**

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March 2023

Jade Capital Advisors, LLC (the “Firm”, or the “Adviser”) is a federally registered investment adviser with the U.S. Securities and Exchange Commission (“SEC”). Being registered as an investment adviser does not imply a certain level of skill or training.

This brochure provides information about the qualifications and business practices of Jade Capital Advisors, LLC. If you have any questions about the contents of this brochure, please contact us at (646) 859-7251. 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 the Adviser is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 - Material Changes**

This brochure differs from the previous version, dated March 2022, in the following material respects:

- The Firm updated its assets under management in Item 4.

In this item, Jade Capitol Advisors, LLC will periodically identify and discuss material updates to the Brochure. This is intended to inform current and prospective clients of important developments that may take place in Jade Capitol Advisors, LLC's business practices.

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#### Item 4 - Advisory Business

- A. The Adviser is a Delaware limited liability company and has its principal place of business located in Essex Fells, New Jersey. The Adviser provides discretionary investment advisory and sub-advisory services to one sub-advised account (referred to herein as “Managed Account” or “Client”).<sup>1</sup>

The Adviser was formed in 2018 by its founder, Robert McHugh and James Stanley (each a “Principal,” and collectively the “Principals”).

- B. The Adviser seeks to achieve high risk-adjusted returns through investment opportunities focused on cyclicals, both long and short.
- C. Each Client will follow the general strategy stated above, the Adviser may tailor the specific advisory services with respect to each Client based on the particular investment objectives and strategies described in the applicable Client’s
- (i) confidential offering memorandum or separate account agreement (as applicable)
  - and (ii) governing documents (referred to collectively as “Offering Documents”).

**All discussion of a Client in this Brochure, including but not limited to their investments, the strategies used in managing a Client, and conflicts of interest faced by the Adviser in connection with the management of a Client are qualified in their entirety by reference to each Client’s respective Offering Documents.**

- D. The Adviser does not participate in wrap fee programs.
- E. As of December 31, 2022, the Adviser manages \$59,585,227 in discretionary assets and \$0 in non-discretionary assets.

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

## Item 5 - Fees and Compensation

- A. Below is a discussion of how the Adviser is compensated in connection with providing advisory services to its Client. The Adviser may enter into different fee arrangements on a Client by Client basis.

*Management Fees.* The fees and expenses associated with each Client account will be negotiated with each Client and are described in detail in each Client's Offering Documents. Generally, the Adviser will not be entitled to a management fee, but an Expense Payment Amount will be allocated as provided to the Client in the respective investment management agreement.

*Performance Allocation.* The Adviser is entitled to a performance-based profit allocation at the end of each calendar year equal to nineteen percent (20%), based on net profits (the "Performance Allocation").

*Direct Client Expenses.* Client(s) are responsible for all direct expenses related to their operations and activities, including all of its expenses associated with its investment portfolio, including brokerage commissions and other transaction costs. Client(s) bear the full cost of expenses related to proxies, underwriting and private placements, brokerage commissions, interest on debit balances or borrowings, custody fees and any withholding or transfer taxes imposed on the Managed Accounts.

- B. Performance Allocations from the Managed Account are deducted directly from the Client's capital and payable monthly in advance.
- C. Client(s) will incur brokerage and other transaction costs. Item 12 of this brochure discusses how the Adviser selects brokers and determines the reasonableness of their compensation. The direct expenses borne by each Client are described in more full detail in each Client's Offering Documents.
- D. As stated above, Expense Payments are paid monthly in advance based on the relevant Managed Account's percentage of the Adviser's assets under management. Upon termination of an advisory contract, a Managed Account shall pay a draw prorated through the end of the foregoing notice period.
- E. Other than as described above, neither the Adviser nor any of its supervised persons receives any compensation from the sale of securities or other investment products.

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

As stated in Item 5 above, the Adviser receives performance-based fees or allocations from certain Clients. These payments are subject to Section 205(a)(1) of the Investment Advisers Act of 1940, as amended (the “Advisers Act”), in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3, which requires that performance-based fees only be charged to “qualified clients” (as such term is defined in Rule 205-3).

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

**Item 7 - Types of Clients**

As mentioned in Item 4, the Adviser provides investment advisory and sub-advisory services to one sub-advised account.

Acceptance of Client and sub-advisory account relationships is determined on a case-by-case basis.

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

### **Investment Strategy Overview and Methods of Analysis**

Jade Capital Advisors LLC's investment strategy is summarized below and detailed in the governing documents for each Client.

The Adviser's investment objective is to produce superior, risk-adjusted returns through the management of a portfolio of long and short equity investments. The Adviser identifies long and short investment ideas through its investment process, which emphasizes detailed analysis of company and sector fundamentals.

### **Risk of Loss**

The Adviser's investment strategy involves a high degree of business and financial risk that can result in substantial losses and is suitable only for investors prepared to bear such risk. The risks factors below are not intended to be exhaustive. Prospective investors should carefully review the risks described in the applicable Client's offering documents:

#### **Investment and Trading Risks Generally**

All securities investments bear significant risk of capital loss. The Adviser believes that its trading program and research techniques will moderate this risk through a careful selection of securities and other financial instruments. However, no guarantee or representation is made that the Client's trading programs will be successful or that the Client(s) will not incur losses. The Client's trading programs may utilize trading techniques including, but not limited to, trading in put and call options and other derivatives, the use of leverage, and short sales, which in practice can, in certain circumstances, increase the adverse impact to which the Client(s) may be subject.

#### **General Operational Risks**

The volume and complexity of the Client's transactions may place substantial burdens on the Investment Manager's operational systems and resources, including those related to trade entry and execution, position reconciliation, corporate actions, collateral and margin maintenance, marking procedures, finance, accounting, profit and loss reporting, internal management and risk reporting and funds transfers. Human error (including, without limitation, trading errors), system failure or other problems with any of these processes could result in material losses or costs, which generally will be borne by the Client(s).

#### **General Economic and Market Conditions**

The success of the Client's activities is affected by general economic and market conditions, such as changes in interest rates, availability of credit, inflation rates, economic uncertainty,

market volatility, changes in laws (including laws relating to taxation of the Client's investments), trade barriers, currency exchange controls and national and international political circumstances (including wars, terrorist acts, natural disasters or security operations). These factors may affect the level and volatility of securities prices and the liquidity of the Client's investments. Volatility and/or illiquidity could impair the Client's profitability or result in losses. The Client could incur material losses even if the Adviser reacts quickly to difficult market conditions, and there can be no assurance that the Client will not suffer material losses and other adverse effects from broad and rapid changes in economic and market conditions in the future. Investors should realize that markets for the investments in which the Client seeks to invest can correlate strongly with each other at times or in ways that are difficult for the Adviser to predict. Even a well-analyzed approach may not protect the Client from significant losses under certain market conditions.

#### *Terrorist Attacks, War and Natural Disasters*

Terrorist activities, anti-terrorist efforts, other armed conflicts involving the United States or its interests abroad and natural disasters may adversely affect the United States, its financial markets and global economies and markets and could prevent the Adviser and the Client from meeting their respective investment objectives and other obligations. The potential for future terrorist attacks, the national and international response to terrorist attacks, other acts of war or hostility and recent natural disasters have created many economic and political uncertainties, which may adversely affect the United States and world financial markets for the short or long-term in ways that cannot presently be predicted.

#### *Potential Public Health Crisis; Covid-19*

A public health crisis, pandemic, epidemic or outbreak of a contagious disease, such as the recent outbreak of Coronavirus (or Covid-19) in China, the United States and other countries, could have an adverse impact on global, national and local economies, which in turn could negatively impact clients. Disruptions to commercial activity relating to the imposition of quarantines or travel restrictions (or more generally, a failure of containment efforts) may adversely impact a client's investments, including by delaying or causing supply chain disruptions or by causing staffing shortages. In addition, the imposition of travel restrictions may impact the ability of the Advisors' personnel to travel in connection with potential or existing investments of a client or to the Advisors' offices, which could negatively impact the ability of the Advisors to effectively identify, monitor, operate and dispose of investments. Finally, the outbreak of Coronavirus has contributed to, and may continue to contribute to, volatility in financial markets, including changes in interest rates. A continued outbreak may reduce the availability of debt financing to a client and potential purchasers of a client's investments, which could have material and adverse impact on a client's returns. The impact of a public health crisis such as the Coronavirus (or any future pandemic, epidemic or outbreak of a contagious disease) is difficult to predict, which presents material uncertainty and risk with respect to a client's performance.

#### *Force Majeure*

Client investments may be affected by force majeure events (i.e. events beyond the control

of the party claiming that the event has occurred, including without limitation, acts of God, fire, flood, earthquakes, outbreaks of an infectious disease, pandemic or any other serious public health concern, war, terrorism and labor strikes, major plant breakdowns, pipeline or electricity line ruptures, failure of technology, defective design and construction, accidents, demographic changes government macroeconomic policies, social instability). Some force majeure events may adversely affect the ability of any such parties to perform their obligations until they are able to remedy the force majeure event. These risks could, among other effects, adversely impact the cash flows available from a portfolio company, cause personal injury or loss of life, damage property, or instigate disruptions of service. Force majeure events that are incapable of or are too costly to cure may have a permanent adverse effect on a portfolio company. Certain force majeure events could have a broader negative impact on the world economy and international business activity generally.

#### Reliance on Corporate Financial Reporting

In making investment decisions, the Adviser often relies upon corporate financial reports that are publicly disseminated. Although the Adviser takes reasonable steps to ensure the accuracy of financial reports prior to making investment decisions, the Adviser may nonetheless be unaware of taints in financial reports resulting from practices, including but not limited to, corporate mismanagement, fraud, or accounting irregularities. Because these taints may not be discoverable until after investment decisions are made, Client(s) may experience significant losses once these taints are subsequently brought to light.

#### Dependence on the Adviser

Client(s) must rely on the ability of the Adviser to manage the Client's trading and investment program. The Adviser, in turn, depends on the services of certain key personnel. The loss of the Adviser's services could be material and adverse to the Client(s).

#### Dependence on the Adviser's Personnel

The Client's success depends upon the ability of the Adviser's personnel to develop and implement, as well as allocate the Client's capital among investment strategies in an attempt to achieve the Client's investment objectives. If the Adviser were to lose the services of the Adviser's personnel, the consequences to the Client(s) could be material and adverse.

#### Use of Leverage

The Adviser may have the authority to borrow funds and may do so when deemed necessary or appropriate by the Adviser or its affiliates. The Adviser may borrow funds on behalf of its Client(s) from brokers, banks and other lenders to finance its investing and trading operations, which borrowings may be secured by Client assets. The use of such leverage can, in certain circumstances, maximize the losses to which a Client's investment portfolio may be subject. Any event that adversely affects the value of an investment would be magnified to the extent that a particular asset or the Client as a whole is leveraged. The cumulative effect of the use of leverage in a market that moves adversely to Client investments could result in a substantial loss to Clients, which would be greater than if

Client(s) were not leveraged.

### Use of Derivatives

The Adviser may use derivative instruments, including without limitation, option contracts, swap agreements and forward contracts, and derivative techniques, including without limitation, synthetic short sales, for various hedging and/or speculative purposes. The use of such instruments and techniques may result in leveraging the assets of the Fund, thereby exposing the Fund to significant risks.

Among other things, the prices of derivative instruments can be highly volatile. Price movements of derivative instruments are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. In addition, governments from time to time intervene, directly and by regulation, in certain markets, particularly those in currencies, financial futures and options. Such intervention often is intended directly to influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations.

Uncertainties remain as to how the markets for these instruments will perform during periods of unusual price volatility or instability, market illiquidity or credit distress. Market movements are difficult to predict and financing sources and related interest rates are subject to rapid change. One or more markets may move against the derivatives positions held by a trader, thereby causing substantial losses. Many of these instruments are not traded on exchanges but rather through an informal network of banks and dealers who have no obligation to make markets in them and can apply essentially discretionary margin and credit requirements (and thus in effect force a trader to close out its positions).

Options. There are various risks inherent in options trading. For example, the seller (writer) of a covered call option (i.e., the writer holds the underlying security) assumes the risk of a decline in the market price of the underlying security to a level below the purchase price of the security, less the premium received by the writer for writing the option. The writer of a covered call option also gives up the opportunity for gain on the underlying security above the exercise price of the option. The buyer of a call option assumes the risk of losing the premium invested in the option.

The seller (writer) of a covered put option (e.g., the writer has a short position in the underlying security) assumes the risk of an increase in the market price of the underlying security above the sales price (in establishing the short position) of the underlying security plus the premium received, and gives up the opportunity for gain on the underlying security below the exercise price of the option less the premium received on the put option. The buyer of a put option assumes the risk of losing the premium it paid to purchase the put option. There is an unlimited risk of loss associated with selling options.

The options markets have the authority to prohibit the exercise of particular options, which if imposed when trading in the option has also been halted, would lock holders and writers of that option into their positions until one of the two restrictions has been lifted.

The Adviser also may trade options on futures contracts. Such an option is a right, purchased for a certain price, to either buy or sell the underlying futures contract during a certain period of time for a fixed price. Trading options on futures is speculative and highly leveraged. Specific market movements of the futures contracts underlying an option cannot accurately be predicted. If the Adviser purchases an option, it will be subject to the risk of losing the entire purchase price of the option. On the other hand, if the Adviser writes (sells) an option, it will be subject to the risk of loss resulting from the difference between the amount received for the option and the price of the futures contract underlying the option which the Adviser must purchase or deliver upon exercise of the option.

Combination Transactions. The Adviser may engage in spreads or other combination options transactions involving the purchase and sale of related options and futures contracts. These transactions are considerably more complex than the purchase or writing of a single option. They involve the risk that executing simultaneously two or more buy or sell orders at the desired prices may be difficult or impossible, the possibility that a loss could be incurred on both sides of a multiple options transaction, and the possibility of significantly increased risk exposure resulting from the hedge against loss inherent in most spread positions being lost as a result of the assignment of an exercise to the short leg of a spread while the long leg remains outstanding. Also, the transaction costs of combination options transactions can be especially significant because separate costs are incurred on each component of the combination.

Straddles. In straddle writing, where the investor writes both a put and a call on the same underlying interest at the same exercise price in exchange for a combined premium on the two writing transactions, the potential risk of loss is unlimited. To the extent the price of the underlying interest is either above or below the exercise price by more than the combined premium, the writer of a straddle will incur a loss when one of the options is exercised. If the writer is assigned an exercise on one option position in the straddle and fails to close out the other position, subsequent fluctuations in the price of the underlying interest could cause the other option to be exercised as well, causing a loss on both writing positions.

Forward Trading. The Adviser may utilize forward contracts and options thereon which, unlike futures contracts, are not traded on exchanges and are not standardized; rather banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and “cash” trading is substantially unregulated; there is no limitation on daily price movements and speculative position limits are not applicable. The principals who deal in the forward markets are not required to continue to make markets in the currencies or commodities they trade and these markets can experience periods of illiquidity, sometimes of significant duration. There have been periods during

which certain participants in these markets have refused to quote prices for certain currencies or commodities or have quoted prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell. Disruptions can occur in any market in which the Adviser trades due to unusually high trading volume, political intervention or other factors. The imposition of controls by governmental authorities might also limit such forward trading to less than that which the Adviser would otherwise recommend, to the possible detriment of the Fund. Market illiquidity or disruption could result in major losses to the Fund.

In the forward markets, margin deposits may be even lower than in other markets or may not be required at all. Such low or non-existent margin deposits are indicative of the fact that any trading in the forward markets typically is accompanied by a high degree of leverage. Investing in the forward markets typically is accompanied by a high degree of leverage.

Swaps. The Adviser may enter into swap agreements and options on swap agreements (“swaptions”). These agreements can be individually negotiated and structured to include exposure to a variety of different types of investments, asset classes or market factors. The Fund, for instance, may enter into swap agreements with respect to interest rates, credit defaults, currencies, financial instruments, indexes of financial instruments and other assets or other measures of risk or return. Depending on their structure, swap agreements may increase or decrease exposure to, for example, equity financial instruments, long-term or short-term interest rates, foreign currency values, credit spreads or other factors. Swap agreements can take many different forms and are known by a variety of names. The Adviser is not limited to any particular form of swap agreement. Whether the Adviser’s use of swap agreements or swaptions will be successful will depend on its ability to select appropriate transactions. Swap transactions may be highly illiquid and may increase or decrease the volatility of the Adviser’s portfolio. Moreover, the Fund will bear the risk of loss of the amount expected to be received under a swap agreement in the event of the default or insolvency of its counterparty. The Fund will also bear the risk of loss related to swap agreements, for example, for breaches of such agreements or the failure of the Fund to post or maintain required collateral. Many swap markets are relatively new and still developing. It is possible that developments in the swap markets, including potential government regulation, could adversely affect the Adviser’s ability to terminate swap transactions or to realize amounts to be received under such transactions.

#### Investment Judgment; Market Risk

The profitability of a significant portion of the Adviser’s investment program depends to a great extent upon correctly assessing the future course of the price movements of securities and other investments. There can be no assurance that the Adviser will be able to predict accurately these price movements. With respect to the investment strategy utilized by the Client, there is always a degree of market risk.

#### Equity Risks

The Client will invest in equity securities. The market price of securities owned by the Client may go up or down, sometimes rapidly or unpredictably. A risk of investing in the Client is that the equity securities in its portfolio will decline in value due to factors affecting equity securities markets generally or the sectors in which the Client will invest. The values of equity securities may decline due to general market conditions which are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. They may also decline due to factors which affect a particular industry or industries, such as labor shortages or increased production costs and competitive conditions within an industry. Other risks of investing globally in equity securities may include changes in currency exchange rates, exchange control regulations, expropriation of assets or nationalization, imposition of withholding taxes on dividend or interest payments, and difficulty in obtaining and enforcing judgments against non-U.S. entities. In addition, securities which the Adviser believes are fundamentally undervalued or incorrectly valued may not ultimately be valued in the capital markets at prices and/or within the time frame the Adviser anticipates. As a result, the Client may lose all or substantially all of its investment in any particular instance.

### Short Sales

A short sale involves the sale of a security that the Client(s) do 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, the Client(s) must borrow the security and the Client(s) are obligated to return the security to the lender, which is accomplished by a later purchase of the security by the Clients. When the Client makes a short sale in the United States, 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 to the Clients. The extent to which the Client(s) will engage in short sales will depend upon the Adviser's trading strategy and perception of market direction and the value of individual securities. The Adviser may engage in short sales on behalf of the Client(s) as a hedge against potential market declines and/or based on its fundamental analysis of the subject issuers. Additionally, from time to time, the U.S. government or other foreign jurisdictions have imposed restrictions on the abilities of investors to enter short sales, including a complete prohibition of taking short positions of certain companies. Such restrictions may affect the ability of the Adviser to carry out the investment strategy.

### Foreign Securities

Foreign securities historically have been highly volatile and may involve greater risks than comparable U.S. investments, because of, among other things, instability of some foreign governments, the possibility of expropriation, limitations on the use or removal of funds or other assets, changes in governmental administration or economic or monetary policy (in

the United States or abroad) or changed circumstances in dealings between nations. The application of foreign tax laws (e.g., the imposition of withholding taxes on dividend or interest payments) or confiscatory taxation may also affect investment in foreign securities. Higher expenses also may result from investment in foreign securities than would be the case with domestic securities because of the costs that are incurred in connection with conversions between various currencies and because foreign brokerage commissions may be higher than the United States. Foreign securities markets also may be less liquid, more volatile and less subject to governmental supervision than those in the United States. Investments in foreign countries could be affected by other factors not present in the United States, including lack of uniform accounting, auditing and financial reporting standards and potential difficulties in enforcing contractual obligations.

Additionally, many countries within the Asian region are considered emerging markets. Investing in emerging markets involves even greater risk than investing in more-developed foreign markets because, among other things, emerging markets often have more political and economic instability. In particular, the escalation of hostility between Taiwan and China could have a significant adverse effect on the Client's investments in China and may make continued investing in China impossible. Additionally, certain countries such as Korea have historically imposed significant restrictions and controls for foreign investors, which may limit the Client's ability to invest in certain companies in such countries.

Further, when the Client buys or sells a security on an Asian market, the transaction is made in the local currency. The value of the Client's assets denominated in foreign currencies will increase or decrease in response to fluctuations in the value of the foreign currencies relative to the U.S. dollar. Although the Client may attempt to manage currency exchange rate risks, there is no assurance that the Client will do so at an appropriate time or that it will be able to predict exchange rates accurately. Some currency prices may be volatile, and there is the possibility of government controls on currency exchange or government intervention in currency markets, which could adversely affect the Client.

### Technology and Related Risks

Certain of the companies in which the Client invests may allocate greater than usual amounts to research and product development. The securities of such companies may experience above-average price movements associated with the perceived prospects of success of the research and development programs. In addition, companies in which the Client invests could be adversely affected by lack of commercial acceptance of a new product or products or by technological change and obsolescence. Some of these companies may have limited operating histories. As a result, these companies may have inexperienced management, face undeveloped or limited markets, have limited products, have no proven profit-making history, may operate at a loss or with substantial variations in operating results from period to period, have limited access to capital and/or be in the developmental stages of their businesses.

Further, many technology companies rely on a combination of patent, copyright, trademark and trade secret protection and non-disclosure agreements, to establish and protect their proprietary rights, which are frequently essential to the growth and profitability of a

technology company. There can be no assurance that a particular company will be able to protect these rights or will have the financial resources to do so, or that competitors will not develop or patent technologies that are substantially equivalent or superior to the technology of a company in which the Client invests. Conversely, other companies may make infringement claims against a company in which the Client invests, which could have a material adverse effect on such company.

The markets in which many technology companies operate are extremely competitive. New technologies and improved products and services are continually being developed, rendering older technologies, products and services obsolete. Moreover, competition can result in significant downward pressure on pricing. There can be no assurance that companies in which the Client invests will successfully penetrate their markets or establish or maintain competitive advantages.

### *Inflation*

There has been an unusually low rate of inflation in the United States and most other developed economies for some time. At the same time, the central governments have been injecting unprecedented amounts of financial stimulus into these economies — historically a recurring cause of serious inflation. Were significant inflation to occur, the effect on the Adviser's strategy could be materially adverse — while unpredictable, stocks have traditionally been considered a form of “hedge” against inflation, but that is not always the case (particularly in the case of any individual stock) and the Client(s) will take short as well as long positions.

### *Systemic Risk*

The events of late 2008 demonstrated the systemic risk of a general loss in confidence, or simply uncertainty, concerning the stability of financial institutions in general. It is difficult, if not impossible, for any counterparty to know the financial condition of another counterparty in detail, and in a scenario in which a major investment bank declares bankruptcy, resulting in lasting uncertainty concerning, and material losses of, its customer funds, financial institutions can suddenly cease ordinary course dealings with each other, resulting in “credit freezes,” the inability to refinance short-term borrowings and general dysfunction of the financial markets.

Many other highly successful financial market participants sustained major losses as a result of the systemic dysfunction of the global financial system following the Lehman Brothers bankruptcy. There can be no assurance that such disruptions will not recur or that the Client(s) will not incur major losses as a result.

### *Availability of Suitable Investments*

While the Adviser believes that there are currently available many attractive investments of the type in which the Client(s) currently invest, there can be no assurance that such

investments will continue to be available for the Client's investment activities, or that available investments will meet the Client's investment criteria.

*Custody Risk*

The Clients, prime brokers and their affiliates, and other primary custodians may, subject to the restrictions imposed by the Advisers Act, appoint sub-custodians in certain non-U.S. jurisdictions to hold the assets of the Client. The Client's primary custodians may not be responsible for cash or assets held by sub-custodians in certain non-U.S. jurisdictions, or for any losses suffered by the Client as a result of the misconduct, bankruptcy or insolvency of any such sub-custodian.

*Changes in Counterparties and/or Custodians*

The Adviser may change Client's brokerage and custodial arrangements without prior notice to, and without the consent of, the Clients.

**THE FOREGOING LIST OF RISK FACTORS DOES NOT PURPORT TO BE A COMPLETE ENUMERATION OR EXPLANATION OF THE RISKS INVOLVED IN ADVISER'S METHODS OF ANALYSIS AND INVESTMENT STRATEGIES USED IN FORMULATING INVESTMENT ADVICE OR MANAGING ASSETS. PROSPECTIVE CLIENTS SHOULD CAREFULLY REVIEW THE RISKS DESCRIBED IN THE APPLICABLE GOVERNING DOCUMENTS.**

**Item 9 - Disciplinary Information**

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of the Adviser's advisory services or the integrity of management.

Neither the Adviser, nor any of its affiliates, have ever been disciplined or sanctioned by any regulatory agency.

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

- A. The Adviser is not registered, and does not have an application pending to register, as a broker-dealer or registered representative of a broker-dealer. Currently, no employees of the Adviser are registered representatives of a broker-dealer.
- B. Neither the Adviser nor any of its management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of the foregoing entities.
- C. The Adviser does not have any other relationships or arrangements with any related persons that is material to its advisory business or to its Clients.
- D. The Adviser does not recommend or select other investment advisers for its Clients.

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

- A. The Adviser has adopted a written Code of Ethics designed to address and avoid potential conflicts of interest as required under Rule 204A-1 of the Advisers Act (the "Code"). The Code sets forth a standard of business conduct and compliance with federal securities laws by all of the Adviser's employees. The Code contains policies and procedures that ensure that all personal securities trading by employees of the Adviser is conducted in such a manner as to avoid actual or potential conflicts of interest or any abuse of an individual's position of trust and responsibility. Employees are generally prohibited from transactions in single name companies (including IPOs) in their personal accounts and must pre-clear other transactions involving reportable securities. The Adviser requires periodic reporting of employees' personal securities transactions and holdings; and requires prompt internal reporting of Code violations.

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

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

- B. The Adviser does not have a material financial interest in securities for which it recommends to Clients, or buys or sells for Client accounts.
- C. The Adviser or related persons may invest in securities that it recommends to Clients. This may create an incentive for the Adviser to allocate securities in favor of the Adviser's proprietary accounts over the Client's accounts. To address these conflicts of interest, the Adviser has implemented personal trading policies within the Code that requires pre-clearance of personal trades in certain circumstances; requires periodic reporting of employees' personal securities transactions and holdings; and requires prompt internal reporting of Code violations.
- D. Subject to the requirements of the Code, the Adviser or related persons may recommend investments to Clients, or make investments for Clients, at or about the same time that the Adviser or its related persons buys or sells the same investments for their own account.

## Item 12 - Brokerage Practices

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

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

The Adviser does not permit Client(s) to direct brokerage to a specified broker-dealer. All brokerage transactions will be executed through the broker-dealers selected by the Adviser.

*Soft Dollars.* The Adviser or its affiliates may receive from a Client's broker-dealer products and services in addition to brokerage services.

A portion of the commissions generated on a Client's brokerage transactions may generate "soft dollar" credits that the Adviser is authorized to use to pay for research and other non-research related services and products used by the Adviser or its affiliates. The Adviser may enter into "soft dollar" arrangements with one or more broker-dealers whereby the Adviser will direct securities transactions to the broker-dealer in return for research products and services from the broker-dealer. Although the Adviser will use the research and services in making investment decisions for the applicable Client, the Adviser may use such research or services for other Client(s) and the applicable Client will generally pay more than the lowest available commissions for execution of these transactions. The Adviser may also enter into "soft dollar" arrangements to cover Client expenses or costs and expenses of the Adviser to the extent such arrangements are permitted by law.

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

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

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

- B. In general, (and when applicable), the Adviser attempts to aggregate multiple orders for the purchase or sale of the same instrument into block transactions, subject to the overall obligation to achieve best price and execution for its Clients.

**Item 13 - Review of Accounts**

- A. The Principals of the Adviser are responsible for reviewing Client investment portfolios on a continuous basis relating to, among other factors, position sizes; exposure levels; margin requirements; and investment strategy compliance.
- B. See Item 13.A.above.
- C. The Adviser provides Client(s) with periodic written reports and other communications, and all tax information relating to their investments necessary for U.S. federal income tax purposes.

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

- A. The Adviser does not receive any economic benefit, including sales awards or prizes, from any third party for providing advisory services to the Managed Account.
- B. Neither the Adviser nor a related person of the Adviser directly or indirectly compensates any person who is not a supervised person for client referrals.

**Item 15 - Custody**

The Adviser is not a custodian and does not hold client assets.

**Item 16 - Investment Discretion**

The Adviser exercises discretion in managing the Client's investments based on the Client's investment objectives, policies, and strategies disclosed in its Offering Documents.

The Adviser contractually assumes discretionary authority with each Client account under an investment management agreement.

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

The Adviser follows a proxy voting policy to ensure that proxies the firm votes, on behalf of each Client, are voted to further the best interest of that Client. The policy establishes a mechanism to address any conflicts of interests between the Adviser and its Clients. Further, the policy establishes how a Client's underlying investors may obtain information on how the proxies have been voted.

The Adviser determines how to vote after studying the proxy materials and any other materials that may be necessary or beneficial to voting. The Adviser votes proxies in a manner that it believes reasonably furthers the best interests of its Client(s) and is consistent with the investment philosophy as set forth in the relevant Client Offering Documents.

If a proxy vote creates a material conflict between the interests of the Adviser and a Client, the Adviser will resolve the conflict before voting the proxies. The Adviser will take steps designed to ensure that a decision to vote the proxy was based on the Adviser's determination of the Client's best interest and was not the product of the conflict.

The Adviser maintains records of (i) all proxy votes that are made on behalf of its Clients; (ii) all written requests from each Client's underlying investors regarding voting history; and (iii) all responses (written and oral) to investors' requests. Such records are available to each Client's underlying investors upon request.

**Item 18 - Financial Information**

- A. The Adviser does not require or solicit prepayment of more than \$1,200, six months or more in advance.
- B. The Adviser does not believe it has any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to its Clients.
- C. The Adviser has not been the subject of a bankruptcy petition at any time during the past ten years.