



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

### **Integral Health Asset Management, LLC**

**March 2023**

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Integral Health Asset Management, 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 Integral Health Asset Management, LLC. If you have any questions about the contents of this brochure, please contact us at (646) 921-1977. 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 was last updated on October 17, 2022. The last annual update of this Brochure was in March 2022. A summary of material changes since the last annual update of this Brochure is as follows:

- The Adviser is no longer located on 437 Madison Avenue, 21st Floor, New York, New York 10022. Effective October 12, 2022, the Adviser's new principal office and place of business changed to 437 Madison Avenue, 19th Floor New York, New York 10022, as reflected in Item 1 and Item 2.
- The Adviser has updated Item 4 to provide information about new private investment funds managed by the Adviser.

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## **Item 4 - Advisory Business**

### **The Adviser**

The Adviser is an investment firm organized as a Delaware limited liability company that has its principal place of business located in New York, New York. The Adviser is wholly owned by Integral Health Advisors, LP which is owned primarily by Bhagwan Jay Rao (the “Principal”)

The Adviser was formed in 2019 by the Principal.

### **Adviser Services**

The Adviser provides discretionary investment advisory and sub-advisory services to sub-advised accounts (referred to herein as “Managed Accounts”), and also serves as the investment manager to affiliated pooled investment vehicles that are exempt from registration under the Investment Company Act of 1940, as amended (the “1940 Act”), and whose securities are not registered under the Securities Act of 1933, as amended (the “Securities Act”) (each, a “Fund”, collectively, the “Funds”, and together with the Managed Accounts, the “Clients”). The Funds are organized in a master-feeder structure. The Funds currently advised by the Adviser are Integral Health Newton, LP, a Delaware limited partnership (the “Onshore Fund”), Integral Health Newton, Ltd., an exempted company incorporated and existing under the laws of the Cayman Islands (the “Offshore Fund”), and Integral Health Newton Master Fund, LP, an exempted limited partnership existing under the laws of the Cayman Islands (the “Master Fund”). The Onshore Fund and the Offshore Fund pursue their objectives by investing substantially all of their assets in the Master Fund. Integral Health GP, LLC, a Delaware limited liability company (the “General Partner”) serves as general partner to the Onshore Fund and the Master Fund.

The Adviser may tailor the specific advisory services with respect to each Client based on the particular investment objectives and strategies as described in the applicable Client’s confidential offering memorandum, operating agreement, investment management agreement, sub-advisory agreement separate account agreement (as applicable) (referred to as, the “Governing Document(s)”). The Governing Document(s) for a Managed Account may be tailored to reflect the specific needs of the Managed Account. Investments by the Funds are restricted by the terms of each Fund’s Governing Documents.

The Adviser does not participate in wrap fee programs.

### **Assets Under Management**

As of December 31, 2022, the Adviser manages \$656,126,262 in discretionary regulatory assets under management and \$0 in non-discretionary regulatory assets under management.

## Item 5 - Fees and Compensation

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

*Management Fees.* The fees and expenses associated with each Managed Account are negotiated and are described in detail in each Client's Governing Documents.

The Funds pay a quarterly management fee (the "Management Fee") which is calculated and payable in advance as of the beginning of each calendar quarter, based on the net asset value of each investor's capital account in the Funds (each a "Capital Account") generally at a rate of 0.375% (1.50% annually). The Management Fee is debited against each Fund investor's Capital Account and paid to the Adviser for its services pursuant to the terms of an investment management agreement between the Fund and the Adviser. In the case of an investor admitted to the Fund after the first business day of the relevant calendar quarter, the Management Fee will be pro-rated based on the admission date of such investor. For investors who redeem prior to the end of the calendar quarter, the Management Fee will be pro-rated and credited to the investor's Capital Account.

The General Partner may, in its sole discretion, reduce or waive the Management Fee with respect to any Capital Account of any investor including, without limitation, Capital Accounts of employees or related affiliates of such employees (collectively, the "Related Persons").

For Managed Accounts, the Adviser is compensated as per the Governing Documents that are negotiated with each Managed Account which generally provides for monthly or quarterly management fees that are invoiced and paid in advance or in arrears. If advisory services are terminated prior to the end of a billing cycle, the Managed Account will receive a refund of excess fees paid in advance, or a prorated invoice if fees are paid in arrears.

*Performance Allocation.* For each fiscal year, the General Partner of the Funds will be entitled to a performance allocation (the "Performance Allocation") generally equal to the aggregate of 20% of any net profit allocable to each investor for such fiscal year in excess of any loss recovery with respect to such investor's Capital Account, as described below, adjusted for contributions, withdrawals and distributions. Performance Allocations are subject to a "high water mark" limitation, whereby a memorandum loss recovery account is maintained with respect to each investor and is increased for each fiscal year by the aggregate net capital depreciation, if any, allocated to such investor's Capital Account for such fiscal year and decreased (not below zero) by the net capital appreciation, if any, allocated to such investor's Capital Account for such fiscal year. In the event that an investor's loss recovery account ends a fiscal year above zero, the General Partner will not receive a Performance Allocation with respect to that investor until such investor's loss recovery account has been reduced to zero. The Performance Allocation will be allocated from Capital Accounts as of the close of each fiscal year (and as of each other date on which the General Partner determines it is appropriate or necessary to make a determination of the Performance Allocation with respect

to an investor, including a date on which an investor withdraws all or a portion of its Capital Account).

The Adviser or the General Partner may, in their sole discretion, reduce or waive the Performance Allocation with respect to any Capital Account of any investor including, without limitation, Capital Accounts of Related Persons.

For Managed Accounts, the Adviser is compensated as per the Governing Documents negotiated with each Managed Account, which provides for a performance-based fee based on net profit or net gain that is invoiced to the Managed Account and paid in arrears.

*Direct Client Expenses.* Each Fund bears all cost and expenses arising in connection with the operation of such Fund, and (in the case of the Onshore and Offshore Fund), indirectly, its pro rata share of costs and expenses arising in connection with the operations of the Master Fund, including, without limitation, (a) organizational and offering expenses; (b) expenses associated with investments and transactions considered, evaluated and/or consummated, as well as overall consideration and evaluation of the portfolio, including, without limitation, those expenses incurred in the ordinary course of business, including, without limitation, expenses associated with sourcing, negotiating, investigating, researching, financing and structuring of investments and potential investments, whether or not consummated, including, without limitation, data and research on boarding, ingestion, aggregation, and analysis, third-party research, data, analytics, modeling, risk, structuring, pricing, execution and other third-party information systems, including, without limitation, installation and maintenance, software and service fees (including, without limitation, the expenses with respect to data, data feeds, subscriptions, expert networks, political intelligence providers and reports); (c) the costs of research-related computer hardware and software expenses, including, without limitation, Bloomberg terminals and subscriptions and other market information systems, as well as the costs of research management systems and corporate access tracking systems; (d) the costs of the portfolio management system and any other software used for accounting and/or monitoring of the portfolio, including, without limitation, subscriptions relating to, among other things, trading and order management systems and services; (e) expenses associated with holding, financing, monitoring, hedging, maintaining and disposing of all investments and all transaction and other costs associated therewith, including, without limitation, expenses associated with proxy research and voting services; (f) travel, telecommunications and related expenses associated with investments and potential investments; (g) professional fees associated with investments and potential investments, including, without limitation, consulting, due diligence, accounting, valuation, financial, legal and other advisory fees and expenses; (h) transaction fees, exchange fees and expenses, brokerage commissions, expenses relating to short sales, custodial fees, clearing and settlement charges and similar fees and expenses associated with the acquisition, disposition and settling of investments and potential investments, including, without limitation, in connection with outsourced trading; (i) expenses associated with tax, legal, regulatory and compliance filings, including without limitation, filing fees and costs of software and systems related to such filings of the Funds, the General Partner or the Adviser in the United States, the Cayman Islands, or in any other jurisdiction (including, without limitation, pursuant to Sections 13 and 16 of the Securities Exchange Act of 1934, as amended (the “Exchange

Act”)), as well as the expenses associated with preparation and filing of the Adviser’s Form 13F, Form 13H and Form PF, if applicable, and any other similar filing in any other U.S. or non-U.S. jurisdiction; (j) administrative, custodial, appraisal, valuation, legal, regulatory, compliance, consulting, advisory and similar fees and expenses associated with the Funds’ operations, investments and transactions, including, without limitation, fees and expenses of the administrator and the costs of client relationship management systems, and fees of any service provider engaged to verify the work of the administrator or regulatory matters and any anti-money laundering officer fees; (k) expenses incurred in connection with responding to requests or inquiries from any U.S. federal, state, local or non-U.S. governmental entity or authority, regulatory body or self-regulatory organization; (l) broken-deal, failed transaction, break-up and similar fees, costs and expenses (if any); (m) costs and expenses of leverage or any other borrowings, including, without limitation, financing costs, bank service fees and interest charges and fees; (n) expenses incurred in the collection of monies owed; (o) auditing and accounting expenses, including, without limitation, expenses associated with the preparation of financial statements, tax returns and Schedules K-1 and the fees and expenses of the auditor; (p) any taxes, fees or other governmental charges; including, without limitation, any withholding taxes not due to the status or noncompliance of a particular Limited Partner; (q) costs and expenses associated with investor communications and reports and the delivery thereof to investors, as well as costs and expenses associated with preparing and updating investor disclosures; (r) the costs of service providers or software to measure or monitor risk metrics, to aggregate positions and/or to provide reporting with respect to risk metrics and/or positions; (s) costs and expenses associated with materials for and meetings with Limited Partners and potential Limited Partners, including, without limitation, the reasonable costs of the Adviser’s travel to such meetings; (t) insurance expenses, including, without limitation, general partner liability insurance and other policies, if any, as well as expenses with respect to directors’ and officers’ liability insurance, errors and omissions insurance, casualty and property, cyber liability and other risk-specific insurance, and “key-man” life insurance on certain personnel; (u) costs and expenses (including, without limitation, taxes, fees or other governmental charges) associated with the formation, organization and operation of any subsidiary, special purpose vehicle, alternative investment vehicle, holding company or similar entity formed with respect to investments, credit facilities or other transactions entered into; (v) wind-up, liquidation, termination and dissolution expenses; (w) costs, fees and expenses related to registration, qualification and/or exemption under, or compliance with, any applicable U.S. federal, state, local or non-U.S. laws, rules or regulations, including, without limitation, blue sky fees, Form D, Form 8.3, filings with the National Futures Association and the CFTC, if applicable, FATCA compliance, costs and expenses relating to accepting subscriptions from investors in certain non-U.S. jurisdictions (e.g., Switzerland), and notices and other securities and/or investment-related filing expenses; (x) costs related to any transfers of interests in the Funds, unless otherwise charged to or borne by the applicable transferor and/or transferee; (y) expenses incurred in connection with the preparation of any amendment to the Governing Documents; (z) expenses incurred in connection with pursuing, defending or participating in any litigation, arbitration, mediation or similar proceeding; (aa) any extraordinary expenses (including, without limitation, all litigation-related and indemnification and contribution expenses, including, without limitation, the amount of any judgment or settlement paid in connection therewith); (bb) fees and expenses of the independent members of any advisory

board; (cc) the Management Fee; and (dd) all other fees, costs, charges and expenses associated with the business, affairs and/or operations , including, without limitation, any other cost that may otherwise be paid with “soft dollars” pursuant to Section 28(e) of the Exchange Act.

Managed Accounts are generally responsible for all direct expenses related to their operations and activities as negotiated between each Managed Account and the Adviser and set forth in the Managed Account’s Governing Documents. Such expenses may include, but are not limited to, expenses associated with its investment portfolio (including brokerage commissions and other transaction costs), proxies, underwriting and private placements, interest on debit balances or borrowings, custody fees and any withholding or transfer taxes imposed on the Managed Accounts.

Please refer to the discussion of Adviser brokerage practices in Item 12 below.

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 disclosed above under Item 5, Fees and Compensation, the Adviser and/or the General Partner receives a Performance Allocation, which is based on performance of the Clients. The Adviser may in the future provide investment management services to multiple portfolios for multiple Clients. The Adviser expects to typically receive a Management Fee and a Performance Allocation/Fee from its Clients, which fees may vary across Clients. Side-by-side management of Clients with different fee arrangements may create potential conflicts of interest, as the Adviser and its investment personnel have a greater incentive to favor Clients that pay the Adviser higher performance-based compensation or higher fixed, asset-based fees. Additionally, the fact that a significant portion of the Adviser's compensation is based on profits generated by its investment activities creates an incentive for the Adviser to make investments that are riskier or more speculative than would be the case in the absence of such compensation.

To avoid any potential conflict, the Adviser has adopted and implemented policies and procedures intended to address conflicts of interest relating to the management of multiple Clients, including Clients with multiple fee arrangements, and the allocation of investment opportunities. The Adviser will allocate trades primarily *pro rata*, based on a Client's assets under management relative to other clients. Other factors that may affect allocation decisions may include, but are not necessarily limited to, Client directed investment limitations, differing investment strategies and objectives, trading restrictions, risk parameters and cash flows or tax considerations. The Adviser reviews investment decisions for the purpose of ensuring that all Clients with substantially similar investment objectives are treated equitably. The performance of similarly managed Clients will be regularly compared to determine whether there are any unexplained significant discrepancies. In addition, procedures relating to the allocation of investment opportunities require that similarly managed Clients participate in investment opportunities *pro rata* based on asset size and that, to the extent orders are aggregated, they are price-averaged. Finally, procedures established by the Adviser also require the objective allocation for limited opportunities to ensure fair and equitable allocation among Clients.

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

The Adviser currently provides investment advisory services to the Funds and Managed Accounts. Investors in the Funds and Managed Accounts may include, but are not limited to, private investment funds, pension plans, endowments and family offices.

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

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

The principal objective of the Adviser's strategy is to seek to achieve superior returns by investing in equity securities, which the Adviser deems to have significant appreciation potential over a medium to longer-term time horizon. The Adviser will employ an investment strategy designed to produce a consistent absolute return profile with low volatility and little correlation to the broader market. The Adviser will take a holistic view of the industry, trying to anticipate key drivers of the investment debate in each sub-segment (primarily biotechnology, pharmaceuticals, medical devices and healthcare services), while also conducting rigorous bottom-up fundamental analysis to discern relative winners and losers. The methodology will generally favor thematic, relative value investing versus tactical, event driven trades.

The investment strategies described herein are those that the Adviser expects to employ on behalf of its Clients. However, except as expressly set forth herein, there are no limitations on the investment strategies that the Adviser may employ in order to opportunistically respond to, or to take advantage of, changing market conditions and new investment opportunities. Further, the Adviser may invest opportunistically in securities or transactions that vary from the core strategy of the Funds. **There can be no assurance that Client investment objectives will be achieved, and investment results may vary substantially on a monthly, quarterly and annual basis.**

### **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 Governing Documents:

*General Investment and Trading Risks.* All securities investments present a risk of loss of capital. Volatile financial markets increase that risk. If the Adviser's evaluation of an investment opportunity should prove incorrect, a Client could experience losses as a result of a decline in the market value of securities in which a Client holds a long position or an increase in the value of securities in which a Client holds a short position. A Client's investment program will include short sales, which can involve substantial volatility and can, in certain circumstances, substantially increase the adverse impact to which a Client may be subject. The risk management techniques that may be used by the Adviser do not provide any assurance that a Client will not be exposed to a risk of

significant investment losses. No guarantee or representation is made that a Client's investment program will be successful, that a Client will achieve their targeted return or that there will be any return of capital. In addition, investment results may vary substantially over time. In addition, the Adviser will compete for investment opportunities against various other investors, including many of the larger securities and investment banking firms, which have substantially greater financial resources and research staffs, which may reduce a Client's opportunity for profit by reducing the availability of or increasing the price of what a Client believes to be, based on its investment criteria, exceptional investment opportunities.

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

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

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

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

*Concentration of Investments; Limited Diversification.* A Client may hold a limited amount of positions at any given time and a Client may hold relatively large positions in few securities. As a result of a Client's possible lack of diversification, a significant loss in any one position may have a material adverse effect on the net asset value of the Client and the rate of return. Likewise, any fluctuation in the overall value of securities in the healthcare sector likely will have a material effect on the performance of a Client. The Adviser's specialized investment strategy and potential lack of diversification may be more vulnerable to changes in the economy or those industries or other factors than a broad based portfolio, and, as a result, performance results may be highly volatile and may result in a Client significantly outperforming, or underperforming, the market as a whole.

*Risks of Sector-Specific Investments.* The Adviser will generally seek to maintain a diversified portfolio of investments within the healthcare sector, concentrating the portfolio primarily in equity securities in the healthcare sector, which involves substantial sector-specific risks. The foregoing risks are not intended to provide an exhaustive list of the risks attendant to the sectors in which a Client expects to invest.

*Impact of Government Regulation.* The healthcare industry is (or may become) (i) highly regulated at both the federal and state levels in the United States and internationally and (ii) subject to frequent regulatory change. Certain segments may be highly dependent upon various government (or private) reimbursement programs. While the Adviser intends to invest in companies that seek to comply with applicable laws and regulations, the laws and regulations relating to the healthcare industry, are complex, may be ambiguous or may lack clear judicial or regulatory interpretive guidance. An adverse review or determination by any applicable judicial or regulatory authority of any such law or regulation, or an adverse change in applicable regulatory requirements or reimbursement programs, could have a material adverse effect on the operations and/or financial performance of the companies in which a Client invests. The healthcare industry has been, and will likely continue to be, significantly impacted by recent legislative changes, and various U.S. federal, state or local or non-U.S. legislative proposals are introduced from time to time, which, if adopted, could have a significant impact on the healthcare industry in general and/or on companies in which a Client may invest.

*Healthcare Research and Development.* The healthcare industry spends heavily on research and development. Research findings (e.g., regarding side effects or

comparative benefits of one or more particular treatments, services or products) and technological innovation (together with patent expirations) may make any particular treatment, service or product less attractive if previously unknown or underappreciated risks are revealed, or if a more effective, less costly or less risky solution is or becomes available. Any such development could have a material adverse effect on the companies in which a Client invests.

*Equity Securities.* A Client may invest in equity and equity-related securities, including, without limitation, equity investments acquired in connection with restructured debt securities or instruments, or in connection with reorganizations and/or restructurings of debt securities, equity securities or other obligations and assets of undervalued, operationally challenged and/or financially troubled companies or institutions. Equity securities held by a Client may decline in value. Equity securities fluctuate in value in response to many factors, including the activities and financial condition of individual companies, the business market in which individual companies compete, industry market conditions, interest rates, general economic environments and/or certain geo-political events. In addition, equity securities that the Adviser believes are undervalued or incorrectly valued may not ultimately be valued by the markets in the manner that the Adviser anticipates.

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

*Options.* A Client may engage in the trading of options when appropriate. Specific market movements of the securities underlying an option cannot accurately be predicted. The purchaser of an option is subject to the risk of losing the entire purchase price of the option. The writer of an option is subject to the risk of loss resulting from the difference between the premium received for the option and the price of the security underlying the option which the writer must purchase or deliver upon exercise of the option.

*Leverage.* A Client may employ leverage in connection with its investment strategies and/or for any other purpose deemed necessary, desirable or appropriate at such times, in such amounts and subject to such terms and conditions as the Adviser may determine in its sole and absolute discretion. Such leverage may take a variety of forms, including, but not limited to, margin borrowing from securities brokers and dealers, loans, repurchase agreements, derivative instruments that are inherently leveraged, and other financing arrangements, as determined by the Adviser in its sole and absolute discretion. The use of leverage increases both the possibility for gain and the risk of loss. Leverage employed by a Client may be secured by the securities holdings and other assets of a Client, as applicable. Under certain circumstances, a lender may demand an increase in the collateral that secures such obligations, and if a Client is unable to provide additional collateral, the lender could liquidate assets held in the account to satisfy such obligations. Liquidations in that manner could have extremely adverse consequences. In addition, the amount of a Client's borrowing and the interest rates on that borrowing, both of which will fluctuate, may have an effect on a Client's profitability. Additionally, leverage typically will cause a Client's net asset value to increase or decrease at a greater rate than if leverage were not used. In addition, the use of leverage may cause a U.S. tax-exempt investor to realize UBTI.

*Inside Information.* From time to time, the Adviser or its affiliates, may come into possession of material, non-public information concerning a company, and the possession of such information may limit the ability of the Adviser to cause a Client to buy or sell the securities issued by such company at times when the Adviser might otherwise wish to cause a Client to buy or sell such securities.

*Short Sales.* The Adviser may engage in short selling on behalf of a Client. Short selling involves selling securities that are not owned by a Client. A short position is established when a Client borrows securities from securities brokers or other institutions and sells them in an open market transaction with an obligation to return the borrowed securities at a later date. Short selling allows a Client to profit from the decline in the price of the securities by purchasing the securities at a price that is lower than the price at which they were initially sold, in each case, to the extent such decline exceeds the transaction costs and the costs of borrowing the securities. In addition, short sales may act as a hedge against long positions in the same or related securities in a Client's portfolio in the event that the price of securities decline.

However, a short sale creates the risk of unlimited loss because in order to close out a short position, a Client would need to return the borrowed securities by purchasing such securities at prevailing market prices. Specifically, the price of the subject security could rise without limit, thus increasing the cost to a Client of buying those securities in order to close out the short position. There can be no assurance that the security necessary to close out a short position will be available for purchase. Purchasing securities to close out the short position can itself cause the price of the securities to rise further if the demand to buy such securities outpaces the available supply, thereby exacerbating the loss.

For instance, a so-called “short squeeze” can occur when the price of securities in which a Client has an open short position rise sharply in a short time frame. The rapid rise may be a result of (i) multiple short sellers seek to cover their short positions in the same time frame by purchasing the security, resulting in a rapid price increase, (ii) market participants collectively purchase a significant amount of shares, thereby causing a substantial increase in the price of such securities, and/or (iii) one or more lenders of a security that was used to facilitate a short position suddenly demand the return of the security that has been loaned. A “short squeeze” may result in a Client having to prematurely close out short positions at unattractively high prices, resulting in a substantial loss. Further, the risk of a “short squeeze” likely will increase if other short sellers, market participants, and/or lenders become aware of a Client’s short positions, including, without limitation, as a result of legally-required reporting with respect to a Client’s ownership of options to purchase the underlying security being shorted.

In the instance where securities lenders demand a return of securities in respect of an open short position, a Client will need to either find another source of supply of such security or purchase the subject securities in open market transactions at then-prevailing market prices. If a Client is unable to source another securities lender and is forced to close out its short position, a Client could incur significant losses if the securities sold short had increased beyond the price at which a Client initially established its short position.

In addition to the risks of securities loan recalls or “short squeezes,” a Client may be required to provide additional margin to its counterparties, including its prime brokers, on short notice if the price of a security underlying a short position suddenly rises. If a Client is unable to deliver the additional margin required, a Client may need to prematurely close out the short position at unattractive prices, thereby resulting in a substantial loss. In addition, depending on the timing and magnitude of a price increase in respect of an open short position, a Client may be required to liquidate long positions in order to meet margin requirements, thereby further increasing the losses (or decreases the gains) of a Client.

In addition, stock loan fees charged to a Client for borrowing securities may be substantial, and will decrease any gains (or increase losses) associated with the short position. Certain jurisdictions have enacted restrictions on short selling (including wholesale bans, at times) as well as public disclosure requirements. If additional short-selling restrictions and disclosure requirements are enacted, the prices of the instruments in which a Client invests may be materially affected and the ability of the Adviser to take advantage of opportunities for short-selling may be significantly reduced.

*Borrowing; Margin; Interest Rates.* The Adviser may make use of short-term borrowing on behalf of a Client, and any such use will result in certain additional risks to a Client. For example, should the securities pledged to brokers to secure a Client’s margin accounts or repurchase obligation decline in value, a Client could be subject to

a “margin call,” pursuant to which a Client must either deposit additional funds with the broker or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a sudden drop in the value of a Client’s assets, a Client might not be able to liquidate assets quickly enough to pay off its margin debt. In addition, the rates at which a Client can borrow, in particular, will affect the operating results of a Client. Even if a Client makes a profit on a trade, the interest expense incurred in carrying the position may exceed the profit generated by the trade.

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

*Possible Illiquidity of Investments; Investments in Restricted Securities.* A Client may invest in certain investments, which may be in the form of private deals, the securities of which are not traded on public exchanges and are subject to restrictions on sale because they were acquired from the issuer in “private placement” transactions or because a Client is deemed to be an affiliate of the issuer. These investments may not be readily disposable and, in some cases, may be subject to contractual, statutory or regulatory prohibitions on disposition for a specified period of time. For example, a Client generally cannot sell certain restricted securities publicly in the United States without the expense and time required to register the securities under the Securities Act and may not otherwise sell such securities in the United States unless such sale is exempt from registration under the applicable provisions of the Securities Act. Any such market or legal restrictions, or any contractual transfer limitations, on a Client may result in the relative illiquidity of certain of a Client’s investments, preventing or delaying any sale thereof or reducing the amount of proceeds that might otherwise be realized from their sale. The market value of these investments may fluctuate with, among other things, changes in prevailing interest rates, general economic conditions, the condition of financial markets, developments or trends in any particular industry, the financial condition of the issuers of the securities or other financial instruments in which a Client invests and certain geo-political events.

*Trade Error Risk.* Trade errors include, for example, keystroke errors that occur when entering trades into an electronic trading system or typographical or drafting errors related to derivatives contracts or similar agreements. Trade errors may occur, notwithstanding the execution of due care and special procedures designed to prevent



such errors. If trading errors do occur, the Adviser will not be responsible for gains or losses resulting from trade errors, except where such trade error is the result of the Adviser's gross negligence, willful misconduct or fraud.

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

*Risk of Operations/Liquidity Risks.* Although the securities that a Client may acquire generally will be traded on public exchanges, each exchange typically has the right to suspend or limit trading in all securities that it lists. Such a suspension could render it difficult or impossible for a Client to liquidate its positions and would thereby expose it to losses. In addition, some of the securities in which a Client may invest may be thinly traded, potentially making it difficult for a Client to dispose of a position at the time or price desired. Moreover, in periods of extreme market volatility, the bid/ask spreads for some securities that ordinarily are liquid may widen, making it difficult or undesirable to sell the securities. There can be no assurance that the trading markets will remain liquid enough for management to close out existing positions at any time there is a need to do so. There may be a variety of other reasons why a security in which a Client may invest may be illiquid, and, in such event, a Client may have similar issues with realizing such security.

*Risks of Foreign Investments.* A Client may invest in securities of foreign companies, governments and government agencies. Investing in such securities, which are sometimes denominated in foreign currencies, and the use of forward foreign currency exchange contracts, involves unusual risk not typically associated with investing in securities issued by U.S. companies or by the U.S. government or its agencies or instrumentalities. Investing in emerging markets poses greater risks and a greater potential for returns than investing in developed countries. Securities of companies in these emerging markets are generally more volatile and may be much more volatile than securities issued by companies located in developed countries. A Client may be affected favorably or unfavorably by exchange control regulations or changes in the exchange rate between such currencies and the U.S. dollar. Moreover, individual foreign economies may compare unfavorably with the U.S. economy in growth of gross national product, rate of inflation, rate of savings and capital reinvestment, resource self-sufficiency, balance-of-payment positions and in other respects. Some of the countries in which a Client may invest have laws and regulations that currently preclude or severely restrict direct foreign investment in securities of their companies. Securities of some foreign companies are less liquid and their prices are more volatile than securities of comparable U.S. companies. Investing in foreign securities creates a greater risk of securities clearance and settlement problems. Further, some of the securities in which a Client may invest may be thinly traded and relatively illiquid or

may cease to be traded after a Client invests in them. In addition to being illiquid, such securities may be issued by unseasoned companies and may be highly speculative. In addition, a Client occasionally may acquire relatively large positions in a few securities. In such cases, and in the event of extreme market activity, a Client may not be able to liquidate investments promptly, if the need should arise, which could materially and adversely affect the results of such investments.

*Company Capitalization.* A Client may invest in securities of companies with various capitalizations where such companies meet the investment criteria described herein. While such companies may provide significant potential for appreciation, such investments, particularly small-capitalization securities, involve higher risks in some respects than do investments in securities of larger companies. The prices of small capitalization and even medium-capitalization and mid-capitalization securities are often more volatile than prices of large capitalization securities and the risk of bankruptcy or insolvency of many smaller companies (with the attendant losses to long investors) is higher than for larger, “blue-chip” companies. In addition, due to thin trading in some small-, mid- and medium-capitalization securities, an investment in those securities may be illiquid. The small-, mid- and medium-capitalization securities may, at times, significantly underperform the large capitalization securities and may do so in the future. A related concern for short sale risk is that smaller companies tend to be more readily acquired.

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

*Special Situation Investments.* A Client may invest in companies involved in, or the target of, acquisition attempts or tender offers or in companies involved in or undergoing work-outs, liquidations, spin-offs, reorganizations, bankruptcies or other catalytic changes or similar transactions. In any investment opportunity involving any

such type of special situation, there exists the risk that the contemplated transaction either will be unsuccessful, take considerable time or will result in a distribution of cash or a new security, the value of which will be less than the purchase price to a Client of the security or other financial instrument in respect of which such distribution is received. Similarly, if an anticipated transaction does not in fact occur, a Client may be required to sell its investment at a loss. Because there is substantial uncertainty concerning the outcome of the transactions involving financially troubled companies in which a Client may invest, there is a potential risk of loss by a Client of its entire investment in such companies.

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

*Counterparty Risk.* Brokers may trade with an exchange as principals on behalf of a Client, in a "debtor-creditor" relationship, unlike other clearing broker relationships where the broker is merely a facilitator of the transaction. Such broker could, therefore, have title to all of the assets of a Client (for example, the transactions that the broker has entered into on behalf of a Client as principal as well as the margin payments that a Client provides). In the event of such broker's insolvency, the transactions into which the broker has entered as principal could default, and a Client's assets could become part of the insolvent broker's estate, to the detriment of a Client. A Client's assets may be held in "street name," in which case, a default by the broker could cause a Client's rights to be limited to that of an unsecured creditor.

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

In addition, a Client's prime broker and trading agreements may contain certain provisions that allow a counterparty to either terminate the relevant agreement or require additional levels of collateral, as applicable, for various reasons. The termination of the relevant agreement may result in immediate payment by a Client of

the mark-to-market amount, or net liability, due under the agreement, and, if not immediately replaced, a loss of the previously held investment and/or hedging exposure.

*Use of Alternative Data.* The Adviser may purchase and use in its investment process alternative data, consisting of datasets culled from a variety of sources (including, among others, credit card panels, satellite imagery, geolocation and mobility data, app usage, social media sentiment, internet usage, transaction and payment records, and government and other public records databases), including through its incorporation in the Adviser's research of target companies. The purchase, onboarding, analysis and interpretation of alternative data involves a high degree of uncertainty, and no assurance can be given that the use of alternative data by the Adviser will prove beneficial to a Client. The use of alternative data involves an inherent risk that the Adviser may rely on data outputs that reflect faulty system logic or that are based on inaccurate or incomplete data inputs. Moreover, the use of alternative data for investment purposes has been subject to increased scrutiny from regulators, and its use or misuse under current or future laws and regulations, whether related to securities or privacy laws and regulations or otherwise, could create liability for the Adviser and for a Client in various jurisdictions. The Adviser cannot predict what, if any, regulatory or other actions may be asserted with regard to alternative data, but any regulatory investigations or formal actions could cause reputational, financial, or other harm to the Adviser and/or a Client.

*Discretion and Changes in Investment Strategy.* The Adviser has considerable discretion in choosing the securities that may be acquired, and, subject to its fiduciary duties, it has the right to modify the investment strategy, selection criteria or hedging techniques used by Clients without the consent of the Limited Partners. New investment strategies and techniques may not be thoroughly tested in the market before being employed and may have operational or theoretical shortcomings which could result in unsuccessful trades and, ultimately, losses to Clients. In addition, any new investment strategy or technique developed by the Adviser may be more speculative than earlier investment strategies and techniques and may involve material and as-yet-unanticipated risks that could increase the risk of an investment in a Client.

*Financial Crises and Effects on Global Financial Markets.* World financial markets have in the past experienced and may in the future experience extraordinary market conditions, including, among other things, extreme losses and volatility in securities markets and the failure of credit markets to function. In reaction to these events, regulators in the U.S. and several other countries previously have taken and may in the future take regulatory actions. However, global financial markets may remain volatile, and it is uncertain whether regulatory actions will be able to prevent losses and volatility in securities markets. It is possible that regulatory actions might increase the possibility of future volatility. Regulations may increase market fragmentation and decrease the global flow of capital as it may be too difficult for a Client and other market participants to comply with multiple regulatory regimes. There may be significant new regulations that could limit a Client's activities and investment

opportunities or change the functioning of capital markets, and there is the possibility of regional and/or worldwide economic downturn. Consequently, a Client may not be capable of, or successful at, preserving the value of its assets, generating positive investment returns or effectively managing its risks.

*Business Continuity and Disaster Recovery.* The business operations of the Adviser is vulnerable to disruption in the case of catastrophic events such as fires, natural disaster (e.g., tornadoes, floods, hurricanes and earthquakes), terrorist attacks or other circumstances resulting in property damage, network interruption and/or prolonged power outages. Although the Adviser and its affiliates have implemented, or expect to implement, measures to manage risks relating to these types of events, there can be no assurances that all contingencies can be planned for. These risks of loss can be substantial and could have a material adverse effect on a Client.

*Cyber Security Breaches and Identity Theft.* The information and technology systems of the Adviser and its service providers may be vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons, other security breaches and/or usage errors by their respective professionals. 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.

Although the Adviser has implemented measures to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly the Adviser may have to make a significant investment to fix or replace them. The failure of these systems for any reason could cause significant interruptions in such parties' operations and/or a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors (and the beneficial owners of investors). Such a failure could harm the reputation of the Adviser, subject any such entity and their respective affiliates to legal claims and/or otherwise affect their business and financial performance. Specifically, cyberattacks and the failure of such systems may interfere with the processing of Client transactions, impact a Client's ability to value its assets, cause the release of confidential information and/or subject a Client to regulatory fines, penalties or financial losses, reimbursement or other compensation costs, and/or additional compliance costs. A Client also may incur substantial costs for cybersecurity risk management to prevent any cyber incidents in the future. The Adviser could be negatively impacted as a result.

*Novel Coronavirus Pandemic, Public Health Emergency and Global Economic Impacts.* In December 2019, the virus SARS-CoV-2, which causes the coronavirus disease known as COVID-19, was first identified in the human population. The disease spread around the world, resulting in the temporary closure of many corporate offices, retail stores, and manufacturing facilities across the globe, as well as the

implementation of travel restrictions and remote working and “shelter-in-place” or similar policies by numerous companies and national and local governments. These actions caused the disruption of manufacturing supply chains and consumer demand in certain economic sectors, resulting in significant disruptions in local and global economies. Such disruptions continue to be felt, as many countries and U.S. states struggle to contain the virus and its variants. The short-term and long-term impact of COVID-19 on the operations of the Adviser and the performance of the Funds is difficult to predict. Any potential impact on such operations and performance will depend to a large extent on future developments and actions taken by authorities and other entities to contain COVID-19 and its economic impact. These potential impacts, while uncertain, could adversely affect the performance of the Funds.

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

There can be no assurance that the investment objectives of a Client will be achieved. In fact, many of the investment techniques utilized by a Client may, in certain circumstances, exacerbate the adverse impact of particular transactions or conditions on the investment program of a Client.

*Reliance on the Adviser.* The Adviser has exclusive responsibility for a Client’s trading and investment activities. The quality of the investment advice provided by the Adviser is highly dependent upon the skills, judgment and expertise of its investment team. The loss of the services of any member of the investment team could adversely affect the Adviser’s ability to trade effectively. In particular, the success of a Client will be largely dependent upon the efforts of the Principal. Although the Principal intends to devote such time and attention to the business, investment activities and affairs to Clients, he also may engage in other business activities that may limit the time devoted to the business of Client accounts.

*Valuation Risks.* There can be no guarantee that the value ascribed to any Client investment will represent the value realized by a Client upon the disposition of such investment or that could be realized upon an immediate disposition of such investment. As a result, a Client that withdraws all or any portion of its capital prior to the disposition of such investment may not participate fully in the ultimate profits or losses realized for such investment.

*Business and Regulatory Risks of Alternative Investment Funds.* The financial services industry generally, and the activities of alternative investment funds and their managers in particular, have been subject to intense and increasing regulatory scrutiny. Such scrutiny may increase a Client’s exposure to potential liabilities and to legal, compliance and other related costs. Increased regulatory oversight may also impose

additional administrative burdens on the Adviser, including, without limitation, responding to examinations, investigations, and document requests, implementing new policies and procedures and complying with recordkeeping and reporting obligations. Such burdens may divert such parties' time, attention and resources from portfolio management activities.

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

The Adviser cannot address or anticipate every possible current or future regulation that may affect a Client. Such regulations may have a significant impact on a Client, including, without limitation, restricting the types of investments a Client may make, preventing a Client from exercising its voting rights with respect to certain financial instruments, requiring a Client to disclose the identity of its investors or otherwise.

#### **Item 9 - Disciplinary Information**

The Adviser has no reportable material legal or disciplinary events.

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

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.

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.

The Adviser sponsored the formation of the Funds, which are all private investment funds. An affiliate of the Adviser (the General Partner) serves as the general partner to the Onshore Fund and the Master Fund. The Adviser does not have independent management and the Adviser selected the directors for the Offshore Fund which is a corporation and the Advisory Board of the Master Fund which is limited partnership. Although this arrangement gives the Adviser heightened control and discretion over the Funds, the Adviser seeks to manage any conflicts of interest by adhering to the investment strategy and investment allocation policy discussed in the Governing Documents of the Funds.

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. For a description of material conflicts of interest, as well as a description of how such conflicts are addressed, please see Item 11 below.

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**

### **Code of Ethics**

The Adviser has adopted a written Code of Ethics (the “Code”) designed to address and avoid potential conflicts of interest as required under Rule 204A-1 of the Investment Advisers Act of 1940 (the “Advisers Act”). The Code sets forth a standard of business conduct and compliance with federal securities laws by all of the Adviser's employees. The Code contains policies and procedures that 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. Employees are permitted to maintain positions in single name securities at the inception of their employment; however they are prohibited from adding to such investments, and the liquidation of such investments must go through the Adviser's normal pre-clearance process. The Adviser requires periodic reporting of employees' personal securities transactions and holdings, and requires prompt internal reporting of Code violations.

The Code is distributed to all employees at the time of hire and an executed acknowledgement is required. Additional acknowledgements are required on at least an annual basis.

This summary of the Code is qualified in its entirety by the Code, which is available to Clients and prospective clients upon request.

### **Conflicts of Interest**

The Adviser does not have a material financial interest in securities for which it recommends to Clients, or buys or sells for Client accounts.

Employees of the Adviser may maintain existing investments at the inception of their employment (as noted above) so they may ultimately have an investment in a security that it recommended to Clients. 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. These policies and procedures are designed to ensure that employee investment activities do not conflict with the Adviser's fiduciary obligations to its clients or otherwise appear improper.

### *Allocation of Investment Opportunities*

The Adviser may allocate investment opportunities among Clients in any manner that it reasonably determines to be necessary, desirable, or appropriate, and consistent with its fiduciary duties. If an investment is appropriate for one or more Client, the investment generally will be allocated among such Clients in a manner that is fair and equitable, which generally is expected to be *pro rata* based upon the respective Clients' net asset values of. However, the

Adviser, in its sole and absolute discretion, may make non-*pro rata* allocations among Clients based upon a variety of factors including, among other things, investment program and investment objectives, investment capacity, amount of deployed and undeployed capital, fixed investment periods (if any), available leverage, desired leverage or available cash, tax, legal, and regulatory considerations, overall portfolio composition, tolerance for volatility and risk, desired concentration, exposure and diversification targets, liquidity needs, different terms governing the Clients, risk profile, investment guidelines and restrictions, to avoid odd lots, when a *pro rata* allocation would result in a *de minimis* allocation to one or more Clients, and/or such other factors that the Adviser determines are consistent with fair and equitable treatment of the Clients over time. As a result, performance results among the Funds and other Clients likely will differ.

Similarly, although sales of investments held by multiple the Clients generally will be sold by them on a *pari passu* basis, the Adviser may, in its sole and absolute discretion, sell investments from various Clients on a non-*pari passu* basis, based on a variety of factors, including those described above regarding allocations of investment opportunities. Accordingly, it is possible that one Client may sell an investment, while another Client retains, or invests more capital in, the same investment.

#### *Transactions with Affiliates, Cross Trades and Principal Transactions*

The Funds may, from time to time, purchase a security or other instrument or asset from, sell a security, instrument or other asset to, or otherwise engage in cross trades with, another Client or enter into other transactions and arrangements with its affiliates that may be viewed as related-party or principal transactions. While no cross trade, principal transaction or other transaction described in this paragraph will be entered into unless it complies with applicable law, it is possible that such transaction may disproportionately affect and negatively impact a Client (including the Funds).

#### *Service Providers*

The administrator, the auditor and the prime brokers will from time to time act in a similar capacity to, or otherwise be involved in, other funds or investment schemes, some of which may have similar investment objectives to those of the Funds. Thus, each likely will be subject to conflicting demands in respect of allocating management time, services and other functions between the activities each has undertaken with respect to the Funds and the activities each has undertaken or will undertake with respect to other investors or other accounts. It is therefore likely that any of them may, in the course of their respective businesses, have potential conflicts of interest with the Funds or the Limited Partners.

The Principal, the Adviser (or its affiliates), the Funds and/or other Clients likely will engage common service providers. In such circumstances, there may be a conflict of interest between or among such parties in determining whether to engage such service providers. Further, the service providers selected for the Funds may charge different rates to different recipients based on the specific services provided, the personnel providing the services, or other factors. As a result, the rates paid with respect to these service providers by the Funds may be more or less

favorable than the rates paid to such service providers by the Principal, the Adviser (or its affiliates) and/or the other Clients.

## **Item 12 - Brokerage Practices**

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 Policy**

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, including, but not limited to research, liquidity, pricing, commission rates, reliability and financial stability. 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, however the Adviser does negotiate transaction costs to ensure they are in line with customary market rates. 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.

### **Selection of Broker-Dealers**

The Adviser does not permit Clients to direct brokerage to a specified broker-dealer. All brokerage transactions will be executed through the broker-dealers selected by the Adviser in accordance with the policy described above.

### **Research and Other Soft Dollar Benefits**

The Adviser believes that valuable brokerage and research services can be provided to Clients by brokerage firms effecting transactions for such Clients. Accordingly, the Adviser does not intend to seek lower brokerage commissions to the extent that doing so might detract from the provision of such brokerage and research services and the Adviser has determined that the commissions charged are reasonable. Therefore, Clients may pay commissions higher than those charged by other broker-dealers in return for these brokerage and research services. Brokerage and research services may either be obtained from brokerage firms or paid for by brokerage firms and may include, written (including electronic) information and analyses concerning specific securities, companies or sectors; news, quotation, statistics and pricing services, as well as discussions with research personnel and consultants; and software, data bases and other technical services utilized in the investment management process and consulting fees in connection with investigating

and monitoring potential and existing investments. Research services may be proprietary research (created or developed by the broker-dealer) and research created or developed by a third party. Research services, whether obtained by the use of commissions arising from a Client's portfolio transactions or paid for by the Adviser and charged to a Client as described above, may be used by the Adviser for the benefit of other Clients and the Adviser will not seek to allocate research benefits to Client accounts in proportion to the soft dollar credits the accounts generate. The Adviser may use "soft" or commission dollars, and retains the right to do so. If the Adviser uses soft dollars generated by Client accounts to pay certain expenses which would otherwise be payable by such Client account, the Adviser intends for such payments to fall within the parameters of Section 28(e) of the Exchange Act.

During the last fiscal year, the Adviser only acquired services that are set forth above with client brokerage commissions. During this period, client transactions were allocated to brokers in accordance with the Adviser's best execution policy.

The Adviser may also receive some services that may be used for both research and other, non-research purposes (i.e. "mixed-use" services). The Adviser will assume that the non-research/brokerage portion of the mixed-use services are for its own benefit rather than the benefit of Clients and therefore will make a good faith effort to determine the relative proportion of such mixed-use services related to both research and non-research purposes. The portion of the services that are deemed to be non-research will be paid directly by the Adviser, while the remaining research portion shall be paid for by Clients using soft dollars in a proportion that the Adviser has determined using a good faith estimate based on which entities were the beneficiaries of the services received.

From time to time, the Adviser receives certain economic benefits from prime brokers that might not be received otherwise. The services may include capital introduction and consulting services. While these services are generally provided at no additional cost, the Adviser may have an incentive to select certain broker-dealers due to receipt of such services rather than for the purpose of achieving best execution.

When the Adviser uses brokerage commissions to obtain research or other products or services, the Adviser receives a benefit because the Adviser does not have to produce or pay for such research, products or services. The Adviser may have an incentive to select or recommend a broker-dealer based on its interest in receiving the research or other products or services, rather than in the Clients' interest in receiving most favorable execution.

### **Directed Brokerage**

The Adviser does not have Client-directed brokerage arrangements.

### **Aggregation of Orders**

Subject to the discretion of the Adviser, the Adviser may aggregate buy or sell orders for two or more Clients into a single large order, and place the aggregated order with a single broker or dealer or execution. In many instances, such aggregating of orders can result in lower commissions, a more favorable net price or more efficient execution than if each Client's order were placed separately. There may, however, be instances in which the aggregation of

orders results in a less favorable transaction than a particular client would have obtained by trading separately. To avoid any potential conflict, the Adviser has adopted and implemented policies and procedures intended to address conflicts of interest relating to the management of multiple accounts, including accounts with multiple fee arrangements, and the allocation of investment opportunities. The Adviser will allocate trades primarily *pro rata*, based on a client's relative assets under management. Other factors that may affect allocation decisions include, but are not necessarily limited to, client directed investment limitations, differing investment strategies and objectives, trading restrictions, risk parameters and cash flows or tax considerations. The Adviser reviews investment decisions for the purpose of ensuring that all accounts with substantially similar investment objectives are treated equitably. The performance of similarly managed accounts will be regularly compared to determine whether there are any unexplained significant discrepancies. In addition, procedures relating to the allocation of investment opportunities require that similarly managed accounts participate in investment opportunities *pro rata* based on asset size and that, to the extent orders are aggregated, they are price-averaged. Adjustments or changes may be made under certain circumstances, such as to avoid odd lots or excessively small allocations. If the order at a particular broker is filled at several different prices, through multiple trades, generally all such participating accounts will receive the average price and pay the average commission, subject to odd lots, rounding, and market practice. Similarly, when orders are not aggregated, there may be circumstances when purchases or sales of portfolio securities for one or more clients will have an adverse effect on other clients. The Adviser is not obligated to place all transactions on an aggregated basis, and in determining whether or not to aggregate orders the Adviser relies on the judgment of certain of its trading personnel as to what course of action is likely to be fair and in the best interests of the relevant accounts on an overall basis. That is, the Adviser seeks to avoid putting any Client account at an advantage or disadvantage compared to the Adviser's other Client accounts that are buying or selling the same security. Each Client participating in an aggregated order will participate at the same price as all other participants, and all transaction costs on the order will be allocated *pro rata* to all participating Clients.

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

### **Oversight and Monitoring**

The Adviser provides continuous advisory services for its Clients. The Adviser, its Principal, and its Chief Operating Officer review Client accounts to ensure that they conform to the Client's investment objectives and pursuant to the Adviser's stated investment strategies and styles. Client accounts generally are reviewed for performance and compliance with portfolio covenants on a daily basis.

### **Reporting**

The Adviser provides reports in accordance with the Fund's investment management agreement and Governing Documents and as may be agreed with particular Fund investors. The Adviser has engaged an independent public accounting firm to prepare audited financial statements of the Funds [prepared in accordance with GAAP] within 120 days of the end of each fiscal year or as soon as reasonably practicable thereafter. The Adviser has also retained the services of a third party administrator to act as administrator, share registrar and transfer agent for the Funds. In addition, the administrator will perform AML responsibilities with regard to investors in the Funds. The administrator is generally responsible for producing and distributing monthly account statements and other Fund reporting information as specified above to investors in the Funds.

For Managed Accounts, reporting, if any, is agreed to with each Managed Account and is set forth in the Managed Account's Governing Document.

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

The Adviser does not compensate any person for investor referrals. In the event of a referral arrangement agreed upon by the Adviser and a third party solicitor, the Adviser would require such third party solicitor to provide written disclosures to the referred client or investor. Referred clients or investors should ensure that they receive and read the disclosure document from the third party solicitor.

The Adviser receives certain research or other products or services from broker-dealers through soft dollar and other arrangements. These arrangements create an incentive for the Adviser to select broker-dealers based on the Adviser's interest in receiving the research or other products or services and may result in the selection of a broker-dealer on the basis of considerations that are not limited to the lowest commission rates and may result in higher transaction costs than would otherwise be obtainable by the Adviser on behalf of Clients.

Please see Item 12 for further information on soft dollar practices.



## **Item 15 - Custody**

With the exception of “privately issued securities” per Rule 206(4)-2 under the Advisers Act, all Client assets will be cleared and held in custody with unaffiliated qualified custodians which may include major global broker- dealers, custodial banks or an ISDA counterparty. The Adviser does not maintain custody of Managed Account assets, however such Clients receive statements directly from qualified custodians.

To the extent required in order to comply with Rule 206(4)-2 of the Advisers Act, the Adviser will provide Fund investors with audited financial statements prepared by an outside auditor and in accordance with generally accepted accounting principles within 120 days of the applicable Fund’s fiscal year end.

## **Item 16 - Investment Discretion**

The Adviser provides investment advice directly to its Funds pursuant to a written investment management agreement with the Funds, subject to the discretion and control of the General Partner or the board of directors of the applicable Fund, and not directly to the investors in the Funds. Therefore, Fund investors may not impose any limits on the Adviser’s discretionary authority. Any powers of attorney and any restrictions on the Adviser’s authority are set forth in the Governing Documents of the Funds.

For Managed Accounts, the Adviser contractually assumes discretionary authority with each Managed Account as per the investment management agreement entered into between the Adviser and each Managed Account Client. The Governing Document(s) of a Managed Account Client typically set forth certain limitations on Adviser’s discretion, including, but not limited to, limits on the use of leverage, exposures, types of investments, jurisdictional limits and concentration limits.

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

The Adviser has established proxy voting policies and procedures designed to ensure that in cases when the Adviser votes proxies with respect to Client securities, such proxies are voted in the best interests of the Clients. Generally, the Adviser votes all proxies it receives on behalf of Clients.

Clients will generally not be permitted to direct their votes in a particular solicitation.

If a material conflict of interest between the Adviser and a Client exists, the Adviser will determine whether voting in accordance with the guidelines set forth in the proxy voting policies and procedures is in the best interests of the Client or may consult with the Chief Compliance Officer or outside counsel. The Adviser does not expect to make any qualitative judgment regarding its Client's investments.

Clients and investors in the Funds can request a copy of the Adviser's proxy voting policies and procedures, as well as proxy voting records relevant to such account.

The Adviser does not generally participate in class action settlements.

### **Item 18 - Financial Information**

The Adviser does not collect more than \$1,200 in fees six months or more in advance.

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.