

Centralis Capital LLC

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March 30, 2023

This brochure (this “Brochure”) provides information about the qualifications and business practices of Centralis Capital LLC. If you have any questions about the contents of this Brochure, please contact us at info@centraliscap.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Registration as an investment adviser does not imply that Centralis Capital LLC or any of its principals or employees possess a particular level of skill or training in the investment advisory business or any other business.

Additional information about Centralis Capital LLC is also available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2. Material Changes

There are no material changes to report since March 28, 2022, the date of Centralis Capital LLC's most recent annual updating amendment to its Brochure. This Brochure has been amended to update the title of the principal owner as the Chief Investment Officer and to clarify certain investment related risks. While Centralis Capital LLC does not consider these changes to be material, clients and investors are encouraged to read this document in its entirety.

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Item 4. Advisory Business

Centralis Capital LLC (“we” “us,” or “our”) is a Delaware limited liability company that was formed on October 13, 2013. We are principally owned by Cameron Addington (the “Chief Investment Officer”).

We provide discretionary investment advice to Centralis Partners LP (the “Fund”). References throughout this document to “clients” refer to the Fund and any other private fund or separately managed accounts that we may advise in the future.

The Fund is managed in accordance with its own investment and trading objectives, as described in its offering memorandum and governing documents. We do not permit investors in the Fund to impose limitations on the investment activities described in such documents. Under certain circumstances, we may contract with a client to adhere to limited risk and/or operating guidelines imposed by that client. We would negotiate such arrangements on a case-by-case basis. (See *Item 16 - Investment Discretion*)

Centralis Capital GP LLC (“Centralis GP”) serves as the general partner to the Fund.

In addition, we provide investment recommendations or advice to certain entities (“Investment Consulting Clients”) on a non-discretionary basis (such services, the “Investment Consulting Services”). In these circumstances, we are not responsible for implementing any of our investment recommendations or advice and the Investment Consulting Clients are solely responsible for accepting, rejecting, and implementing such recommendations and advice.

We do not participate in wrap fee programs.

As of December 31, 2022, we managed \$89,813,305 of regulatory assets under management on a discretionary basis. We do not manage any regulatory assets under management on a non-discretionary basis.

Item 5. Fees and Compensation*The Fund*

Our fees and compensation are described in our advisory contract with the Fund, as well as in the Fund’s offering memorandum. The Fund pays us a quarterly management fee of: (i) 0.25% (approximately 1.0% on an annualized basis) for certain series of the Fund’s interests and (ii) 0.375% (approximately 1.5% on an annualized basis) for other series of the Fund’s interests. Management fees are paid in advance. Once paid, the management fee is non-refundable. We have waived and may in the future waive, reduce or rebate our management fee for certain investors, including our affiliates.

Centralis GP is also entitled to receive performance-based allocations from the Fund, as further described in *Item 6 – Performance-Based Fees and Side-By-Side Management*.

Investment Consulting Clients

Our compensation schedule with respect to each Investment Consulting Client is contained in the relevant agreement with such entity (the “Investment Consulting Agreement”). All of our Investment Consulting Clients are “qualified purchasers” (as defined in Section 2(a)(51) of the Investment Company Act of 1940, as amended). Certain Investment Consulting Clients pay us a quarterly management fee in arrears. Such

fees are invoiced and paid to us directly by such Investment Consulting Clients in accordance with their Investment Consulting Agreements. In addition, we are entitled to receive performance-based fees from certain Investment Consulting Clients.

Expenses

The Fund bears all costs and expenses related to its investments and its operations, including, without limitation, data and data service related fees; routine audit, tax preparation, and accounting expenses (including, for the avoidance of doubt, any outsourced accounting expenses); fees and expenses of an administrator (the “Administrator”) and such other expenses as so determined by Centralis GP in its sole discretion (“Ordinary Expenses”) and brokerage and other transaction costs, clearing and settlement charges, trade break fees, consulting expenses, legal fees and other expenses in connection with conducting due diligence and negotiating the terms of certain investments regardless of whether such investments are consummated, fees and expenses for risk management services and insurance expenses including costs of any liability insurance obtained on behalf of the Fund, custodial fees, research expenses (including research-related travel expenses incurred with respect to potential or existing investments and the cost of research services such as Bloomberg), initial and variation margin, interest and commitment fees on debit balances or borrowings, proxy solicitation expenses, legal expenses, regulatory costs and expenses (including filing and license fees and preparation of federal, state and local filings), preparation and filing of Form PF, any issue or transfer taxes chargeable in connection with any securities transactions, any entity level taxes and fees, costs of reporting and providing information to investors, indemnification expenses, the above-described management fee, costs of litigation or investigation involving Fund activities, stock borrowing fees and any extraordinary expenses (the “Other Expenses”).

The amount of Ordinary Expenses borne by the Fund for any fiscal year are subject to a cap, but such cap does not apply to Other Expenses. Notwithstanding the foregoing, if in any fiscal year the amount of Ordinary Expenses is less than the Ordinary Expenses cap for such year, then the Fund will reimburse us and/or Centralis GP, as the case may be, for any previously paid expense reimbursements, subject to certain limitations.

We or our affiliates may elect from time to time to pay certain of the Fund’s expenses, including Ordinary Expenses.

Investment Consulting Clients bear their own costs and expenses. We (and not the Fund) will bear the equitable portion of expenses shared by the Fund and the Investment Consulting Clients, if any.

We may also allocate a portion of the Fund’s capital to money market funds or exchange-traded funds (“ETFs”). In addition to the fees and expenses discussed above, the Fund will indirectly incur similar fees and expenses if we invest its capital in such funds, as these funds in turn pay similar fees and expenses to their investment managers and other service providers.

For a more detailed discussion of brokerage and transaction costs, see *Item 12 - Brokerage Practices*.

Item 6. Performance-Based Fees and Side-By-Side Management*The Fund*

Centralis GP is entitled to receive annual performance-based allocations from the Fund. Such performance-based allocation is equal to: (i) 15% of the capital appreciation of the Fund's assets with respect to certain series of the Fund's interests and (ii) 20% of the capital appreciation of the Fund's assets with respect to other series of interests. Such performance-based allocation is subject to a loss carryforward mechanism.

In the event that an investor withdraws capital (in whole or in part) from the Fund other than at the end of a fiscal year, the deduction of the performance-based allocation will be made with respect to such investor as though it were being made at the end of a fiscal year.

We or our affiliates have waived and may in the future waive or rebate the Fund's performance-based allocation with respect to one or more investors, including our affiliates.

Investment Consulting Clients

Our compensation schedule with respect to each Investment Consulting Client is contained in the relevant Investment Consulting Agreement. We are entitled to receive performance-based fees from certain Investment Consulting Clients. Such performance-based fee is equal to a percentage of such clients' profits after a return of contributed capital.

Side-by-Side Management

Performance-based compensation arrangements create an incentive for us to recommend investments that may be riskier or more speculative than those that would be recommended under a different compensation arrangement.

Currently, the Fund is the only account over which we have discretion and trading authority. To the extent that we advise additional client accounts in the future, performance-based compensation arrangements could also create an incentive for us to favor accounts with higher compensation rates over other accounts when allocating investments. Accordingly, if we manage additional client accounts in the future, we will adopt and follow procedures designed and implemented to ensure that all clients are treated fairly and equitably. Further, we follow documented procedures in recommending investments to our Investment Consulting Clients, which do not take into account the performance-based compensation to which we are entitled.

In addition, because our management fees and performance-based compensation from the Fund are generally based on the net asset values, we have a conflict of interest in valuing the assets held by the Fund. To mitigate this conflict, we follow documented valuation processes and periodically consult with the Fund's Administrator and auditor.

Item 7. Types of Clients

Investors in the Fund are generally high net worth individuals and institutional investors that qualify as "accredited investors" (as defined in Rule 501 under the Securities Act of 1933, as amended) and

“qualified clients” (as defined under the Advisers Act). The minimum initial investment in the Fund is generally \$500,000. We may waive such minimum under certain circumstances.

If we determine to require a minimum investment for any Investment Consulting Client, we will make that determination on a case-by-case basis.

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

Methods of Analysis and Investment Strategies Generally

The Fund’s investment objective is to achieve high absolute rates of return while minimizing the risk of capital loss. The Fund employs an opportunistic, directional, long/short investment strategy focused on energy market securities. The Fund’s investment universe includes but is not limited to the equity securities (and to a lesser extent the debt and convertible securities) of conventional and renewable energy companies as well as the underlying commodities (primarily oil and natural gas futures and options). We seek to utilize our strong fundamental energy sector knowledge to exploit opportunities within such investment universe.

The Fund’s portfolio is opportunistically comprised of long/short equity and long/short commodities positions with risk allocated to the area (or areas) which we believe offers the most attractive risk/return characteristics. We have flexibility to allocate risk amongst the long/short equity and long/short commodities strategies and believe this flexibility to be a key competitive advantage.

Our research process combines both a top down and a bottom up research approach to identify attractive opportunities and to assemble a portfolio with attractive risk/return characteristics.

The foregoing is a summary description of the strategies employed by the Fund. Such strategies are set forth in greater detail in the Fund’s offering memorandum.

Investing in securities involves risk of loss that clients and investors should be prepared to bear.

Risk Factors

Our investment strategy involves significant risks. A discussion of the material risks is provided below. Prospective investors and clients are strongly urged to review the Fund’s offering memorandum and other governing documents carefully and consult with their own financial, legal and tax advisers before investing in the Fund.

Investment and Trading Risks. An investment in the Fund involves a high degree of risk, including the risk that the entire amount invested may be lost. No guarantee or representation is made that the Fund’s investment program will be successful. We will be investing substantially all of the Fund’s assets in securities, some of which may be particularly sensitive to economic, market, industry and other variable conditions. The markets in which the Fund expects to invest have in recent years experienced and continue to experience significant volatility and losses. No assurance can be given as to when or whether adverse events might occur that could cause immediate and significant losses to the Fund.

Energy Sector Risk. The Fund concentrates its investments in the energy sector. The energy sector may be subject to short-term volatility due to a variety of factors, including weather, international political and economic developments, breakdowns in the facilities for the production, storage or transport of energy

and energy-related products, acts of terrorism, changes in government regulation, and sudden changes in fuel prices. The Fund may be affected to a greater extent by any of these developments than would be the case with a more diversified portfolio of investments.

Concentration Risk. The Fund's strategy, which involves energy investments, particularly energy MLPs, means that the Fund's performance may be closely tied to the performance of the energy industry. The Fund's concentration in these investments may present more risk than if the Fund was broadly diversified over numerous industries and sectors of the economy. A downturn in these investments would have a greater impact on the Fund than on a fund that does not concentrate in such investments. At times, the performance of these investments may lag the performance of other industries or the market as a whole. Risks inherent in the business of energy companies including MLPs include:

- **Commodity Price Volatility Risk.** The volatility of energy commodity prices can significantly affect energy MLPs due to the impact of prices on the volume of commodities developed, produced, gathered and processed. Historically, energy commodity prices have been cyclical and exhibited significant volatility, which may adversely impact the value, operations, cash flows and financial performance of energy companies including MLPs in which the Fund invests. Commodity prices fluctuate for several reasons and can be swift, including changes in global and domestic energy markets, general economic conditions, consumer demand, price and level of foreign imports, the impact of weather on demand, levels of domestic and worldwide supply, levels of production and imports, domestic and foreign governmental regulation, political instability, acts of war and terrorism, the success and costs of exploration projects, conservation and environmental protection efforts, alternative energy, taxation and the availability of local, intrastate and interstate transportation systems.
- **Supply and Demand Risk.** A decrease in the exploration, production or development of oil, refined petroleum products, natural gas liquids, natural gas, or a decrease in the volume of such commodities, may adversely impact the financial performance and profitability of energy companies, including MLPs. Production declines and volume decreases could be caused by various factors, including changes in commodity prices, oversupply, depletion of resources, declines in estimates of proved reserves, catastrophic events affecting production, labor difficulties, political events, production variance from expectations, Organization of the Petroleum Exporting Countries ("OPEC") actions, environmental proceedings, increased regulations, equipment failures and unexpected maintenance problems or outages, inability to obtain necessary permits or carryout new construction or acquisitions, unanticipated expenses, import supply disruption, increased competition from alternative energy sources, and other events. All of the above is particularly true for new or emerging areas of supply in that they may have limited or no production history. Reductions in or prolonged periods of low prices for natural gas and oil can cause a given reservoir to become uneconomic for continued production earlier than it would if prices were higher. A sustained decline in or varying demand for such commodities, could also adversely affect the financial performance of energy companies, including MLPs. Factors that could lead to a decline in demand include economic recession or other adverse economic conditions, political and economic conditions in other natural resource producing countries including embargoes, hostilities in the Middle East, military campaigns and terrorism, OPEC actions, higher fuel taxes or governmental regulations, increases in fuel economy, consumer shifts to the use of alternative fuel sources, exchange rates, and changes in commodity prices or weather.

- Reserve & Depletion Risk. Estimates of proved reserves and projected future net revenue by energy companies, including MLPs, are generally based on internal reserve reports, engineering data, and reports of independent petroleum engineers. Estimated reserves are based on many assumptions that may prove inaccurate and require subjective estimates of underground accumulations and assumptions concerning future prices, production levels, and operating and development costs. As a result, estimated quantities of proved reserves, projections of future production rates, and the timing of related expenditures may prove to be inaccurate. Any material negative inaccuracies in these reserve estimates or underlying assumptions could materially lower the value of upstream energy companies, including MLPs. Future natural gas, NGL and oil production is highly dependent upon the success in acquiring or finding additional reserves that are economically recoverable. This can be particularly true for new areas of exploration and development, such as in North American oil and gas reservoirs, including shale plays. A portion of any one upstream company's assets may be dedicated to oil or natural gas reserves that naturally deplete over time and a significant slowdown in the identification or availability of reasonably priced and accessible proved reserves for these companies could adversely affect their business.
- Operating Risk. Energy companies, including MLPs, are subject to many operating risks, including: equipment failure causing outages; structural, maintenance, impairment and safety problems; transmission or transportation constraints, inoperability or inefficiencies; dependence on a specified fuel source; changes in electricity and fuel usage; availability of competitively priced alternative energy sources; changes in generation efficiency and market heat rates; lack of sufficient capital to maintain facilities; significant capital expenditures to keep older assets operating efficiently; seasonality; changes in supply and demand for energy; catastrophic and/or weather-related events such as spills, leaks, well blowouts, uncontrollable flows, ruptures, fires, explosions, floods, earthquakes, hurricanes, discharges of toxic gases and similar occurrences; storage, handling, disposal and decommissioning costs; and environmental compliance. Breakdown or failure of an energy company's or MLP's assets may prevent it from performing under applicable sales agreements, which in certain situations, could result in termination of the agreement or incurring a liability for liquidated damages. As a result of the above risks and other potential hazards associated with energy companies, including MLPs, certain companies may become exposed to significant liabilities for which they may not have adequate insurance coverage. Any of the aforementioned risks could have a material adverse effect on the business, financial condition, results of operations and cash flows of energy companies, including MLPs. The energy industry is cyclical and from time to time may experience a shortage of drilling rigs, equipment, supplies, or qualified personnel, or due to significant demand, such services may not be available on commercially reasonable terms. A company's ability to successfully and timely complete capital improvements to existing or other capital projects is contingent upon many variables. Should any such efforts be unsuccessful, an energy MLP or company could be subject to additional costs and/or the write-off of its investment in the project or improvement. The marketability of oil and gas production depends in large part on the availability, proximity and capacity of pipeline systems owned by third parties. Oil and gas properties are subject to royalty interests, liens and other burdens, encumbrances, easements or restrictions, all of which could impact the production of a particular energy MLP or company. Energy companies operate in a highly competitive and cyclical industry, with intense price competition. A significant portion of their revenues may depend on a relatively small number of customers, including governmental entities and utilities. Energy companies including MLPs engaged in interstate pipeline transportation of natural gas, refined petroleum products and other products are subject to

regulation by the Federal Energy Regulatory Commission (“FERC”) with respect to tariff rates these companies may charge for pipeline transportation services. An adverse determination by the FERC with respect to the tariff rates of an energy MLP could have a material adverse effect on its business, financial condition, results of operations and cash flows and its ability to make cash distributions to its equity owners.

- Regulatory Risk. Energy companies, including MLPs, are subject to regulation by governmental authorities in various jurisdictions and may be adversely affected by the imposition of special tariffs and changes in tax laws, regulatory policies and accounting standards. Regulation exists in multiple aspects of their operations, including reports and permits concerning exploration, drilling, and production; how facilities are constructed, maintained and operated; how wells are spaced; the unitization and pooling of properties; environmental and safety controls, including emissions release, the reclamation and abandonment of wells and facility sites, remediation, protection of endangered species, and the discharge and disposition of waste materials; offshore oil and gas operations; and the prices they may charge for the oil and gas produced or transported under federal and state leases and other products and services. Various governmental authorities have the power to enforce compliance with these regulations and the permits issued under them, and violators are subject to administrative, civil and criminal penalties, including fines, injunctions or both. Stricter laws, regulations or enforcement policies could be enacted in the future which may increase compliance costs and may adversely affect the financial performance of energy companies including MLPs. Additionally, legislation has been proposed that would, if enacted into law, make significant changes to U.S. federal income tax laws, including the elimination of certain U.S. federal income tax benefits currently available to oil and gas exploration and production companies. The use of methods such as hydraulic fracturing may be subject to new or different regulation in the future. Any new state or federal regulations that may be imposed on hydraulic fracturing could result in additional permitting and disclosure requirements (including of substances used in the fracturing process) and in additional operating restrictions. The imposition of various conditions and restrictions on drilling and completion operations could lead to operational delays and increased costs and, moreover, could delay or effectively prevent the development of oil and gas from formations that would not be economically viable without the use of hydraulic fracturing.
- Environmental Risk. Activities of energy companies, including MLPs, are subject to stringent environmental laws and regulation by many federal, state and local authorities, international treaties and foreign governmental authorities. Failure to comply with such laws and regulations or to obtain any necessary environmental permits pursuant to such laws and regulations could result in fines or other sanctions. Congress and other domestic and foreign governmental authorities have either considered or implemented various laws and regulations to restrict or tax certain emissions, particularly those involving air and water emissions. Existing environmental regulations could be revised or reinterpreted, new laws and regulations could be adopted or become applicable, and future changes in environmental laws and regulations could occur, which could impose significant additional costs. Energy companies, including MLPs, have made and will likely continue to make significant capital and other expenditures to comply with these and other environmental laws and regulations. There can be no assurance that such companies would be able to recover all or any increased environmental costs from their customers or that their business, financial condition or results of operations would not be materially and adversely affected by such expenditures or any changes in domestic or foreign environmental laws and regulations, in which case the value of these companies’ securities could be adversely affected.

In addition, energy companies, including MLPs, may be responsible for environmentally-related liabilities, including any on-site liabilities associated with the environmental condition of facilities that it has acquired, leased or developed, or liabilities from associated activities, regardless of when the liabilities arose and whether they are known or unknown.

Hydraulic fracturing is a common practice used to stimulate production of natural gas and/or oil from dense subsurface rock formations such as shales that generally exist several thousand feet below ground. The companies in which the Fund will invest commonly apply hydraulic-fracturing techniques in onshore oil and natural gas drilling and completion programs. The process involves the injection of water, sand, and additives under pressure into a targeted subsurface formation. The water and pressure create fractures in the rock formations, which are held open by the grains of sand, enabling the oil or natural gas to flow to the wellbore. The use of hydraulic fracturing may produce certain wastes that may in the future be designated as hazardous wastes and may thus become subject to more rigorous and costly compliance and disposal requirements. Hydraulic fracturing has been subject to review and investigation by several U.S. governmental bodies and agencies. At the same time, legislation has been introduced before Congress to provide for federal regulation of hydraulic fracturing and to require disclosure of the chemicals used in the fracturing process. In addition, some states have adopted, and other states are considering adopting, regulations that could impose more stringent permitting, disclosure and well construction requirements on hydraulic fracturing operations. In light of these reports, investigations and examinations, additional regulations could be imposed that could include, among other things, limiting injection of oil and gas well wastewater into underground disposal wells, due to concerns about the possibility of minor earthquakes being linked to such injection, an indirect activity to drilling utilized in certain geographic regions. If new laws or regulations that significantly restrict hydraulic fracturing or associated activity are adopted, such laws could make it more difficult or costly for the companies in which the Fund invests to perform fracturing to stimulate production from tight formations, which could adversely impact their production levels, operations, cash flow and the value of their securities.

- Climate Change Regulation Risk. Climate change regulation could result in increased operations and capital costs for the companies in which the Fund invests. Voluntary initiatives and mandatory controls have been adopted or are being discussed both in the U.S. and worldwide to reduce emissions of “greenhouse gases” such as carbon dioxide, a by-product of burning fossil fuels, which some scientists and policymakers believe contribute to global climate change. These measures and future measures could result in increased costs to certain companies in which the Fund invests to operate and maintain facilities and administer and manage a greenhouse gas emissions program and may reduce demand for fuels that generate greenhouse gases and that are managed or produced by companies in which the Fund invests. These actions could result in increased costs of operations and impact the demand and prices for fossil fuels.
- Terrorism Risk. Energy companies, including MLPs, and the market for their securities, are subject to disruption as a result of terrorist activities. Cyber hacking could also cause significant disruption and harm to energy companies including MLPs. The U.S. government has issued warnings that energy assets, specifically those related to energy, including exploration and production facilities, pipelines and transmission and distribution facilities, might be specific targets of terrorist activity. Such events have led, and in the future may lead, to short-term market volatility and may have long-term effects on companies in the energy industry and markets. Such events may also adversely affect the Fund’s business and financial condition.

- Natural Disaster Risk. Natural disaster risks, such as earthquakes, flood, lightning, hurricanes, tsunamis, tornadoes and wind, are inherent risks in operations of energy companies, including MLPs. For example, extreme weather patterns or the threat thereof, could result in substantial damage to the facilities of certain companies located in the affected areas and significant volatility in the supply of energy and could adversely impact the prices of the securities in which the Fund may invest. This volatility may create fluctuations in commodity prices and earnings of energy companies including MLPs.

MLP Risk. The Fund may invest in equity securities of energy MLPs and their affiliates. As a result, the Fund is subject to the risks associated with an investment in MLPs, including cash flow risk, tax risk, deferred tax risk and capital markets risk, as described in more detail below.

- Cash Flow Risk. The Fund expects to derive substantially all of its profits from investments in equity securities of MLPs and their affiliates. The amount of cash that the Fund will have available to pay or distribute to investors depends on the ability of the MLPs owned by the Fund to make distributions to their partners and the tax character of those distributions. The Fund will not control the actions of underlying MLPs. The amount of cash that each individual MLP can distribute to its partners will depend on the amount of cash it generates from operations, which will vary from quarter to quarter depending on factors affecting the energy infrastructure market generally and on factors affecting the particular business lines of the MLP. Available cash will also depend on each MLP's level of operating costs (including incentive distributions to the general partner), level of capital expenditures, debt service requirements, acquisition costs (if any), fluctuations in working capital needs and other factors.
- Tax Risk of MLPs. The Fund's ability to meet its investment objective will depend on the level of taxable income, dividends and distributions we receive from the MLPs and energy companies in which the Fund will invest, a factor over which the Fund has no control. The benefit that the Fund derives from its investment in MLPs depends largely on the MLPs being treated as partnerships for federal income tax purposes. As a partnership, an MLP has no federal income tax liability at the entity level. If, as a result of a change in current law or a change in an MLP's business, an MLP were treated as a corporation for federal income tax purposes, the MLP would be obligated to pay federal income tax on its taxable income at the corporate tax rate. If an MLP were classified as a corporation for federal income tax purposes, the amount of cash available for distribution would be reduced and the distributions we receive might be taxed entirely as dividend income. Therefore, treatment of one or more MLPs as a corporation for federal income tax purposes could affect the Fund's ability to meet its investment objective and would reduce the amount of cash available to pay or distribute to investors.
- Deferred Tax Risks of MLPs. As a limited partner in the MLPs in which the Fund invests, the Fund will be required to include in its taxable income a *pro rata* share of income, gains, losses and deductions from each MLP without regard to cash distributions from the MLP. Historically, a significant portion of income from such MLPs has been offset by tax deductions. Investors will incur a current tax liability on their share of that portion of an MLP's income and gains that is not offset by tax deductions and losses. The percentage of an MLP's income and gains which is offset by tax deductions and losses will fluctuate over time for various reasons. A significant slowdown in capital spending or acquisition activity by MLPs held in the Fund's portfolio could result in a

reduction of accelerated depreciation, which may result in increased current income tax liability to the investors. Investors will accrue deferred income taxes for any future tax liability associated with that portion of MLP distributions considered to be a tax-deferred return of capital as well as capital appreciation of its investments. Upon the sale of an MLP security, investors may be liable for previously deferred taxes. The Fund will rely to some extent on information provided by the MLPs, which is not necessarily timely, to estimate deferred tax liability for purposes of financial statement reporting and determining the Fund's net asset value. From time to time, the Fund may modify its estimates or assumptions regarding its deferred tax liability as new information becomes available.

- Capital Markets Risk. Global financial markets and economic conditions have been, and may continue to be, volatile due to a variety of factors, including significant write-offs in the financial services sector. Despite more stabilized economic activity, if the volatility continues, the cost of raising capital in the debt and equity capital markets, and the ability to raise capital, may be impacted. In particular, concerns about the general stability of financial markets, fiscal cliff, and the solvency of lending counterparties, may impact the cost of raising capital from the credit markets through tax reforms, increased interest rates, tighter lending standards, difficulties in refinancing debt on existing terms or at all and reduced, or in some cases ceasing to provide, funding to borrowers. In addition, lending counterparties under existing revolving credit facilities and other debt instruments may be unwilling or unable to meet their funding obligations. As a result of any of the foregoing, the Fund or the companies in which it may invest may be unable to obtain new debt or equity financing on acceptable terms. If funding is not available when needed, or is available only on unfavorable terms, the Fund or the companies in which it may invest may not be able to meet obligations as they come due. Moreover, without adequate funding, energy companies, including MLPs, may be unable to execute their growth strategies, complete future acquisitions, take advantage of other business opportunities or respond to competitive pressures, any of which could have a material adverse effect on their revenues and results of operations. Rising interest rates could limit the capital appreciation of equity units of energy companies including MLPs as a result of the increased availability of alternative investments at competitive yields. Rising interest rates may increase the cost of capital for companies operating in this sector. A higher cost of capital or an inflationary period may lead to inadequate funding, which could limit growth from acquisition or expansion projects, the ability of such entities to make or grow dividends or distributions or meet debt obligations, the ability to respond to competitive pressures, all of which could adversely affect the prices of their securities.

Relative Value Investment Program. We will seek to identify and exploit mis-pricings, inefficiencies and other opportunities in the financial markets. Identification and exploitation of these opportunities involve uncertainty. No assurance can be given that we will be able to locate investment opportunities or to exploit inefficiencies in the markets successfully. A reduction in inefficiencies that, in our view, provide investment opportunities for the Fund will reduce the scope of the Fund's investment activities. In the event that the perceived mis-pricings underlying one or more of the Fund's positions were to fail to converge toward, or were to diverge further from, relationships expected by us, the Fund may incur losses.

Certain of the relative value trading strategies that are employed by the Fund are based on historical relationships. There can be no assurance that such historical relationships will continue, and no representation is made by us or the Fund as to what results the Fund will achieve or is likely to achieve based on such trends and relationships. Depending upon the strategies employed and market conditions, the Fund may be adversely affected by unforeseen events involving such matters as political crises,

banking crises, changes or disruptions in currency exchange rates or interest rates, forced redemptions of securities or acquisition proposals. There can be no assurance that material losses will not be incurred.

Undervalued Securities. The Fund will invest in companies that we believe are undervalued. Opportunities in undervalued equity securities arise for various reasons, which may include market inefficiencies or a lack of wide recognition of the potential impact (positive or negative) that specific events or trends may have on the value of a security. The identification of investment opportunities in undervalued securities is a difficult task, and there is no assurance that such opportunities will be successfully recognized or acquired. While investments in undervalued securities offer the opportunities for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses.

Use of Leverage. From time to time, we leverage the Fund's portfolio through margin and other debt in order to increase the amount of capital available for investments. Although leverage increases returns to the investors if the Fund earns a greater return on the incremental investments purchased with borrowed funds than it pays for such funds, the use of leverage decreases returns to the investors if the Fund fails to earn as much on such incremental investments as it pays for such funds. In the event that the Fund leverages its portfolio, fluctuations in the market value of the Fund's portfolio will have a significant effect in relation to the Fund's capital and the risk of loss and the possibility of gain will each be increased. In addition, when the Fund utilizes leverage, the level of interest rates generally, and the rates at which the Fund can borrow in particular, will be an expense of the Fund and therefore affect the operating results of the Fund. Leverage increases the risk of substantial losses (including the risk of a total loss of capital), and leverage can significantly magnify the volatility of the Fund's portfolio.

From time to time, the Fund uses short-term margin borrowing in purchasing securities positions. Such borrowing, if made, may result in certain additional risks to the Fund. For example, should the securities pledged to brokers to secure the Fund's margin accounts decline in value, the Fund could be subject to a "margin call" pursuant to which the Fund would be required to 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, precipitous drop in value of the Fund's assets, the Fund might not be able to liquidate assets quickly enough to pay off its margin debt.

Short Sales. The Fund's investment program includes short positions in individual equities and other equity-related instruments. We also engage in short sales as part of hedging transactions or when we believe securities are overvalued. Short sales are sales of securities the Fund borrows but does not actually own, usually made with the anticipation that the prices of the securities will decrease and the Fund will be able to make a profit by purchasing the securities at a later date at the lower prices. The Fund will incur a potentially unlimited loss on a short sale if the price of the security increases prior to the time it purchases the security to replace the borrowed security. A short sale presents greater risk than purchasing a security outright since there is no ceiling on the possible cost of replacing the borrowed security, whereas the risk of loss on a "long" position is limited to the purchase price of the security. Closing out a short position may cause the security to rise further in value creating a greater loss.

Short sale transactions have been subject to increased regulatory scrutiny in response to recent market events, including the imposition of restrictions on short selling certain securities and reporting requirements. The Fund's ability to execute a short selling strategy may be materially adversely impacted by temporary and/or new permanent rules, interpretations, prohibitions, and restrictions adopted in response to these adverse market events. Temporary restrictions and/or prohibitions on short selling

activity may be imposed by regulatory authorities with little or no advance notice and may impact prior trading activities of the Fund. Additionally, the SEC, its foreign counterparts, other governmental authorities and/or self-regulatory organizations may at any time promulgate permanent rules or interpretations consistent with such temporary restrictions or that impose additional or different permanent or temporary limitations or prohibitions. The SEC might impose different limitations and/or prohibitions on short selling from those imposed by various non-U.S. regulatory authorities. These different regulations, rules or interpretations might have different effective periods.

Regulatory authorities may impose restrictions that adversely affect the Fund's ability to borrow certain securities in connection with short sale transactions. In addition, traditional lenders of securities might be less likely to lend securities under certain market conditions. As a result, the Fund may not be able to effectively pursue a short selling strategy due to a limited supply of securities available for borrowing. The Fund may also incur additional costs in connection with short sale transactions, including in the event that it is required to enter into a borrowing arrangement in advance of any short sales. Moreover, the ability to continue to borrow a security is not guaranteed and the Fund is subject to strict delivery requirements. The inability of the Fund to deliver securities within the required timeframe may subject the Fund to mandatory close out by the executing broker-dealer. A mandatory close out may subject the Fund to unintended costs and losses. Certain action or inaction by third-parties, such as executing broker-dealers or clearing broker-dealers, may materially impact the Fund's ability to effect short sale transactions. Such action or inaction may include a failure to deliver securities in a timely manner in connection with a short sale effected by a third-party unrelated to the Fund.

Risks of Investments in Options. Investing in options can provide greater potential for profit or loss than an equivalent investment in the underlying asset. The value of an option may decline because of a change in the value of the underlying asset relative to the strike price, the passage of time, changes in the market's perception as to the future price behavior of the underlying asset, or any combination thereof. In the case of the purchase of an option, the risk of loss of an investor's entire investment (*i.e.*, the premium paid plus transaction charges) reflects the nature of an option as a wasting asset that may become worthless when the option expires. Where an option is written or granted (*i.e.*, sold) uncovered, the seller may be liable to pay substantial additional margin, and the risk of loss is unlimited, as the seller will be obligated to deliver, or take delivery of, an asset at a predetermined price which may, upon exercise of the option, be significantly different from the market value. Over-the-counter options that the Fund may use in its investment strategies generally are not assignable except by agreement between the parties concerned, and no party or purchaser has any obligation to permit such assignments. The over-the-counter market for options is relatively illiquid, particularly for relatively small transactions.

General Economic and Market Conditions. The success of the Fund's activities will be affected by general economic and market conditions, such as interest rates, availability of credit, credit defaults, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of the Fund's investments), trade barriers, currency exchange controls, and national and international political circumstances (including wars, terrorist acts or security operations). These factors may affect, among other things, the level and volatility of securities' prices, the liquidity of the Fund's investments and the availability of certain securities and investments. Volatility or illiquidity could impair the Fund's profitability or result in losses. The Fund maintains substantial trading positions that can be materially adversely affected by the level of volatility in the financial markets – the larger the positions, the greater the potential for loss.

In recent years, global markets experienced unprecedented volatility and illiquidity. The effects thereof are continuing and there can be no assurance that the Fund will not be materially adversely affected. These conditions have led to extensive governmental interventions. Such interventions have in certain cases been implemented on an “emergency” basis, suddenly and substantially eliminating market participants’ ability to continue to implement certain strategies or manage the risk of their outstanding positions. In addition – as one would expect given the complexities of the financial markets and the limited time frame within which governments have felt compelled to take action – these interventions have typically been unclear in scope and application, resulting in confusion and uncertainty. It is impossible to predict what additional interim or permanent governmental restrictions may be imposed on the markets and/or the effect of such restrictions on our strategies.

Suspension of Trading. For all securities 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 impossible for the Fund to liquidate its positions and thereby expose it to losses. In addition, there is no guarantee that non-exchange markets will remain liquid enough for the Fund to close out positions.

Risk Management. Although we expect to use certain risk management parameters and methods to seek to reduce the Fund’s exposure to certain risks, there is no assurance that such risk management parameters and methods will be successful. We do not seek to reduce or limit, and may retain the Fund’s exposure to, various risks to the extent that we believe they provide appropriate opportunities for returns. Judgments about the relationship between risks and returns and appropriate risk reduction strategies are subjective, and the desired risk levels may not be obtained or may prove to have been too high or too low. Our risk assessment methods, as in effect from time to time, may not accurately identify or quantify the risks to which the Fund is exposed, which could limit our ability to manage the Fund’s risks. Our risk assessment methods are, in general, based on historical data. Risks and attendant losses may be significantly greater than may reasonably be predicted from historical data. Additionally, our models may not correctly interpret or apply the historical data and may be unable to assess correctly the interaction of various risks. Moreover, not all historical data is taken into account by any model, and our models may fail to include the relevant historical data. Our risk management techniques and strategies, as in effect from time to time, may not fully achieve the targeted risk exposures in all economic or market environments, and may be ineffective to reduce certain types of risk, including but not limited to unidentified or unanticipated risks. Anticipated correlations among the returns of various investments may not materialize. Risk management techniques may be difficult to calibrate and expensive to implement and thus may have the effect of reducing the Fund’s returns by more than anticipated. There can be no guarantee that our risk assessment methods and management techniques and strategies will be effective or that the Fund’s relative value strategies will generate positive returns.

Hedging. The Fund utilizes certain financial instruments and investment techniques for risk management or hedging purposes. There is no assurance that such risk management and hedging strategies will be successful, as such success will depend on, among other factors, our ability to predict the future correlation, if any, between the performance of the instruments utilized for hedging purposes and the performance of the investments being hedged. Since the characteristics of many securities change as markets change or time passes, the success of the Fund’s hedging strategies may also be subject to our ability to correctly readjust and execute hedges in an efficient and timely manner. There is also a risk that such correlation will change over time rendering the hedge ineffective. It may be more difficult to hedge a position in a smaller cap issuer than a larger-cap issuer. The Fund’s portfolio is not expected to be completely hedged at all times and at various times we may elect to be more fully hedged and at other

times hedged only to a limited extent, if at all. Accordingly, the Fund's assets may not be adequately protected from market volatility and other conditions.

Illiquid Securities; Designated Investments. Although we do not currently anticipate that the Fund will purchase assets that are illiquid, restricted or difficult to value, in certain circumstances, general economic or market conditions may adversely affect the liquidity of, or ability to value, certain investments held by the Fund. In such event, Centralis GP may designate such securities as "Designated Investments", and all investors at the date of such designation will participate on a *pro rata* basis in such Designated Investments. Such Designated Investments may have to be held for a substantial period of time before they can be liquidated, if at all. Market prices for such Designated Investments are often volatile and may not be ascertainable. The resale of restricted and illiquid securities often may have higher brokerage charges. Designated Investments may represent capital not available for withdrawal by investors. Such investments may be difficult to value.

Counterparty Risk. Some of the markets in which the Fund may effect transactions are "over-the-counter" or "interdealer" markets. The participants in such markets are typically not subject to the credit evaluation and regulatory oversight to which members of "exchange-based" markets are subject. This exposes the Fund to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not *bona fide*) or because of a credit or liquidity problem, thus causing the Fund to suffer a loss. Such "counterparty risk" is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the Fund has concentrated its transactions with a single or small group of counterparties. Counterparties in foreign markets face increased risks, including the risk of being taken over by the government or becoming bankrupt in countries with limited if any rights for creditors. The Fund is not restricted from concentrating any or all of its transactions with one counterparty. The ability of the Fund to transact business with any one or number of counterparties and the absence of a regulated market to facilitate settlement may increase the potential for losses by the Fund. Counterparty risks also include the failure of executing brokers to honor, execute, or settle trades.

Swap Transactions. The Fund may enter into swap agreements with respect to securities, indices of securities and other assets or other measures of risk or return. Swap agreements are typically two-party contracts entered into primarily by institutional investors for periods ranging from a few weeks to many years. In a standard "swap" transaction, two parties agree to exchange the returns (or the differential in rates of return) earned or realized on particular predetermined investments, instruments, or indices. The gross returns to be exchanged or "swapped" between the parties are generally calculated with respect to a "notional amount." Whether the Fund's use of swap agreements will be successful will depend on our ability to select appropriate transactions for the Fund. Swap transactions may be highly illiquid. Moreover, the Fund bears 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. 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 Fund's ability to terminate existing swap transactions or to realize amounts to be received under such transactions. Swaps and certain other custom instruments are subject to the risk of non-performance by the swap counterparty, including risks relating to the creditworthiness of the swap counterparty.

Other Derivative Investments. Derivative instruments or "derivatives" include futures, options, structured securities and other instruments and contracts that are derived from, or the value of which is related to, one or more underlying securities, financial benchmarks, currencies or indices. Derivatives allow an

investor to hedge or speculate upon the price movements of a particular security, financial benchmark currency or index at a fraction of the cost of investing in the underlying asset. The value of a derivative depends largely upon price movements in the underlying asset. Therefore, many of the risks applicable to trading the underlying asset are also applicable to derivatives of such asset. However, there are a number of other risks associated with derivatives trading. For example, because many derivatives are leveraged, and thus provide significantly more market exposure than the money paid or deposited when the transaction is entered into, a relatively small adverse market movement may expose the Fund to the possibility of a loss exceeding the original amount invested. Derivatives may also expose investors to liquidity risk, as there may not be a liquid market within which to close or dispose of outstanding derivatives contracts. Swaps and certain options and other custom instruments are subject to the risk of non-performance by the swap counterparty, including risks relating to the creditworthiness of the swap counterparty.

Futures positions may be illiquid because certain commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as “daily price fluctuation limits” or “daily limits.” Under such daily limits, during a single trading day no trades may be executed at prices beyond the daily limits. Once the price of a contract for a particular future has increased or decreased by an amount equal to the daily limit, positions in the future can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. This could prevent us from promptly liquidating unfavorable positions and subject the Fund to substantial losses.

Money Market Instruments. We invest, from time to time, a portion of the Fund’s assets in high quality fixed-income securities, money-market instruments, and foreign money-market mutual funds, or hold cash or cash equivalents in such amounts as we deem appropriate under the circumstances. Money market instruments are high quality, short-term fixed-income obligations, which generally have remaining maturities of one year or less, and may include U.S. government securities, commercial paper, certificates of deposit and bankers’ acceptances issued by domestic branches of United States banks that are members of the Federal Deposit Insurance Corporation, and repurchase agreements. However, there can be no assurances that such investments will not be subject to significant risks.

Exchange Traded Funds. The Fund invest in and sell short shares of ETFs and other similar instruments. These transactions may be used to adjust the Fund’s exposure to the general market or industry sectors and to manage the Fund’s risk exposure. ETFs and other similar instruments involve risks generally associated with investments in a broadly-based portfolio of common stocks, including the risk that the general level of stock prices, or that the prices of stocks within a particular sector, may increase or decrease, thereby affecting the value of the shares of the ETF or other instruments.

Loans of Portfolio Securities. The Fund may lend its portfolio securities on terms customary in the securities industry, enter into reverse repurchase agreements or enter into other transactions constituting a loan of the Fund’s assets. By doing so, the Fund attempts to increase its income through the receipt of interest on the loan. In the event of the bankruptcy of the other party to a securities loan, the Fund could experience delays in recovering the securities it lent. To the extent that the value of the securities the Fund lent has increased, the Fund could experience a loss if such securities are not recovered.

Market Disruptions; Governmental Intervention. The global financial markets have in the past few years gone through pervasive and fundamental disruptions that have led to extensive governmental intervention. Such intervention was in certain cases implemented on an “emergency” basis, suddenly and substantially eliminating market participants’ ability to continue to implement certain strategies or

manage the risk of their outstanding positions. In addition, certain of these interventions have been unclear in scope and application, resulting in confusion and uncertainty which in itself has been materially detrimental to the efficient functioning of the markets as well as previously successful investment strategies.

The Fund may incur major losses in the event of disrupted markets and other extraordinary events in which historical pricing relationships become materially distorted. The risk of loss from pricing distortions is compounded by the fact that in disrupted markets many positions become illiquid, making it difficult or impossible to close out positions against which the markets are moving. The financing available to the Fund from its banks, dealers and other counterparties will typically be reduced in disrupted markets. Such a reduction may result in substantial losses to the Fund. Market disruptions may from time to time cause dramatic losses for the Fund, and such events can result in otherwise historically low-risk strategies performing with unprecedented volatility and risk.

Transaction Execution and Costs. As we expect to actively manage the Fund's portfolio, purchases and sales of investments may be frequent and may result in higher transaction costs to the Fund. In addition, in many cases relatively narrow spreads may exist between the prices at which the Fund will purchase and sell particular positions. The successful application of the Fund's investment strategy will therefore depend, in part, upon the quality of execution of transactions, such as the ability of broker-dealers to execute orders on a timely and efficient basis. There is no assurance that all of the Fund's transactions will be executed with optimal quality. Furthermore, due to the degree of trading, total commission charges and other transaction costs may be expected to be high. The level of commission charges, as an expense of the Fund, may therefore be expected to be a factor in determining the future profitability of the Fund.

Broker Risk. The Fund's assets are held in one or more accounts maintained for the Fund by its prime brokers or at other brokers or custodian banks, which may be located in various jurisdictions, including emerging market jurisdictions. The prime brokers, other brokers (including those acting as sub-custodians) and custodian banks are subject to various laws and regulations in the relevant jurisdictions that are designed to protect their customers in the event of their insolvency. Accordingly, the practical effect of the laws protecting customers in the event of insolvency and their application to the Fund's assets may be subject to substantial variations, limitations and uncertainties. For instance, in certain jurisdictions brokers could have title to the Fund's assets or not segregate customer assets. Because of the large number of entities and jurisdictions involved and the range of possible factual scenarios involving the insolvency of a prime broker, another broker or a clearing corporation, it is impossible further to generalize about the effect of the insolvency of any of them on the Fund and its assets. Investors should assume that the insolvency of any of the prime brokers, local brokers, custodian banks or clearing corporations may result in the loss of all or a substantial portion of the Fund's assets or in a significant delay in the Fund having access to those assets.

Cybersecurity Risk. With the increased use of technologies such as the Internet to conduct business, the Fund is susceptible to operational, information security and related risks. In general, cyber incidents can result from deliberate attacks or unintentional events. Cyber attacks include, but are not limited to, gaining unauthorized access to digital systems (e.g., through "hacking" or malicious software coding) for purposes of misappropriating assets or sensitive information, corrupting data, or causing operational disruption. Cyber attacks may also be carried out in a manner that does not require gaining unauthorized access, such as causing denial-of-service attacks on websites (i.e., efforts to make network services unavailable to intended users). Cyber incidents affecting us and other service providers (including, but not

limited to, Fund accountants, custodians, transfer agents and financial intermediaries) have the ability to cause disruptions and impact business operations, potentially resulting in financial losses, interference with the Fund's ability to value its securities or other investments, impediments to trading, the inability investors to transact business, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs. Similar adverse consequences could result from cyber incidents affecting issuers of securities in which the Fund invests, counterparties with which the Fund engages in transactions, governmental and other regulatory authorities, exchange and other financial market operators, banks, brokers, dealers, insurance companies and other financial institutions (including financial intermediaries and service providers investors) and other parties. In addition, substantial costs may be incurred in order to prevent any cyber incidents in the future. While the Fund's service providers have established business continuity plans in the event of, and risk management systems to prevent, such cyber incidents, there are inherent limitations in such plans and systems including the possibility that certain risks have not been identified. Furthermore, the Fund cannot control the cyber security plans and systems put in place by its service providers or any other third parties whose operations may affect the Fund or its investors. The Fund and its investors could be negatively impacted as a result.

Item 9. Disciplinary Information

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or our management.

Item 10. Other Financial Industry Activities and Affiliations*Service by Related Person*

As noted above, Centralis GP serves as the general partner to the Fund.

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

We have adopted a Code of Ethics, which is designed to help ensure that we conduct our business in accordance with all applicable laws and regulations and in an ethical and professional manner. In addition, our Code of Ethics sets forth standards of conduct for our employees to ensure that they conduct their business on our behalf in a manner that enables us to fulfill our fiduciary duty to our clients.

Among other things, our Code of Ethics: (i) governs personal trading by our employees, (ii) contains our policies with respect to gifts and entertainment, (iii) contains our policies regarding certain outside activities of our employees, (iv) sets forth our policies and procedures relating to insider trading, and (v) sets forth the manner in which employees may report violations of law or our policies and procedures. We will provide a copy of our Code of Ethics to any client or prospective client upon request.

Personal Trading Policy

Employees are generally required to obtain prior written consent in order to engage in personal transactions, except for transactions in exchange-traded funds and mutual funds. Additionally, employees are required to submit periodic reporting relating to their trading activity and personal accounts.

Prohibitions relating to personal trading also generally apply to an employee's spouse or minor child, or an immediate family member of an employee living in the same household as such employee.

Participation or Interest in Client Transactions

We make available to qualified prospective investors the opportunity to invest in the Fund. Our Chief Investment Officer has a significant personal investment in the Fund. In addition, Centralis GP, our affiliate, is entitled to receive performance-based compensation from the Fund.

We do not currently expect to engage in principal transactions. We will not engage in a principal transaction unless we have determined that the transaction is in the relevant clients' best interests and have obtained client consent in accordance with our written procedures and applicable law.

Item 12. Brokerage Practices

Selection of Brokers

We have an obligation to seek to obtain "best execution" for our clients with respect to their trading activity. While not defined by statute or regulation, "best execution" generally means the execution of client trades at the best net price considering all relevant circumstances. We seek best execution with respect to all types of client transactions, taking into account a variety of factors, including the effectiveness of execution; a broker's financial strength; the integrity and stability of the broker; the commissions to be paid; the quality, comprehensiveness and frequency of available research; and other products and services considered to be of value (e.g., special execution capabilities and the availability of stocks to borrow for short trades). In selecting brokers to execute transactions (or series of transactions) and determining the reasonableness of the brokers' compensation, we need not solicit competitive bids and do not have an obligation to seek the lowest available commission cost.

Brokers sometimes suggest a level of business they would like to receive in return for the various services they provide. We will not commit to provide any level of brokerage business to any broker, and actual brokerage business received by any broker may be less than the suggested allocations but can (and often does) exceed the suggestions, because total brokerage is allocated based on all the considerations described above.

On a semi-annual basis, we evaluate the execution performance of the brokers we use to execute transactions. As part of this review, we evaluate, and seek to resolve, conflicts of interest that we may have in selecting brokers to execute transactions.

Research and Other Soft Dollar Benefits

We do not currently have any formal soft dollar arrangements, but we may enter into such arrangements in the future. Nonetheless, we execute transactions on behalf of our clients with brokers that provide us with access to bundled services, including access to proprietary research reports (such as standard investment research and credit reports). To the best of our knowledge, these services are generally made available to all institutional investors doing business with such broker. If we engage in soft dollar transactions in the future, we intend to comply with the safe harbor provided by Section 28(e) of the Securities Exchange Act of 1934, as amended.

During our last fiscal year, we acquired research (such as proprietary research from brokers and access to industry conferences) with client brokerage commissions (or markups or markdowns).

Brokerage for Client Referrals

From time to time and subject to applicable law, we direct client brokerage business to brokers that refer prospective investors to us. Because such referrals, if any, are likely to benefit us but may not provide a benefit to our clients, we would have a conflict of interest with our clients when allocating brokerage business to such brokers. To mitigate this potential conflict, we will not allocate brokerage business to a referring broker unless we determine that such allocation is consistent with our best execution duties.

Trade Errors

We may on occasion experience errors with respect to trades made on behalf of client accounts. We will reimburse each client account for losses resulting from trade errors in accordance with the terms of such client's offering or governing documents.

Aggregation of Orders

Because the Fund is the only account over which we have discretion and trading authority, we do not aggregate trades.

Item 13. Review of Accounts

Review of Accounts

The Fund's portfolio is reviewed, and its performance analyzed, by our Chief Investment Officer on a regular basis. In addition, our Chief Investment Officer regularly reviews the Fund's portfolio to determine that the securities held by the Fund remain consistent with its investment strategy, objectives and guidelines.

Reporting

We furnish investors in the Fund with unaudited performance information at least quarterly. In addition, on an annual basis, we provide investors with a copy of the Fund's annual audited financial statements and a statement of taxable income (Schedule K-1).

Investors may be provided with certain information about us and the Fund in response to questions and requests. Such information may include access to more frequent and/or more detailed information regarding the Fund's securities positions, performance, finances, and management and/or other information about the Fund or us (including notifications of withdrawals/redemptions from a Fund by us and/or our personnel), which could possibly enable such investors to better assess the prospects and performance of the Fund. Such information may not be distributed to other investors or prospective investors. Each investor is responsible for asking such questions as it believes are necessary in order to make its own investment decisions and must decide for itself whether the limited information provided by us is sufficient for its needs.

Item 14. Client Referrals and Other Compensation

Other than the products and services that we receive from broker-dealers (described above in *Item 12*), we do not receive any economic benefits from third parties in connection with the provision of investment advice to our clients.

We do not compensate any third-party marketers for introductions to potential investors or clients. One of our Investment Consulting Clients introduces us, on an unpaid basis, to potential Fund investors.

Item 15. Custody

For purposes of Rule 206(4)-2 under the Advisers Act (the “Custody Rule”), we are deemed to have custody over the Fund’s assets. In accordance with the Custody Rule, a qualified custodian is not required to deliver quarterly account statements to the Fund or its investors as long as: (i) the Fund is audited by an independent public accountant that is registered with, and subject to inspection by, the Public Company Accounting Oversight Board, (ii) the Fund’s audited financial statements are prepared in accordance with U.S. generally accepted accounting principles, and (iii) we deliver such annual audited financial statements to investors within 120 days after the end of each Fund’s fiscal year.

We do not have custody over the Investment Consulting Clients’ assets.

Item 16. Investment Discretion

We have discretionary authority to manage securities accounts on behalf of the Fund. The investors in the Fund generally may not place any limits on our authority beyond the limitations set forth in the Fund’s offering memorandum and governing documents. Under certain circumstances, we may contract with a client to adhere to limited risk and/or operating guidelines imposed by that client. We would negotiate such arrangements on a case-by-case basis.

Item 17. Voting Client Securities

We generally have voting discretion over securities held in our clients’ accounts and clients are not able to direct their votes in a particular situation. We have adopted proxy voting policies and procedures, which are summarized below.

In light of our investment strategy, we generally believe that proxies will not have a material impact on the value of our clients’ investments. Therefore, in the absence of specific voting guidelines mandated by a particular client, we generally intend to abstain from voting proxies. Nonetheless, we track each proxy and will vote a proxy if we determine that voting would be in the best interests of our clients.

When voting, we adhere to the following guidelines. In the absence of specific voting guidelines from the client or conflicts of interest, we vote all proxies in the best interests of each client, which may result in different voting results for proxies for the same issuer. We may take into account the following factors, among others, in determining if a specific proposal is in the best interests of a particular client: (i) management of the issuer’s views and recommendations on such proposal, (ii) whether the proposal may have the effect of entrenching existing management and/or making management less responsive to shareholders’ concerns (*e.g.*, instituting or removing a poison pill, classified board of directors and/or other anti-takeover measure), and (iii) whether we believe that the proposal will fairly compensate

management for its and/or the issuer's performance. If we deem that the issue being voted upon is not material for us and our clients, we will not be obligated to vote on such matter.

Conflicts of interest may arise between the interests of our clients and us or our affiliates. If we determine that we have, or could be perceived to have, a conflict of interest when voting proxies, we will vote in accordance with our proxy voting policies and procedures. We will provide a copy of our proxy voting policies and procedures to clients upon request. We will also upon request disclose to clients how we voted proxies for securities owned by such client.

Item 18. Financial Information

We are not required to include our balance sheet for our most recent fiscal year with this Brochure.

Item 19. Requirements for State-Registered Advisers

We are not a state-registered adviser.