

**Form ADV Part 2A**

**Jaffa Capital Management, LLC**

**136 Kings Road, Suite 1118  
Clifton, NJ 07044**

**August 2023**

**This brochure provides information about the qualifications and business practices of Jaffa Capital Management, LLC (“Jaffa” or the “Firm”, or “we”, “us” or “our”). If you have any questions about the contents of this brochure, please contact Jack Brown, Jaffa’s Chief Compliance Officer (“CCO”) at [jbrown@jaffacorp.com](mailto:jbrown@jaffacorp.com) or 216-323-5005.**

**The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.**

**Additional information about Jaffa is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

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

## ITEM 2 – **MATERIAL CHANGES**

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This Brochure dated August 18, 2023, has been update to reflect the launch of the Firm's business.

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## ITEM 4 – **ADVISORY BUSINESS**

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Jaffa Capital Management, LLC (“**Jaffa**,” the “**Firm**,” “**we**,” “**us**” or “**our**”), a Delaware Limited Liability Company, was organized in 2022 and is headquartered in Clifton, NJ. Messrs. Mark Zarkhin and Nathan Lord are the founders and principals of Jaffa. Mark Zarkhin is the Chief Investment Officer of Jaffa.

Jaffa intends to offer investment advisory services to separately managed accounts of institutional type clients (each an “**SMA**” or “**SMA Client**” and collectively, the “**SMAs**” or “**SMA Clients**”), as well as, in the future, one or more privately pooled investment vehicles (each a “**Fund**”). An SMA and/or a Fund are hereinafter referred to individually as a “**Client**” or “**Client Account**” and collectively” as the “**Clients**” or “**Client Accounts**”. Each Client will be managed in accordance with their own investment objectives as set forth in the relevant investment management agreement for an SMA and offering documents for a Fund (each, an “**Investment Management Agreement**” or a “**Governing Document**” and, collectively, the “**Governing Documents**”). Investment objectives for a Fund advised by Jaffa will not be tailored to any particular private investor (each, an “**Investor**”) in the particular Fund.

Additional detailed information about Jaffa is provided below, including information about Jaffa’s advisory services, investment approach, personnel and affiliations.

### Reporting and Monitoring of Portfolio Managers

Each SMA Client will receive reports from the SMA Client’s custodian on at least quarterly basis. The Jaffa reports are generated from the Client Account’s custodial statements. Jaffa does not assume responsibility for the accuracy of information furnished by any third party.

Each Client is strongly encouraged to undertake appropriate due diligence, including but not limited to a review of the relevant Investment Management Agreement and the additional details about Jaffa’s investment strategies, methods of analysis and related risks (as discussed in Item 8 of this Brochure) in considering whether Jaffa’s advisory services are appropriate to its own circumstances, based on all relevant factors including, but not limited to, the Client’s or Investor’s own investment objectives, liquidity requirements, tax situation and risk tolerance before making an investment decision.

Jaffa does not participate in wrap fee programs.

As of August 18, 2023, Jaffa had \$110,000,000 regulatory assets under management (RAUM), all of which was managed on a discretionary basis.

## ITEM 5 – **FEES AND COMPENSATION**

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### **Management Fee**

Each SMA Client or Investor should review the appropriate Governing Documents for the Client Account in conjunction with this brochure for more complete information on the applicable management fees.

Jaffa intends to receive an annual management fee (generally payable quarterly in advance) based upon the assets under management for each Client Account.

## **Payment Methods**

For an SMA Client, Jaffa and the Client will detail in the Investment Management Agreement the amount and the timing of Jaffa invoicing, and whether it be in advance or arrears in a particular month or calendar quarter. The management fee will be based upon a percentage of the assets under management advised by Jaffa. The SMA Clients will generally pay Jaffa directly via a wire transfer, or Jaffa may be instructed by the SMA Client to debit a Client's particular brokerage account.

For a future Fund, management fees will generally be collected quarterly in advance. Jaffa intends to debit management fees directly from the Fund's custodial or prime brokerage accounts.

If an SMA Client terminates the Investment Management Agreement or an Investor redeems from a Fund at a period of time other than the beginning of a particular month, quarter or year (as described in the appropriate Governing Documents), Jaffa will pro rate the management fee for the period accordingly.

The management fees above are generally subject to waiver or reduction by Jaffa in its sole discretion with certain Clients or Investors. For example, Jaffa officers and employees generally will not pay management fees though they do pay their pro-rata share of operating costs. The management fee may vary by Client. The Governing Documents will specify the fees applicable to each Client.

The total fees charged to a Client may be more or less than fees charged by other firms for similar services.

Jaffa is permitted at any time and in its sole and absolute discretion, to defer all or any portion of the aggregate management fee (or other fees received) from a Client, and may defer, waive, reduce or calculate differently all or a any portion of the management fee (or other fees received) with respect to any Client.

## **Jaffa Expenses**

Jaffa will be responsible for all ordinary administrative and overhead expenses incurred in connection with maintaining and operating its office, including employee's salaries, rent, utilities and equipment expenses, as provided in the Investment Management Agreement or other Governing Documents with each Client.

## **Termination of Advisory Contract**

An Investment Management Agreement may be terminated by either party upon the appropriate written notice to the other party, as specified in the Investment Management Agreement. Upon termination, Jaffa will not be under any obligation to provide additional services or information to a Client. Termination of the Investment Management Agreement will not affect the liabilities or obligations of the parties under the agreement arising prior to termination, including the provisions regarding arbitration, which shall survive any termination of the Investment Management Agreement. Client may cancel this agreement without penalty within five (5) business days of execution.

Neither Jaffa nor any of its supervised persons accept compensation for the sale of securities or other investment products.

### **Other Expenses**

The Clients will bear their own expenses, including, without limitation, the following: expenses related to the research, due diligence, financing, monitoring and disposition of actual and prospective investments, whether or not such investment is consummated, including, without limitation, the following: travel expenses incurred by Jaffa in connection with researching potential investment opportunities; third-party investment sourcing fees (including, without limitation, performance-based fees); fees charged by Jaffa to provide investment sourcing services to, or on behalf of the Clients; provided, however, that such sourcing fees do not exceed the rate typically charged by third parties engaged in such sourcing; fees and expenses related to obtaining research and market data (including, without limitation, any information technology hardware, software or other technology incorporated into the cost of obtaining such research and market data, and including fees and expenses related to obtaining, processing and analyzing research or market data that may be considered “big data” or “alternative data”, including fees and expenses related to performing due diligence on potential providers of any of such research or market data services (including, without limitation, “big data” or “alternative data” services)); due diligence expenses including, without limitation, consulting and appraisal fees; travel expenses; brokerage, prime brokerage, custodial, and futures commission merchant fees, commissions and expenses; expenses relating to block trades; expenses relating to short sales; clearing and settlement charges; custodial fees and expenses; bank service fees; interest expenses and fees related to financings or refinancing; fees and expenses of proxy research and voting and class action-related services; and fees and expenses of third-party professionals, including, without limitation, consultants, investment bankers, attorneys and accountants; organizational and reorganizational expenses; operational expenses, including the following: fees and expenses relating to information technology hardware, software or other technology (including, without limitation, costs of software licensing, implementation, data management and recovery services and custom development) used to research investments, evaluate and manage risk, facilitate valuations, facilitate accounting functions and/or facilitate compliance with the rules of any self-regulatory organization or applicable law (including, without limitation, reporting obligations), facilitate and manage the order execution of investments or otherwise manage the Client Accounts such as Bloomberg terminals, portfolio management systems, risk management systems and order management systems; fees and expenses of third-party risk management products, models and services; fees and expenses of third-party professionals, including, without limitation, consultants, valuation service providers, attorneys, accountants and third-party administrative fees and expenses and including, without limitation, the costs of engaging or appointing a Money Laundering Reporting Officer, a Deputy Money Laundering Reporting Officer and an Anti-Money Laundering Compliance Officer; the costs of any litigation or investigation involving activities of a Client or a Fund, a Fund’s taxes and third-party audit and tax preparation expenses; insurance expenses, including, without limitation, premiums for cybersecurity insurance and liability insurance covering Jaffa and its Affiliates and the members, partners, officers, employees and agents of Jaffa or its affiliates, and each member of any advisory board of any Fund; fees and expenses (including, without limitation, director registration fees) of the independent members of any advisory board directors of a Fund; costs of preparing and distributing reports and notices (including, without limitation, all costs incurred to audit such reports, provide access to a database or other internet forum and any other operational, legal, secretarial or postage expenses associated with distribution of the same); expenses incurred in connection with negotiating and complying with

provisions of any side letters and expenses incurred in connection with any transfers of Fund interests or an Investor's admission or withdrawal, unless otherwise charged to or borne by the applicable transferee or Investor; fees and expenses related to compliance with the rules of any self-regulatory organization or applicable law in connection with the activities of a Client or a Fund, including, without limitation, any governmental, regulatory, licensing, filing or registration fees or taxes (including, without limitation, fees and expenses incurred in connection with the preparation and filing of Form PF, Section 13 filings, Section 16 filings and other similar regulatory filings); expenses incurred in connection with the offering and sale of the interests and other similar expenses related to a Fund (excluding fees payable to any placement agent); expenses incurred in connection with any amendments, modifications, revisions or restatements to the constituent documents or Governing Documents of a Fund, (other than any such amendments, modifications, revisions or restatements solely to benefit Jaffa and their respective partners or members); expenses incurred in connection with meetings with Investors in a Fund; extraordinary expenses, including, without limitation, indemnification expenses and fees and expenses incurred in connection with any tax audit by any tax authority, including, without limitation, any related administrative settlement and judicial review; and fees and expenses incurred in connection with the reorganization, dissolution, winding-up or termination of a Fund.

To the extent that any of the foregoing expenses relate to the operations of one or more other Clients managed by Jaffa or any of their respective affiliates, Jaffa will attempt to allocate such expenses based on a good faith determination of the relative benefits of such expenses to all Clients benefiting from such expenses. Any such expense common to multiple Clients managed by Jaffa generally will be paid pro rata by such Clients based on the approximate size of the relevant investment relating to such expense or otherwise on assets under management, as appropriate (or in any other manner deemed fair and equitable by Jaffa, in its sole discretion).

## **ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

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Jaffa will receive an annual performance incentive fee (the “**Incentive Fee**”) based upon the net profits of a Client Account. Incentive Fees will generally be assessed annually and will be subject to each SMA Client or Investor of a Fund's respective high-water mark. Incentive Fees and other fees described above will generally be subject to waiver or reduction by Jaffa in its sole discretion with certain Clients or Investors. For example, Jaffa officers or employees generally will not incur any Incentive Fees.

The Incentive Fees may vary by Client. Each prospective Client or Investor should review the appropriate Governing Documents for more information on the applicable Incentive Fee.

Performance-based fee arrangements create an incentive for Jaffa to make investments with greater risk than would otherwise be the case in the absence of such arrangements. In addition, it creates an incentive for Jaffa to favor Clients that have greater performance fee arrangements over other Clients that have lesser or no performance fee arrangements in the allocation of investment opportunities. To mitigate this conflict, Jaffa has adopted policies and procedures intended to address conflicts of interest that may arise relating to the management of multiple Client Accounts, including accounts with different fee arrangements and the allocation of investment opportunities. Jaffa reviews investment decisions for the purpose of ensuring that all accounts with substantially similar investment objectives are treated equitably. It is Jaffa's general policy to advise and trade the portfolios of all Clients on a *pari passu* basis based on relative capital. However, allocations may be made on a basis other than pro rata for a number of reasons, including, but not limited to: a Client's

investment guidelines and restrictions; request of a Client to use a particular broker; available cash; liquidity requirements; tax or legal reasons; to avoid odd lots; or in cases in which such an allocation would result in a de minimis allocation to a Client.

Any Client or Investor that is charged an Incentive Fee will meet the minimum standard of “Qualified Client”, as defined in Rule 205-3 of the Advisers Act.

## ITEM 7 – **TYPES OF CLIENTS**

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Jaffa intends to currently provide discretionary investment advice to institutional and/or high net worth SMA Clients. In the future, Jaffa may advise one or more privately pooled investment vehicles as described in Item 4 above.

The Governing Documents provide the eligibility criteria and minimum investment requirements to be an SMA or an Investor in a future Fund.

Each Client or Investor at a minimum will be (i) an “Accredited Investor”, as defined in Regulation D under the U.S. Securities Act of 1933 (the “**Securities Act**”); and (ii) a “Qualified Client”, as defined in Rule 205-3 of the Advisers Act.

## ITEM 8 – **METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

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### **Investment Strategy**

In advising the Clients, Jaffa seeks consistent, above average returns, while protecting Client assets from risk of principal loss. Jaffa intends to employ a strategy that is focused on relative value and arbitrage opportunities in highly rated fixed income instruments, including but not limited to - U.S. government and mortgage-related opportunities. Jaffa believes that the Firm’s advantages come from a deep understanding of the inefficiencies, valuations, modeling, and flow dynamics of the highly-rated securities market.

Jaffa believes that active portfolio management, understanding macroeconomic trends and hedging are keys to attractive risk-adjusted returns. Jaffa continuously monitors the markets for dislocations resulting from non-economic investor activity resulting in relative value or structure arbitrage opportunities.

An area of focus for Jaffa will be to seek to capitalize on trading opportunities in U.S. Agency bond market, selecting proper models and understanding market flow dynamics, “Off-the-run”, older issuances of U.S. Treasury bonds that can increase returns, offering identical risk and maturity, although can be less expensive than newly, more recently issued U.S. Treasury bonds. Non-agency securitized products which offer value for longer-term holders with proper models understanding fundamental and structural value of the bonds.

Overall, Jaffa employs a broad and diversified product mix to take maximum advantage of macro and micro market dislocations.



## **Risk Factors and Conflicts of Interest**

Investments recommended by Jaffa involve a high degree of risk. The following list of risk factors does not purport to be a complete disclosure of all risks that may be relevant to a decision to make an investment that is recommended by Jaffa. Prospective Clients and Investors of a Fund should carefully consider the following investment risks and considerations in evaluating Jaffa before deciding to enter into an agreement with Jaffa or investing in a Fund advised by Jaffa. As a result of these considerations, as well as other risks inherent in any investment, there can be no assurance that Jaffa will meet the investment objectives of a Client or otherwise be able to successfully carry out its investment programs, or that a Client will receive a return of capital.

### ***Reliance on Jaffa***

Much of the success of the Clients and the investments made by Jaffa on behalf of the Clients will be dependent upon the abilities and retention of the Chief Investment Officer and research professionals of Jaffa. The Chief Investment Officer of Jaffa will have primary responsibility for all investment decisions made by Jaffa with respect to the Clients. If the Chief Investment Officer of Jaffa ceases to be involved, directly or indirectly, in Jaffa and the management of the Clients or the Clients' portfolios, the Clients would likely be adversely affected.

While Jaffa and its affiliates will devote as much time to the Clients' affairs as they deem necessary and appropriate, they generally will not be precluded under the various Governing Documents from engaging in outside activities. Jaffa and its affiliates hold interests in other business ventures and activities including, without limitation, other investment entities similar to the Clients and/or other investment advisory entities similar to Jaffa.

### ***Limited or No Operating History***

Jaffa has limited operating history. Accordingly, Jaffa has a limited operating history from which prospective Clients may evaluate likely performance. Past performance of Jaffa or the Chief Investment Officer, or firms that other employee have been affiliated does not guarantee future performance.

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

The success of the Clients' activities will be affected by general economic and market conditions, such as changes in interest rates, availability of credit and debt-related issues, inflation rates, economic uncertainty, market volatility, changes in laws (including laws relating to taxation of the Clients' investments), trade barriers, unemployment rates, release of economic data, currency exchange controls and national and international political circumstances (including wars, terrorist acts, natural disasters, security operations, the European debt crisis or the U.S. budget or debt-ceiling negotiations). These factors may affect the level and volatility of securities prices and the liquidity of the Clients' investments. Volatility and/or illiquidity could impair the Clients' profitability or result in losses. The Clients could incur material losses even if Jaffa reacts quickly to difficult market or economic conditions, and there can be no assurance that the Clients will not suffer material losses and other adverse effects from broad and rapid changes in economic and market conditions in the future. Investors should realize that markets for the financial instruments in which the Clients seek to invest can correlate strongly with each other at times or

in ways that are difficult for Jaffa to predict. Even a well-analyzed approach may not protect the Clients from significant losses under certain market conditions.

### ***Uncertain Economic, Social and Political Environment***

Consumer, corporate and financial confidence may be adversely affected by current or future tensions around the world, fear of terrorist activity and/or military conflicts, localized or global financial crises, virus or disease epidemics or other sources of political, social or economic unrest. Such erosion of confidence may lead to or extend a localized or global economic downturn. A climate of uncertainty may reduce the availability of potential investment opportunities and increases the difficulty of modeling.

### ***Regulatory Developments***

The legal, tax and regulatory environment worldwide for Clients is evolving, and changes in the regulation may have a material adverse effect on the ability of the Clients to pursue their investment program and the value of investments held by the Clients. There has been an increase in scrutiny of the alternative investment industry by governmental agencies and self-regulatory organizations. New laws and regulations or actions taken by regulators that restrict the ability of the Clients to pursue its investment program or conduct business with brokers and other counterparties could have a material adverse effect on the Clients.

### ***Potential for Fraud***

In spite of Jaffa's efforts to invest in reputable and trustworthy companies, there is a risk that Jaffa may make an investment on behalf of the Clients where the issuers engaged in fraud. Instances of fraud can be particularly difficult to detect and prevent. To the extent that the Clients invest in a company that engages in fraud, the Clients could lose all or a substantial portion of its investment in such company and it could have a material adverse effect on the Clients' financial condition and results of operations.

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

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

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

All investments risk the loss of capital. No guarantee or representation is or will be made that the Clients' program will be successful. The Clients' investment program may involve, without limitation, risks associated with limited diversification, short-selling, equity risks, distressed issuers, interest rates, volatility, tracking risks in hedged positions, security borrowing risks in short sales, credit deterioration or default risks, systems risks and other risks inherent in the Clients' activities. Certain investment techniques of the Clients may, in certain circumstances, substantially increase the impact of adverse market movements to which the Clients may be subject. In addition, the

Clients' investments may be materially affected by conditions in the financial markets and overall economic conditions occurring globally and in particular countries or markets where the Clients invest their assets.

Jaffa's methods of minimizing such risks may not accurately predict future risk exposures. Risk management techniques are based in part on the observation of historical market behavior, which may not predict market divergences that are larger than historical indicators. Also, information used to manage risks may not be accurate, complete or current, and such information may be misinterpreted.

### ***Reliance on Fundamental Analysis***

Jaffa will frequently base its trading decisions, in whole or in part, on fundamental analysis. Fundamental trading systems consider factors, such as inflation, trade balances, inventories and interest rates, which do not have an impact on traditional technical trading systems, in an attempt to identify investment opportunities. To the extent that such factors provide mixed or conflicting signals, the fundamental trading systems may not be able to detect and/or accurately predict price trends. There can be no guarantee that Jaffa's fundamental analysis will enable Jaffa to accurately value the securities in which the Clients invest or that any anticipated price trends will materialize with respect to such investments.

### ***Highly Volatile Markets***

The prices of financial instruments in which the Clients may invest can be volatile. Price movements of the financial instruments in which the Clients' assets may be invested will be influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments and national and international political and economic events and policies. The Clients will be subject to the risk of failure of any of the exchanges on which their positions trade or of their clearinghouses. In addition, governments from time to time intervene in certain markets, directly, by regulation and otherwise, particularly in currencies, futures and options. Such intervention is often intended to directly influence prices and may, together with other factors, cause some or all of these markets to move rapidly in the same direction. The effect of such intervention is often heightened by a group of governments acting in concert.

### ***Fixed Income Securities***

On behalf of the Clients, Jaffa will invest in bonds and other fixed income securities of issuers including, without limitation, debt obligations issued by the US government. Fixed income securities pay fixed, variable or floating rates of interest. The value of fixed income securities in which the Jaffa invests on behalf of the Clients will change in response to fluctuations in interest rates. In addition, the value of certain fixed income securities can fluctuate in response to perceptions of creditworthiness, political stability or soundness of economic policies. Fixed income securities are subject to the risk of the issuer's inability to meet principal and interest payments on its obligations (i.e., credit risk) and are subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity (i.e., market risk).

### ***Interest Rate Risks***

Jaffa will invest on behalf of the Clients in debt obligations of government issuers (e.g., U.S. treasury bills). These and various other assets will subject the Clients to risks associated with movements in interest rates. For example, the Clients will be required to manage both curve risk, which is the risk that the slope of the yield curve will vary from the slope assumed in the Clients' strategy, and credit spread risk, which is the risk that the spreads between yields of differently rated issuers will change in a manner that adversely affects the Clients' portfolios.

### ***Default and Credit Risks***

On behalf of the Clients, Jaffa intends to invest in debt obligations of both government and corporate issuers. These financial instruments involve the risk that the obligor either cannot or will not fulfill its obligations under the terms of the financial instrument. The Clients also will assume the credit risk associated with any of its futures commission merchants, brokers, custodians and other counterparties in connection with brokerage arrangements, derivatives and other contractual relationships. In evaluating credit risk, the Clients may be dependent upon information provided by the obligor, which may be materially inaccurate or fraudulent. Any actual default, or any circumstance that increases the possibility of such a default, could have a material adverse effect on the Clients.

### ***Use of Derivatives***

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

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

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

### ***Equity Risks***

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

### **Short Selling**

Jaffa may engage in short selling. In a short sale, the seller sells a security that it does not own, typically a security borrowed from a broker or dealer. Because the seller remains liable to return the underlying security that it borrowed from the broker or dealer, the seller must purchase the security prior to the date on which delivery to the broker or dealer is required. As a result, the Clients will engage in short sales only where Jaffa believes the value of the security will decline between the date of the sale and the date the Clients are required to return the borrowed security. The making of short sales will expose the Clients to the risk of liability for the market value of the security that is sold, which will be an unlimited risk due to the lack of an upper limit on the price to which a security may rise. In addition, there can be no assurance that securities necessary to cover a short position will be available for purchase or that securities will be available to be borrowed by the Clients at reasonable costs. If a request for return of borrowed securities occurs at a time when other short sellers of the security are receiving similar requests, a “short squeeze” can occur, and the Clients may be compelled to replace borrowed securities previously sold short with purchases on the open market at the most disadvantageous time, possibly at prices significantly in excess of the proceeds received in originally selling the securities short.

### **Litigation**

The investment activities of Jaffa may subject the Clients and Jaffa to the risks of becoming involved in litigation with third parties. The expense of defending against claims against the Clients by third parties and the payment of any amounts pursuant to settlements or judgments would be borne by the Clients, reduce distributions and could require Clients and/or Fund Investors to return distributed capital and earnings. Jaffa will generally be indemnified by the Clients in connection with any such litigation, subject to certain conditions.

### **Trading Decisions**

Trading decisions made by Jaffa will be based on fundamental and other analysis. Any factor that would lessen the prospect of major trends occurring in the future (such as increased governmental control of, or participation in, the financial markets) may reduce the prospect that a particular trading method or strategy will be profitable in the future. In the past, there have been periods

without discernible trends and, presumably, such periods will continue to occur in the future. Moreover, any factor that would make it more difficult to execute trades at desired prices in accordance with the signals of the trading method or strategy (such as a significant lessening of liquidity in a particular market) would also be detrimental to profitability. Further, many advisers' trading methods utilize similar analyses in making trading decisions. Therefore, bunching of buy and sell orders can occur, which makes it more difficult for a position to be taken or liquidated. No assurance can be given that the Clients' strategies will be successful under all or any market conditions.

### ***Less Liquid Instruments***

On behalf of the Clients, Jaffa may invest in securities which may be thinly traded. In addition, the Clients may from time to time hold large positions with respect to a specific type of instrument, which may reduce the Clients' liquidity. Jaffa may be unable to timely dispose of certain assets for the Clients, which would adversely affect the Clients' ability to rebalance its portfolio or to meet withdrawal requests. In addition, such circumstances may force Jaffa to dispose of assets on behalf of the Clients at reduced prices, thereby adversely affecting the Clients' performance. If there are other market participants seeking to dispose of similar assets at the same time, Jaffa may be unable to sell such assets on behalf of the Clients or prevent losses relating to such assets. Furthermore, if the Clients incurs substantial trading losses, the need for liquidity could rise sharply while its access to liquidity could be impaired. In conjunction with a market downturn, the Clients' counterparties could incur losses of their own, thereby weakening their financial condition and increasing the Clients' credit risk to them.

On behalf of the Clients, Jaffa may also invest in securities that are subject to legal or other restrictions on transfer. The Clients may be contractually prohibited from disposing of such investments for a specified period of time. The sale of restricted and illiquid securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets. Restricted securities may sell at a price lower than similar securities that are not subject to restrictions on resale. The market prices, if any, for such investments tend to be volatile and may not be readily ascertainable, and Jaffa may not be able to sell them on behalf of the Clients, when Jaffa desires to do so or to realize what it perceives to be their fair value in the event of a sale.

### ***Hedging Transactions***

On behalf of the Clients, Jaffa may utilize financial instruments, both for investment purposes and for risk management purposes, in order to: (i) protect against possible changes in the market value of the Clients' investment portfolios resulting from fluctuations in the securities markets and changes in interest rates; (ii) protect the Clients' unrealized gains in the value of the Clients' investment portfolio; (iii) facilitate the sale of any such investments; (iv) preserve returns, spreads or gains on any investment in the Clients' portfolios; (v) hedge against a directional trade; (vi) protect against any increase in the price of any securities the Clients anticipate purchasing at a later date; or (vii) for any other reason that Jaffa deems appropriate.

The success of Jaffa's hedging strategies for the Clients, will depend, in part, upon Jaffa'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 portfolio investments being hedged. Since the characteristics of many securities change as markets change or time passes, the success of the

hedging strategy will also be subject to Jaffa's ability to continually recalculate, readjust and execute hedges in an efficient and timely manner. While Jaffa may enter into hedging transactions on behalf of the Clients to seek to reduce risk, such transactions may result in a poorer overall performance for the Clients than if Jaffa had not engaged in such hedging transactions. For a variety of reasons, Jaffa may not seek to establish a perfect correlation between the hedging instruments utilized and the portfolio holdings being hedged.

Such an imperfect correlation may prevent the Clients from achieving the intended hedge or expose the Clients to risk of loss. Jaffa will not be required to hedge any particular risk on behalf of the Clients in connection with a particular transaction or its portfolios generally. Moreover, it should be noted that the Clients' portfolios will always be exposed to certain risks that may not be hedged. The successful utilization of hedging and risk management transactions requires skills complementary to those needed in the selection of the Clients' portfolio holdings by Jaffa.

### ***Non-U.S. Investments***

Certain of the portfolio companies recommended by Jaffa for the Clients may be based or have substantial operations outside of the United States. Such investments may be subject to certain additional risk due to, among other things, potentially unsettled points of applicable governing law, the risks associated with fluctuating currency exchange rates, capital repatriation regulations, the application of complex U.S. and foreign tax rules to cross-border investments, possible imposition of foreign taxes on the Clients, and possible foreign tax return filing requirements for a particular Client or Investor in a Fund.

### ***Cash and Cash Equivalent Investments***

On behalf of the Clients, Jaffa will invest a portion of the Clients' assets in cash or cash equivalent items for investment purposes, pending other investments, as collateral or as provision of margin for derivative instruments. These cash items generally are of high quality at the time of investment and may include a number of money market instruments such as negotiable or non-negotiable securities issued by or short-term deposits with the U.S. and non-U.S. governments and agencies or instrumentalities thereof, bankers' acceptances, high quality commercial paper, repurchase agreements, bank certificates of deposit, and short-term debt securities of U.S. or non-U.S. issuers deemed to be creditworthy by Jaffa. While these investments generally involve relatively low risk levels, they may produce lower than expected returns, and could result in losses.

### ***Leverage and Liquidity Risks***

The Clients generally will have the power to borrow (or otherwise incur leverage) and may do so when deemed appropriate by Jaffa. Jaffa may borrow on behalf of the Clients from brokers, banks and other lenders to finance its investing and trading operations, which borrowings may be secured by assets of the Clients. The use of such leverage can, in certain circumstances, maximize the losses to which the Clients, investment portfolios may be subject. Any event that adversely affects the value of an investment would be magnified to the extent that a particular asset or the Clients as a whole is leveraged. The cumulative effect of the use of leverage by the Clients in a market that moves adversely to the Clients' investments could result in a substantial loss to the Clients, which would be greater than if the Clients were not leveraged. Leverage may be achieved through, among other methods, direct borrowing and purchases of securities on margin and the use of options and other derivatives.

The use of margin, derivatives and short-term borrowings may result in substantial interest and financing costs to the Clients and may create other or additional risks. Specifically, the Clients may use a significant portion of its capital for margin and collateral deposits. If the value of the Clients' securities or derivatives positions falls below the margin or collateral levels required by a prime broker, custodian or other counterparty, additional margin or collateral deposits would be required. If the Clients are unable to satisfy any margin or collateral call by a prime broker, custodian or other counterparty, then such custodian or other counterparty could terminate transactions, liquidate the Clients' position in some or all of the financial instruments that are in the Clients' margin or collateral accounts at the custodian or other counterparty and otherwise cause the Clients to incur significant losses. The failure to satisfy a margin or collateral call, or the occurrence of other material defaults under margin or other financing agreements, may trigger cross-defaults under the Clients' agreements with other brokers, custodians, lenders or counterparties, multiplying the adverse impact to the Clients. In addition, because the use of leverage will allow the Clients to control positions worth significantly more than its investments in those positions, the amount that the Clients may lose in the event of adverse price movements may be high in relation to the amount of its investments.

In the event of a sudden drop in the value of the Clients' assets, Jaffa may not be able to liquidate assets on behalf of the Clients quickly enough to satisfy its margin or collateral requirements or other contractual obligations. In that event, the Clients may become subject to claims of financial intermediaries that extended margin loans or other types of credit. Such claims could exceed the value of the assets of the Clients. The banks, dealers and other custodians and counterparties that provide financing to the Clients can apply essentially discretionary margin, haircut, financing and collateral valuation policies. Changes by banks, dealers and other custodians or counterparties in any of the foregoing may result in large margin or collateral calls, loss of financing and forced liquidations of positions at disadvantageous prices. There can be no assurance that the Clients will be able to secure or maintain adequate financing, without which the Clients may not continue to be viable.

The purchase of options, futures, forward contracts, repurchase agreements, reverse repurchase agreements and equity swaps generally involve little or no margin deposit and, therefore, will provide substantial leverage. Accordingly, relatively small price movements in these financial instruments may result in immediate and substantial losses to the Clients. In addition, the Clients will have unlimited discretion to use derivative instruments, which generally provide the economic equivalent of leverage by magnifying the potential gain or loss from an investment.

### ***Performance-Based Fees***

The existence of a performance-based fee (such as the Incentive Fee described in Item 6) paid to Jaffa may create an incentive for Jaffa to make more speculative investments on behalf of the Clients than the Firm would otherwise make in the absence of such performance-based arrangement.

### ***Counterparty Risks***

The Clients should expect to establish relationships to obtain financing, engage in derivative transactions and obtain prime brokerage and other services and enter into various transactions with third parties, all of which will permit the Clients to trade in any variety of markets or asset classes over time; however, there can be no assurance that the Clients will be able to maintain such relationships or establish such relationships in the future. An inability to establish or maintain



such relationships would limit the Clients' trading activities and could create losses, preclude Jaffa, on behalf of the Clients, from engaging in certain transactions, derivative intermediation financing and prime brokerage services and prevent the Clients from trading at optimal rates and terms. Moreover, a disruption in the financing, derivative and prime brokerage services provided by any such relationships or a significant change in terms relating to financing rates or leverage by such counterparties could have a significant and/or negative impact on the Clients' business, including requiring the liquidation of positions on unfavorable terms, due to the Clients' reliance on such counterparties.

Although unlikely, some of the markets in which Jaffa may effect its transactions on behalf of the Clients may be "over-the-counter" or "inter-dealer" markets. The participants in such markets are typically not subject to credit evaluation and regulatory oversight as are members of "exchange-based" markets. This exposes the Clients to the risk that a counterparty will not settle a transaction due to a credit or liquidity problem, thus causing the Fund to suffer a loss. In addition, in the case of a default, the Fund could become subject to adverse market movements while replacement transactions are executed. Such "counterparty risk" is accentuated for contracts with longer maturities where events may intervene to prevent settlement or where the Clients have concentrated its transactions with a single counterparty or small group of counterparties.

Furthermore, there is a risk that any of the Clients' counterparties could become insolvent and/or the subject of insolvency proceedings. If one or more of the Clients' counterparties were to become insolvent or the subject of insolvency proceedings, there exists the risk that the recovery of the Clients' securities and other assets from the Clients' prime brokers or broker-dealers will be delayed or be of a value less than the value of the securities or assets originally entrusted to such prime broker or broker-dealer.

The Clients are not restricted from dealing with any particular counterparty or from concentrating any or all of its transactions with one counterparty. Moreover, Jaffa's internal process for evaluating the creditworthiness of its counterparties may prove insufficient. The ability of the Clients to transact business with any one or more counterparties, the lack of complete and "foolproof" evaluation of the financial capabilities of the Clients' counterparties and the absence of a regulated market to facilitate settlement may increase the potential for losses by the Clients.

### **Cybersecurity Risk**

As part of its business, Jaffa stores and transmits large amounts of electronic information, including information relating to the Client Accounts, including but not limited to personally identifiable information. Similarly, service providers may process, store and transmit such information. Jaffa has procedures and systems in place to protect such information and prevent data loss and security breaches. However, such measures cannot provide absolute security. The techniques used to obtain unauthorized access to data, disable or degrade service or sabotage systems change frequently and may be difficult to detect for long periods of time. Hardware or software acquired from third parties may contain defects in design or manufacture or other problems that could unexpectedly compromise information security. Network connected services provided by third parties to Jaffa may be susceptible to compromise, leading to a breach of Jaffa's networks. Jaffa's systems or facilities may be susceptible to employee error or malfeasance, government surveillance or other security threats. On-line services provided by Jaffa to the Clients, if any, may also be susceptible to compromise. Breach of Jaffa's information systems may cause information relating

to the transactions of Jaffa's Clients (including personally identifiable information) to be lost or improperly accessed, used or disclosed.

### ***Epidemics, Pandemics, Outbreaks of Disease and Public Health Issues***

Jaffa's business activities as well as the activities of the Clients and the investments could be materially adversely affected by outbreaks of disease, pandemics, epidemics and public health issues in Asia, Europe, North America, the Middle East and/or globally, such as coronavirus disease 2019 (COVID-19) and the ongoing COVID-19 pandemic (caused by the SARS-CoV-2 virus), Severe Acute Respiratory Syndrome (or SARS), diseases caused by other new or novel coronaviruses, flu and diseases caused by other types or subtypes of influenza viruses, Ebola virus disease, and other epidemics, pandemics, outbreaks of disease or public health issues (including the emergence of new viruses).

### ***Force Majeure Risk***

Force majeure is the term generally used to refer to an event beyond the control of the party claiming that the event has occurred, including acts of God, pandemics, fire, flood, weather, earthquakes, war, terrorism, and labor strikes. Some force majeure events may adversely affect a party's ability to perform its obligations, under a contract or otherwise, at least until it is able to remedy the force majeure event. In addition, the cost of repairing or replacing damaged assets could be considerable and may be either uninsurable or insurable at such high rates that to maintain such coverage would cause an adverse impact on the related investments. Repeated or prolonged service interruptions may result in permanent loss of customers, substantial litigation, or penalties for regulatory or contractual non-compliance. Force majeure events that are incapable of, or costly to, cure may also have a permanent adverse effect on Clients and/or its investments and, potentially, the surrounding community, and may result in losses far in excess of available insurance coverage.

In particular, a pandemic, similar to the recent spread of COVID-19 could negatively impact the financial results of Jaffa and the Firm's investments due to, among other things, (a) disruptions to business operations resulting from reduced consumer spending, travel restrictions, shelter-in-place orders from federal, state, local and foreign governments, and quarantines of employees, customers and suppliers in areas affected by the outbreak, (b) closures of manufacturing facilities, warehouses and logistics supply chains, and (c) uncertainty about the duration of the virus' impact on financial markets. As a pandemic spreads, the potential impacts, including a global, regional, or other economic recession, as well as the scale of such impacts, are increasingly uncertain and difficult to assess.

### ***Additional Risks Relating to Private Investment Funds***

#### ***Alternative Investment Funds – Private Funds***

Alternative investments, such as a Fund (i.e., hedge funds and private equity funds) that may be advised by Jaffa in the future, generally seek to provide returns with a low correlation to returns of standard asset classes. Each private fund is subject to specific and often enhanced risks, depending on the nature of the private fund. Prospective investors to a private fund should carefully review the prospectus disclosures and offering documents of these private funds, which contain important information about the specific risks of the product.

An alternative investment fund or private fund is an investment vehicle that pools capital from a number of investors and invests in securities and other instruments. In many cases, an alternative investment fund is an investment vehicle that is typically not registered under federal or state securities laws. So that alternative investment funds do not have to register under these laws, issuers make the private funds available only to certain sophisticated or accredited investors and cannot be offered or sold to the general public. Many but not all alternative investment funds use leverage as part of their investment strategies. Some alternative investment funds management fees typically include a base management fee along with a performance component. In many cases, the private fund's managers (the portfolio managers) may become "partners" with their investors by making personal investments of their own assets in the private fund. Many alternative investment funds offer their securities by providing an offering memorandum or private placement memorandum. The offering memorandum covers important information for investors and investors should review this document carefully and should consider conducting additional due diligence before investing in the alternative investment fund. Risks of alternative investment funds include the following:

- Alternative investment funds do not sell publicly and are therefore illiquid. An investor may not be able to exit an alternative investment fund or sell its interests in the private fund before the fund closes.
- Alternative investment funds are subject to various other risks, including risks associated with the types of securities in which the private fund invests.

Certain illiquid investments may not be able to be sold at prices that reflect the assessed value.

#### ***Lack of Private Fund Investor Participation in Management***

Investors in private funds will not have an opportunity to evaluate or approve specific investments, or any particular type or category of investment, prior to a private fund's investing. Decisions with respect to a private fund's management will be made exclusively by the investment adviser or portfolio manager to the fund, who will have wide latitude within the broad investment guidelines in determining the types of assets it may decide are proper investments for the private fund. Portfolio managers to a private fund have the exclusive right to manage the investment program for their respective private fund(s). Investors in private funds have no right or power to take part in the management of a private fund, other than by voting on certain matters as provided in the particular private fund's offering documents. Accordingly, no person should subscribe for interests to a private fund unless such person is willing to entrust all aspects of the private fund's management to the portfolio manager of such private fund(s).

#### ***No Market for Fund Interests***

Interests in the private funds are generally not transferable and will be transferable only with the prior written consent of the portfolio manager or investment adviser to the particular private fund. There is not and will not be a public market for private fund interests. Investors therefore will generally be unable to liquidate their investment in a private fund during the term of the private fund. Private funds have a long-term horizon. Even upon liquidation, a private fund investor may receive restricted securities that may not be resold without registration under, or exemption from, applicable securities laws.

#### ***Private Funds May Make Non-Cash Distributions***

Although unlikely, it is possible that a private fund may make distributions of illiquid securities to investors, including other non-cash properties. Investors would face the same illiquidity for any portfolio company securities distributed in kind as faced by a private fund but without the right to control the portfolio company, which make their interests less desirable to potential acquirers. An investor that receives assets other than cash from a private fund may incur substantial costs and delays in exchanging those assets to cash and may realize a lower value than identified for those securities or other assets upon distribution by a private fund.

***The foregoing list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment in any or all of the strategies. Prospective Clients should read this entire Form ADV and all accompanying materials provided by Jaffa and consult with their own advisers before deciding whether to invest in the strategies. In addition, as investments mature and the strategies develop and change over time, an investment may be subject to additional and different risk factors. Jaffa will promptly amend this brochure if and when any information regarding its investment risks and strategies becomes materially inaccurate.***

#### **ITEM 9 – DISCIPLINARY INFORMATION**

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Neither Jaffa nor any employees have been sanctioned or disciplined by any federal securities or commodities regulatory agency, self-regulatory organization or state for any violation of their statutes, regulations or rules nor have they ever been involved in any civil or criminal action relating to any violation of the federal or state securities or commodities laws.

#### **ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

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Jaffa is not registered nor has an application pending to register as a broker-dealer or a registered representative of a broker-dealer.

Jaffa is not registered nor has an application pending to register as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

#### **ITEM 11 – CODE OF ETHICS, PARTICIPATION/INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

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##### ***Code of Ethics***

Jaffa has adopted a Code of Ethics pursuant to Rule 204A-1 of the Advisers Act (the “**Code**”) that establishes certain standards of conduct and rules for its employees and/or access persons (as applicable). A summary of the Code is provided below. All access persons of Jaffa must acknowledge annually that they understand and agree to the terms of the Code.

The Code incorporates the following general principles that all employees are expected to uphold at all times:

- Employees must place the interest of clients first;
- Employees must conduct all personal securities transactions in a manner consistent with the Code and seek to avoid both actual conflicts of interest and the appearance thereof, and;
- Employees may not take inappropriate advantage of their own positions with Jaffa for their own personal benefit.

### ***Personal Trading***

The Code provides that access persons (e.g., Employees) are only permitted to purchase or sell individual publicly-traded securities for their own accounts or accounts that the access person controls or which the access person may be deemed to have beneficial ownership (such as an account of a spouse or minor child) with preapproval from the CCO. Jaffa believes that this mitigates the most likely conflict of interest that may arise from personal trading activity.

Access persons are permitted to buy and sell private securities (such as investments in hedge fund, private equity funds and private companies) with prior approval. Access persons are also permitted to invest in mutual funds, ETFs and U.S. and non-U.S. government issued obligations without prior approval. In addition, Jaffa may permit access persons to maintain accounts that are managed on a discretionary basis by a third party if the access person has no direct or indirect influence or control over the investments for the account.

### **Gifts and Entertainment, Political Activities and Outside Activities**

The Code provides that gifts and entertainment must be reasonable in light of industry practices and should never be given or received if the purpose is to influence the recipient. Jaffa requires access persons to report or receive approval for the receipt or giving of gifts and entertainment under certain circumstances.

The Code also generally requires access persons to obtain prior approval before the access person, a spouse or certain other immediate family members makes a political contribution or engages in certain campaign-related fundraising activities. This policy is intended to prevent scenarios whereby an access person may contribute or engage in an activity for the selection of Jaffa as an investment adviser for a governmental equity.

Finally, the Code provides that, without prior approval, access persons are generally not permitted to engage in certain types of outside business activities. This policy is intended to prevent material conflicts of interest that could arise from an access person's personal activities.

### ***Participation or Interest in Client Transactions***

Jaffa, its principals and employees do not purchase or sell any securities for their own accounts to or from the Client Accounts or any future Funds. Furthermore, if in the future Jaffa advises multiple Client Accounts, Jaffa may deem it appropriate to effect rebalancing or internal cross transactions, subject to the Client Accounts' investment guidelines and restrictions. In such cases, Jaffa may determine that it would be in the best interests of one or more Client Accounts to transfer a security from one account to another (each such transfer, a "**Cross Trade**") for a variety of reasons, including tax purposes, liquidity purposes, to rebalance the portfolios of the

accounts, or to reduce transaction costs that may arise in an open market transaction. If Jaffa decides to engage in a Cross Trade, Jaffa will determine that the trade is in the best interests of both of the accounts involved and take steps to ensure that the transaction is consistent with the duty to obtain best execution for each of those accounts.

Although unlikely, in the event Jaffa is to execute a Cross Trade, Jaffa generally intends to execute Cross Trades with the assistance of a broker-dealer that executes and books the transaction at the close of the market on the day of the transaction. Alternatively, a cross transaction between two Clients may occur as an “internal cross”, where Jaffa instructs the custodian for the accounts to book the transaction at the price determined in accordance with Jaffa’s internal policies. If Jaffa effects an internal cross, Jaffa will not receive any fee in connection with the completion of the transaction.

### **Privacy Policy**

Jaffa is committed to maintaining the confidentiality, integrity and security of its Clients’ and Investors’ personal information. It is Jaffa’s policy to collect only information necessary or relevant to its management business and use only legitimate means to collect such information. Jaffa does not disclose any non-public, personal information about its Clients to anyone except for servicing and processing transactions and as required by law. Jaffa restricts access to non-public, personal information about its Clients to those employees with a legitimate business need for the information. Jaffa maintains security practices, physical, electronic and procedural safeguards to guard each Client’s non-public, personal information. Upon request, Jaffa will provide a copy of its written privacy policies and procedures.

## **ITEM 12 – BROKERAGE PRACTICES**

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Jaffa is authorized to determine the broker or dealer to be used for each securities transaction for the Clients. In selecting brokers or dealers to execute transactions, Jaffa need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. It is not Jaffa’s practice to negotiate “execution only” commission rates, thus the Clients may be deemed to be paying for research, brokerage or other services provided by the broker which are included in the commission rate. However, all transactions will be made on a “best execution” basis.

Although Jaffa will make a good faith determination that the amount of commissions paid is reasonable in light of the products or services provided by a broker, commission rates are generally negotiable and thus, selecting brokers on the basis of considerations that are not limited to the applicable commission rates may result in higher transaction costs than would otherwise be obtainable. The receipt of such products or services and the determination of the appropriate allocation in the case of “mixed use” products or services create a potential conflict of interest between Jaffa and its Clients.

In selecting brokers and negotiating commission rates, Jaffa may take into account the financial stability and reputation of brokerage firms, creditworthiness, efficiency of execution and error resolution, the actual executed price and the commission, custodial and other services provided for the enhancement of the Adviser’s portfolio management capabilities, the size and type of the transaction, the difficulty of execution and the ability to handle difficult trades, the operational

facilities of the brokers and/or dealers involved (including back office efficiency) and the research, brokerage or other services provided by such brokers.

### ***Soft Dollar Usage***

Jaffa does not currently have any soft dollar arrangements with broker-dealers; however, in the future, Jaffa may pay a broker-dealer commissions (or markups or markdowns with respect to certain types of riskless principal transactions) for effecting Client transactions in excess of that which another broker-dealer might have charged for effecting the transaction in recognition of the value of the brokerage and research services provided by the broker-dealer.

If Jaffa decides to obtain research or other services with “soft dollars”, Jaffa will adhere to the following guidelines.

Jaffa will effect such transactions, and receive such brokerage and research services, only to the extent that they fall within the safe harbor provided by Section 28(e) of the Exchange Act and subject to prevailing guidance provided by the SEC regarding Section 28(e). Jaffa believes it is important to its investment decision-making processes to have access to independent research.

Jaffa will limit the use of "soft dollars" to obtain research and brokerage services to services which constitute research and brokerage within the meaning of Section 28(e). Research services within Section 28(e) may include: research reports (including market research), certain financial newsletters and trade journals, software providing analysis of securities portfolios, corporate governance research and rating services, attendance at certain seminars and conferences, discussions with research analysts, meetings with corporate executives, consultants' advice on portfolio strategy, data services (including services providing market data, company financial data and economic data), advice from brokers on order execution and certain proxy services. Brokerage services within Section 28(e) may include: services related to the execution, clearing and settlement of securities transactions and functions incidental thereto (i.e., connectivity services between an investment manager and a broker-dealer and other relevant parties such as custodians), trading software operated by a broker-dealer to route orders, software that provides trade analytics and trading strategies, software used to transmit orders, clearance and settlement in connection with a trade, electronic communication of allocation instructions, routing settlement instructions, post trade matching of trade information and services required by the SEC or a self-regulatory organization such as comparison services, electronic confirms or trade affirmations. The use of commissions arising from the Clients' investment transactions for services other than research and brokerage will be limited to services that would otherwise be a Client expense. The use of commissions to obtain such other services would be outside the parameters of Section 28(e).

In some instances, Jaffa may receive a product or service that is used, in part, by the Jaffa for Section 28(e) eligible purposes and, in part, for other purposes (e.g., an order management system, trade analytical software or proxy services). In such instances, Jaffa will make a good faith effort to determine the relative proportion of the product or service used to assist Jaffa in carrying out its investment decision-making responsibilities and the relative proportion used for administrative or other purposes outside Section 28(e). The proportion of the product or service attributable to assisting Jaffa in carrying out its investment decision-making responsibilities is paid through brokerage commissions generated by Client transactions and the proportion attributable to administrative or other purposes outside Section 28(e) are paid for by Jaffa from its own resources unless otherwise deemed a Client expense.

### ***Trade Errors***

Trade errors involving transactions in any account directly or indirectly held by a Client or any derivatives contract or other similar agreement of a Client Account and/or any trading vehicle (each, a “**Trade Error**”) may occur. Trade Errors include the placement of orders (either purchases or sales) in excess of, or less than, the amount of securities the account intended to trade; the sale of a security when it should have been purchased; the purchase of a security when it should have been sold; the purchase or sale of the wrong security; and the purchase or sale of a security for the wrong account and the post-settlement discovery of such purchase or sale. Trades implemented as a result of faulty data, systems, coding, modeling or analysis, trades that are properly executed but result in losses, errors committed by other persons (including brokers and custodians), or that are otherwise caused by human error other than those specifically described above, are not considered Trade Errors. The loss of an investment opportunity is not considered a Trade Error. Such errors may result in losses or gains. Jaffa will use reasonable efforts to detect such errors prior to settlement and promptly correct them. To the extent that an error is caused by a counterparty, such as a broker-dealer, Jaffa will use reasonable efforts to recover any losses associated with such error from the counterparty.

Pursuant to the relevant Governing Documents between Jaffa and a Client, neither Jaffa nor its affiliates and personnel, will generally not be liable to the Client for any act or omission, absent bad faith, gross negligence, willful misconduct or actual fraud of such person. As a result of these provisions, the Clients (and not Jaffa) will benefit from any gains resulting from Trade Errors and other errors and will be responsible for any losses (including additional trading costs) resulting from Trade Errors and other errors, absent bad faith, gross negligence, willful misconduct or actual fraud of the relevant person. Jaffa will not offset any such gains and losses resulting from Trade Errors and other errors unless the underlying transactions constitute a single transaction or closely related series of transactions. Jaffa will reimburse Clients for losses for which Jaffa is responsible under the exculpation provisions. Given the potentially large volume of transactions executed by Jaffa on behalf of the Clients, Clients should assume that Trade Errors and other errors will occur and that, to the extent permitted by applicable law and under the relevant Governing Documents, the Clients may be responsible for any resulting losses, even if such losses result from the negligence (but not gross negligence) of Jaffa’s personnel.

### ***Trade Aggregation and Allocation Policies and Procedures***

It is Jaffa’s policy to allocate investment opportunities to the relevant Client Accounts participating in a trade on a fair and equitable basis, to the extent practical and in accordance with the Clients’ applicable investment strategies, over a period of time. Investment opportunities will generally be allocated among those accounts for which participation in the respective opportunity is considered appropriate, taking into account, among other considerations: whether the risk-return profile of the proposed investment is consistent with an account’s objectives, the potential for the proposed investment to create an imbalance in an account’s portfolio, the liquidity requirements of an account, requests by a Client to use a particular broker(s), potentially adverse tax consequences, regulatory restrictions that would or could limit an account’s ability to participate in a proposed investment, and the need to re-size risk in a Client Account’s portfolio.

Jaffa will have no obligation to purchase or sell a security for, enter into a transaction on behalf of, or provide an investment opportunity to, a Client Account solely because Jaffa purchases or sells the same security for, enters into a transaction on behalf of, or provides an opportunity to,



another Client Account if, in Jaffa's reasonable opinion, such security, transaction or investment opportunity does not appear to be suitable, practicable or desirable for other Client Account(s).

In particular, when Jaffa is ramping up its investment or trading strategies for a particular Client(s), such Client(s) it may receive larger allocations of certain securities than the other Client Accounts in order to obtain its desired risk and portfolio size. Conversely, when other Client Accounts ramp up their investment and trading strategies, other Clients may receive reduced or no allocations of certain securities.

#### ***Brokerage for Client Referrals and Directed Brokerage***

Jaffa does not compensate brokers for client referrals, nor does Jaffa consider this fact in selecting brokers.

Jaffa does not recommend, request, require or permit a client to direct it to execute transactions through a specific broker.

### **ITEM 13 – REVIEW OF ACCOUNTS**

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Client positions will be regularly reviewed by the Chief Investment Officer and the CCO to ensure conformity with relevant investment objectives and guidelines, in accordance with each Client's Governing Documents. Furthermore, Jaffa will review Client transactions, positions and cash balances on a daily basis.

Client Account reviews may also be triggered by a Client's change of goals or objectives, asset valuations or in the event of a rebalancing of a Client's investment policy allocation. Jaffa will be available to discuss the performance of the Client Account and changes in the Client Account's situation which may have an impact on the management of and recommendation made to the Client Account.

### **ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION**

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Jaffa does not currently utilize any third-party placement agent to introduce prospective Clients to the Firm or Investors to a Fund.

### **ITEM 15 – CUSTODY**

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Jaffa is not deemed to have Custody of any SMA Client Account, and therefore not subject to the Custody Rule for SMA Clients.

To the extent that it is required to do so, Jaffa will comply with the applicable requirements of Rule 206(4)-2 of the Advisers Act (the "**Custody Rule**") with regard to Jaffa's custody of the assets of any pooled investment vehicle that it may advise in the future.

Jaffa will be deemed to have custody of any future pooled investment vehicle assets and will provide all Investors with audited financial statements for the pooled investment vehicle in which they are invested within 120 days of such pooled investment vehicle's fiscal year end. In addition, the audited

financial statements are prepared by an independent accounting firm that is registered with and subject to review by the Public Company Accounting Oversight Board (PCAOB), in accordance with U.S. Generally Accepted Accounting Principles (GAAP). Investors should carefully review the audited financial statements of any pooled investment vehicle in which they invest.

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**ITEM 16 – INVESTMENT DISCRETION**

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Jaffa obtains discretionary authority from a Client at the outset of an advisory relationship. The terms of these investments, as well as the investment strategy and guidelines around the use of this discretion, are described in detail in the Governing Documents for each Client.

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**ITEM 17 – VOTING CLIENT SECURITIES**

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Jaffa does not intend to have discretion to vote proxies for Client Accounts.

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**ITEM 18 – FINANCIAL INFORMATION**

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Jaffa has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to Clients and has not been the subject of a bankruptcy proceeding.