

Part 2A of Form ADV: Firm Brochure (the “Brochure”)



Item 1 – COVER PAGE

HONDIUS CAPITAL MANAGEMENT, LP

100 First Stamford Place
Suite 330
Stamford, CT 06902
Tel: 203.930.2200

<https://www.hondiuscapital.com/>

DATE: October 27, 2023

This Brochure provides information about the qualifications and business practices of Hondius Capital Management, LP. If you have any questions about the contents of this Brochure, please contact us via email at sbischoff@hondiuscapital.com or call us at 203.930.2200. 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. Registration with the SEC does not imply a certain level of skill or training.

Additional information about Hondius Capital Management, LP is also available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2 – MATERIAL CHANGES

As of October 27, 2023, Hondius is submitting an annual amendment to this Brochure and the following are the material changes since the previous annual amendment on February 23, 2023:

- The Brochure has been updated to reflect a change in Chief Compliance Officer.

In the future, when the Adviser amends its Brochure for its annual update, and the amended version contains material changes from the last annual update, the Adviser will identify and discuss those changes either on this page or as a separate document accompanying the Brochure. For documentation purposes, Hondius will provide the date of the last annual update of its Brochure.

Item 3 – TABLE OF CONTENTS

Contents

Item 1 – COVER PAGE	1
Item 2 – MATERIAL CHANGES.....	2
Item 3 – TABLE OF CONTENTS	3
Item 4 – ADVISORY BUSINESS.....	4
Item 5 – FEES AND COMPENSATION	6
Item 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT.....	10
Item 7 – TYPES OF CLIENTS	11
Item 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS.....	12
Item 9 – DISCIPLINARY INFORMATION	18
Item 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS	19
Item 11 – CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING	20
Item 12 – BROKERAGE PRACTICES.....	22
Item 13 – REVIEW OF ACCOUNTS.....	25
Item 14 – CLIENT REFERRALS AND OTHER COMPENSATION.....	26
Item 15 – CUSTODY.....	27
Item 16 – INVESTMENT DISCRETION	28
Item 17 – VOTING CLIENT SECURITIES.....	29
Item 18 – FINANCIAL INFORMATION	31

Item 4 – ADVISORY BUSINESS

Description of the Adviser

Hondius Capital Management, LP (the “Adviser”), a Delaware limited partnership, was founded in April 2018 to provide discretionary investment advisory services to the private investment fund clients identified below. Shawn Matthews is the principal owner of the Adviser and serves as Chief Investment Officer (herein referred to as the “Principal”).

The Adviser’s private investment fund clients are referred to herein as a “Fund” or the “Funds”, as applicable and are listed below:

- Hondius Macro Onshore, LP, a Delaware limited partnership (the “Domestic Fund”);
- Hondius Macro Offshore, Ltd., a Cayman Islands exempted corporation (the “Offshore Fund”); and
- Hondius Macro, LP, a Cayman Islands exempted limited partnership (the “Master Fund”).

It should be noted that the Domestic Fund and the Offshore Fund invest substantially all of their assets in the Master Fund.

Hondius Macro GP, LP (the “General Partner”) is an affiliate of the Adviser and acts as general partner to certain private investment fund clients that are organized as limited partnerships.

In addition, the Adviser provides discretionary investment advisory services to a separately managed account (the “Managed Account” and together with the Funds, the “Advisory Clients”).

Types of Advisory Services Offered

The principal investment objective of the Funds is to seek superior, risk-adjusted returns. The Master Fund will invest across borders, currencies, and asset classes. **There can be no assurance that the Funds’ investment objective will be achieved, and investment results may vary substantially on a monthly, quarterly and annual basis.** The Adviser’s methods of analysis are further described in Item 8 (Methods of Analysis, Investment Strategies and Risk of Loss) herein.

The particular investment objectives, strategies, fees and risks of each Fund are contained in the respective Fund’s confidential offering documents (each, a “Memorandum”).

It should be noted that the Managed Account’s investment objectives and the types of investments that such portfolio will hold are individually negotiated and established between the Adviser and the Managed Account.

Availability of Services Tailored to Specific Client Needs

The Adviser has broad and flexible investment authority with respect to the Funds and its services are tailored to achieving the investment objectives as stated in each Fund’s Memorandum. The Adviser does not tailor its services to the individual needs of any investor in the Funds (“Fund Investors”).

Wrap Fee Programs

The Adviser does not participate in wrap fee programs.

Client Assets Under Management

As of September 30, 2023, the Adviser managed \$168,892,031 of Advisory Client regulatory assets on a discretionary basis.

Please also see Item 8 (Methods of Analysis, Investment Strategies and Risk of Loss), Item 10 (Other Financial Industry Activities and Affiliations) and Item 14 (Client Referrals and Other Compensation).

Item 5 – FEES AND COMPENSATION

Management Fee and Performance Allocation

The Adviser receives compensation from the Funds in connection with providing discretionary investment advisory services in the form of a fixed management fee (the “Management Fee”) payable to the Adviser and based on the total value of the respective Fund. The General Partner, an affiliate of the Adviser, is entitled to a performance allocation (the “Performance Allocation”) based on the net gains (if any) earned by the Domestic Fund and the Master Fund. The Management Fee and the Performance Allocation are described in more detail below.

As more fully described in the respective Fund’s Memorandum, the Domestic Fund will issue underlying investors 2 classes of limited partner interests and the Offshore Fund will issue underlying investors 2 classes of shares (each referred to herein as a “Class”). The rates associated with each Class are outlined here:

<u>Class</u>	<u>Management Fee Rate</u>	<u>Performance Allocation Rate</u>
Founders Class	1.50%	15.0%
Class A	1.50%	20.0%

The Management Fee is paid to the Adviser by the Funds, in advance, at the beginning of each monthly period. The Performance Allocation is calculated annually, subject to a traditional high watermark and takes the form of a reallocation of net gains to the account of the General Partner.

If a new Fund Investor is admitted at any time other than the first day of a monthly period, or an existing Fund Investor makes an additional investment at any time other than the first day of a monthly period, the portion of the Management Fee payable with respect to such new Fund Investor, or with respect to such existing Fund Investor with respect to its additional investment, for the partial monthly period will be prorated based on the number of days remaining in such monthly period. For the avoidance of doubt, there will be no adjustment to the Management Fee paid with respect to any other Fund Investors to reflect such additional contribution until the start of the following monthly period.

As of the end of each fiscal year, if there is net annual gain during such fiscal year to the account attributable to a Fund Investor shall be, subject to a high watermark, reallocated so that the General Partner’s capital account shall receive an allocation equal to the rates outlined above.

The Management Fee will be calculated at the Domestic Fund or Offshore Fund level, paid at the Master Fund level and charged to the corresponding account at the Master Fund level. The Performance Allocation will be debited from the Domestic Fund or Offshore Fund’s account in the Master Fund (and from the corresponding account with respect to the portion of such Performance Allocation attributable to each investment) and credited to the account of the General Partner at the Master Fund level. Simultaneously, at the Domestic Fund or Offshore Fund level, the corresponding share of the Performance Allocation attributable to each investment will be debited from the account with respect to each investment.

The General Partner/Adviser may designate an investment as a “Designated Investment” for any reason or no reason, but generally expects that Designated Investments will include illiquid investments or investments that are difficult to value. Net gain or net loss attributable to a Designated Investment will be

excluded from the net asset value of the Funds for purposes of calculating the Management Fee and Performance Allocation until such time as the Designated Investment is fully realized or until the General Partner/Adviser determines that such Designated Investment should no longer be designated as such (which such determination may be made at any time), or the General Partner/Adviser effects a distribution with respect to such Designated Investment. The Management Fee and Performance Allocation attributable to any Designated Investment will be accrued until such Designated Investment is realized or deemed realized. Upon its realization (or deemed realization), the net gain or net loss attributable to a Designated Investment net of any accrued Management Fee or other items of expense and an Performance Allocation made with respect to any gains will be specially allocated exclusively to those investors of the Master Fund (and correspondingly, those Fund Investors in the Domestic Fund and the Offshore Fund) that were investors of the Master Fund (and, correspondingly, Fund Investors in the Domestic Fund and the Offshore Fund) at the time of such designation, in each case through the date of realization or deemed realization. The Performance Allocation attributable to any Designated Investment will be accrued until such Designated Investment is realized or deemed realized.

The Management Fee rate and the Performance Allocation rate are generally not negotiable. The Adviser may reduce, waive, assign, participate or otherwise share or modify the Management Fee payable with respect to any Fund Investor (including any of the General Partner/Adviser's affiliates and any employees of the Adviser) without the consent of or notice to any Fund Investor. The General Partner or the Adviser will have the right to reduce, waive, assign, grant participation in or otherwise share, reallocate or modify the Performance Allocation allocable with respect to any Fund Investor (including any of the General Partner/Adviser's affiliates and any employees of the Adviser) without the consent of or notice to any other Fund Investor.

The Managed Account relationship is subject to terms that are individually negotiated between the Adviser and the Managed Account. A complete description of all fees, the methods of billing and how often such fees are charged for the Managed Account is disclosed within the investment management agreements entered into by the Adviser and the Managed Account.

Expenses

In general, the Domestic Fund and the Offshore Fund will bear all of their operating expenses and their *pro rata* share of the operating expenses of the Master Fund (collectively, the "Fund Expenses"), which expenses will include, without limitation: (a) organizational and offering expenses; (b) expenses associated with all investments and transactions considered, evaluated and/or consummated by the Domestic Fund, Offshore Fund or the Master Fund, including, but not limited to, expenses associated with sourcing, negotiating, investigating, researching, financing and structuring of investments and potential investments, whether or not consummated, including third-party research, data, analytics, modeling, structuring, pricing, execution and other third-party information systems, software and service fees (including data feeds, subscriptions, reports, trade and order management systems, expert networks, political intelligence providers and similar items), research-related hardware and software, including Bloomberg terminals and subscriptions; (c) the Domestic Fund's and Offshore Fund's *pro rata* share of the Adviser's portfolio management system and any other software used for accounting and/or monitoring of the portfolio (including, without limitation, subscriptions related to trading and order management); (d) expenses associated with holding, financing, monitoring, hedging, maintaining and disposing all investments of the Domestic Fund, Offshore Fund and the Master Fund and all transaction and other costs associated therewith; (e) travel and related expenses associated with investments and potential investments; (f) professional fees associated with investments and potential investments, including, but

not limited to, consulting, due diligence, investment banking, accounting, financial, legal, valuation, and other advisory fees and expenses; (g) transaction fees, brokerage commissions, custodial fees, clearing and settlement charges and similar fees and expenses associated with the acquisition, disposition and settling of investments and potential investments; (h) expenses associated with legal and regulatory filings of the Domestic Fund, Offshore Fund or Master Fund (including, without limitation, pursuant to Sections 13 and 16 of the Exchange Act, excluding Form 13F and Form 13H, which shall be costs of the Adviser); (i) administrative, custodial, appraisal, valuation, legal, regulatory, compliance, consulting, advisory and similar fees and expenses associated with the Domestic Fund's, Offshore Fund's or Master Fund's operations, investments and transactions, including fees and expenses of the administrator; (j) expenses incurred in connection with responding to requests or inquiries from any governmental or regulatory authority, including, without limitation, self-regulatory authorities; (k) broken-deal, failed transaction, break-up and similar fees, costs and expenses; (l) costs and expenses of leverage or any other borrowings of the Domestic Fund, Offshore Fund or Master Fund, including interest charges and fees; (m) expenses incurred in the collection of monies owed to the Domestic Fund, Offshore Fund or the Master Fund, as applicable; (n) auditing and accounting expenses of the Domestic Fund, Offshore Fund and Master Fund, including expenses associated with the preparation of financial statements, tax returns and Schedules K-1 and the fees and expenses of the auditor; (o) any entity level taxes, fees, or other governmental charges on the Domestic Fund, Offshore Fund or the Master Fund, including any withholding taxes not due to the status or noncompliance of a particular investor; (p) costs and expenses associated with investor communications and reports and the delivery thereof to investors; (q) the costs of service providers or software to measure or monitor risk metrics, to aggregate positions and/or to provide reporting with respect to risk metrics and/or positions; (r) costs and expenses associated with meetings of the investors; (s) insurance expenses, including, but not limited to, directors' and officers' liability insurance, general partner liability insurance, errors and omissions insurance and other policies, if any; (t) costs and expenses (including entity-level taxes, fees or other governmental charges) associated with the formation, organization and operation of any subsidiary, special purpose vehicle, alternative investment vehicle, holding company or similar entity formed with respect to investments, credit facilities or other transactions entered into for the benefit of the Domestic Fund, Offshore Fund or the Master Fund; (u) wind-up, liquidation, termination and dissolution expenses; (v) costs, fees and expenses related to registration, qualification and/or exemption under any applicable U.S. federal, state, local, or non-U.S. laws, rules or regulations, including blue sky fees, Form D, Form 8.3, CFTC filings and notices and other securities and/or investment-related filing expenses; (w) costs related to any transfers of Interests, unless otherwise charged to or borne by the applicable transferor and/or transferee; (x) expenses incurred in connection with the preparation of any amendment to the fund governing documents; (y) expenses incurred in connection with pursuing, defending and/or participating in any litigation, arbitration, mediation or similar proceeding or process by the Domestic Fund, Offshore Fund or the Master Fund; (z) any extraordinary expenses (including all litigation-related and indemnification and contribution expenses, including the amount of any judgment or settlement paid in connection therewith); (aa) the Management Fee; (bb) in the case of the Offshore Fund, directors' fees (including reimbursement for reasonable travel and expenses related to the business of the Offshore Fund), registered agent fees and legal fees related to offshore matters; and (cc) all other fees, costs, charges and expenses associated with the business, affairs and/or operations of the Domestic Fund, Offshore Fund or Master Fund.

In general, each Fund Investor will bear its proportionate share of the Fund Expenses on a pro rata basis with respect to the size of its investment(s). The General Partner/Adviser may, however, allocate expenses on another basis, including by allocating certain expenses to certain (but not all) Fund Investors, if the General Partner/Adviser determines that such an allocation is more equitable. In addition, any Fund Expenses attributable solely to investments in "new issues" or solely to Designated Investments will be

allocated solely to those Fund Investors who participate in the relevant investments with respect to their relative interest in such investments. Further, the General Partner/Adviser will have the right to charge any Fund Investor, and not treat as a Fund Expense, any expense attributable to a single Fund Investor or a small group of Fund Investors, including, without limitation, additional accounting expenses incurred in providing a calculation of “unrelated business taxable income” (“UBTI”), if any, to particular Fund Investors.

The Domestic Fund and Offshore Fund will bear all of their organizational expenses and offering expenses and their pro rata share of the organizational and offering expenses of the Master Fund and will reimburse the General Partner, the Adviser and/or the Principal, as applicable, to the extent that any of them bears organizational or offering expenses on behalf of the Domestic Fund and Offshore Fund.

The Principal was previously employed at Cantor Fitzgerald & Co. and its affiliates (“Cantor Fitzgerald”) and shall remain, a terminated limited partner in Cantor Fitzgerald. Pursuant to his termination agreement with Cantor Fitzgerald, the Principal is owed certain termination payments that are payable during an approximate four-year period following his termination date. The Master Fund expects to engage Cantor Fitzgerald as a trading counterparty. Although the Adviser believes that such engagement is on the same terms as would be negotiated on an arms’ length basis, there are potential conflicts of interest that would not exist if the Principal, the Adviser and the General Partner did not have a direct relationship with Cantor Fitzgerald. In connection therewith, the Adviser has adopted best execution policies and procedures to safeguard the Funds against such potential conflicts of interest in order to ensure, among other things, that services provided by Cantor Fitzgerald are on an arm’s length basis and do not reflect increased fees or expenses to the Funds due to the (i) services provided to the Adviser, the Principal or the General Partner by Cantor Fitzgerald or (ii) Principal’s status as a terminated limited partner of Cantor Fitzgerald. At all times the Adviser shall place the interests of the Funds ahead of the interests of the Adviser, the General Partner and the Principal.

See Item 12 (Brokerage Practices) for a discussion of the Adviser’s process for selecting broker-dealers and a description of how the Funds will incur brokerage and other transaction costs and Item 6 (Performance-Based Fees and Side-By-Side Management). Fund expenses are more fully described in the respective Fund’s Memorandum.

It should be noted that a complete description of all fees and expenses for the Managed Account is disclosed within Managed Account’s investment management agreement.

Other Compensation

Hondius may also receive compensation from HCM Investor Holdings, LLC, which is owned by certain supervised persons of Hondius, and is the sponsor of the HCM Acquisition Corp., a special purpose acquisition company (“SPAC”), for office space and secretarial and administrative services.

It is critical that Fund investors and prospective investors refer to the respective Fund’s Memorandum and other governing documents for a complete understanding of how the Adviser is compensated for its advisory services.

Item 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

The Adviser manages the Funds, which are each subject to asset-based management fees and performance-based fees and the Managed Account which is subject to performance-based fees. See Item 5 (Fees and Compensation) of this Brochure for a detailed description of the Performance Allocation. Performance-based fees may create an incentive the Adviser to make investments on behalf of the Advisory Clients that are riskier or more speculative than would be the case in the absence of such an arrangement. The Adviser does not currently manage any funds or other client accounts that are not subject to performance-based compensation. However, the Adviser may, in the future, manage additional funds or accounts with higher or lower fees, and different fee structures, than those applicable to the Funds. Different fee structures between client accounts may create a potential conflict of interest in that the Adviser has an incentive to allocate investment opportunities to certain clients over others. See Item 12 (Brokerage Practices) for a discussion of the Adviser's trade aggregation and allocation policies. The Adviser recognizes that it is a fiduciary and, as such, must act in the best interests of its clients.

Item 7 – TYPES OF CLIENTS

The Adviser provides discretionary investment advice to the Advisory Clients as more fully described in Item 4 (Advisory Business). Fund Investors may consist of financial institutions, corporations, funds of hedge funds, endowments, foundations, high net worth individuals, trusts, estates, and pension or profit sharing plans.

In order to invest in the Funds, a prospective investor is required to make certain representations as to suitability and legal requirements of the respective Fund. Each US Fund Investor must be: (i) an “accredited investor” (as such term is defined pursuant to Rule 501(a) of Regulation D, promulgated pursuant to the U.S. Securities Act of 1933, as amended (the “Securities Act”)); and (ii) a “qualified purchaser” (as such term is defined in Section 2(a)(51) of the U.S. Investment Company Act of 1940, as amended (the “Investment Company Act”)). At such time that the Adviser is registered as an investment adviser pursuant to the U.S. Investment Advisers Act of 1940, as amended (the “Advisers Act”), each investor must also be a “qualified client,” as that term is defined in the rules of the Advisers Act, but will meet such standard by virtue of qualifying as a qualified purchaser.

The minimum initial investment in a Fund is \$1,000,000 (or such lesser amount as may be permitted by the General Partner or the Adviser, subject to the statutory minimum of \$100,000 in the case of the Offshore Fund (or such other minimum amount as may be applicable from time to time)). Thereafter, the minimum additional investment required will be \$250,000 (or such lesser amount as may be determined by the General Partner or the Adviser).

The Managed Account minimum account size and other terms have been individually negotiated.

Item 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Methods of Analysis and Investment Strategies

The principal investment objective of the Domestic Fund is to seek superior, risk-adjusted returns.

The Master Fund will utilize a discretionary global macro strategy and employs a thematic approach to investing, focusing on identifying investment themes early in their progression, and then evaluating what the investment team (the “Investment Team”) believes to be the best liquid implementation of such themes, regardless of asset class. The Investment Team understands both cycle progression and which asset classes will outperform and underperform at each stage. The Investment Team believes this knowledge and the team’s insight into relative value and liquidity will enable it to better identify and capitalize upon pricing anomalies. With expertise across major asset classes, and a “single portfolio” philosophy, the Investment Team believes it can more accurately understand the risks within its portfolio. By overlaying consistent and disciplined risk management, the Investment Team believes it can create asymmetric portfolio outcomes, while minimizing potential drawdowns.

The investment strategies described herein are those that the Adviser expects to employ on behalf of the Funds. However, there are no limitations on the investment strategies that the Funds may employ, and the Adviser may adjust the strategy that it pursues opportunistically to respond to, or to take advantage of, changing market conditions and new investment opportunities. Further, the Adviser may invest opportunistically in securities or transactions that vary from the core strategy of the Funds. There can be no assurance that the Funds’ investment objective will be achieved, and investment results may vary substantially on a monthly, quarterly and annual basis.

It should be noted that the Managed Account’s investment objectives and the types of investments that such portfolio will hold are individually negotiated and established between the Adviser and the Managed Account.

Certain Risk Factors

Investing in securities involves significant risks. The Adviser’s investment strategy on behalf of the Funds involves a substantial risk of loss of some or all of a Fund Investor’s investment. The foregoing contains certain of the material risks involved in the Funds’ investment strategies and does not purport to be complete. Fund Investors should carefully review the applicable offering documents and consult with their own professional adviser(s) prior to making an investment.

General Investment and Trading Risks. All securities investments present a risk of loss of capital. Volatile financial markets increase that risk. If the Adviser’s evaluation of an investment opportunity should prove incorrect, a Fund could experience losses as a result of a decline in the market value of securities in which the Fund holds a long position or an increase in the value of securities in which the Fund holds a short position. The Domestic Fund’s and the Offshore Fund’s investment program, as executed through the Master Fund, will include short sales, which can involve substantial volatility and can, in certain circumstances, substantially increase the adverse impact to which the Domestic Fund and Offshore Fund may be subject. The risk management techniques that may be used by the Adviser do not provide any assurance that Funds will not be exposed to a risk of significant investment losses. No guarantee or

representation is made that the Funds' investment program will be successful, that the Funds will achieve targeted returns or that there will be any return of capital invested to investors in the Funds. In addition, investment results may vary substantially over time.

Concentration of Investments; Limited Diversification and Sector Investing. The Funds may hold a limited amount of positions (both long and short) at any given time. As a result of the Funds' possible lack of diversification, a significant loss in any one position may have a material adverse effect on the net asset value of the Fund's rate of return. Therefore, any fluctuation in the overall value of securities in specific industries or sectors likely will have a material effect on the performance of the Fund. The Adviser's specialized investment strategy and potential lack of diversification may be more vulnerable to changes in the economy or those industries or other factors than a broad based portfolio, and, as a result, performance results may be highly volatile and may result in the Fund significantly outperforming, or under-performing, the market as a whole.

Leverage. The Funds, as applicable, may employ leverage in connection with its investment strategies and/or for any other purpose deemed necessary, desirable or appropriate at such times, in such amounts and subject to such terms and conditions as the General Partner and/or the Adviser may determine in its sole and absolute discretion. Such leverage may take a variety of forms, including loans, repurchase agreements, derivative instruments that are inherently leveraged, margin borrowing from securities brokers and dealers and other financing arrangements, as determined by the General Partner or Adviser in its sole and absolute discretion. The use of leverage increases both the possibility for gain and the risk of loss. Leverage may be secured by the Funds' securities and other assets. Under certain circumstances, a lender may demand an increase in the collateral that secures such obligations, and if the Fund is unable to provide additional collateral, the lender could liquidate assets held in the account to satisfy such obligations. Liquidation in that manner could have extremely adverse consequences. In addition, the amount of the Funds' borrowing and the interest rates on that borrowing, both of which will fluctuate, may have an effect on the Funds' profitability. In addition, the use of leverage may cause a U.S. tax-exempt investor to realize UBTI.

Securities Lending and Borrowing. The Funds may lend securities to securities brokers and other institutions as a means of earning additional income, or may borrow securities from securities brokers or other institutions to cover short positions. If the other party to such transaction becomes insolvent or bankrupt, the Funds could experience delays and extra costs in recovering payment or the securities. To the extent that, in the meantime, the value of securities changes, the Funds could experience further losses. Security loans must be fully collateralized, and the Adviser must be satisfied with the creditworthiness of the other party to the transaction.

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

Competition. The securities industry is extremely competitive. The Adviser will compete for investment opportunities against various other investors, including many of the larger securities and investment banking firms, which have substantially greater financial resources and research staffs. Competitive investment activity by other firms may reduce the Funds' opportunity for profit by reducing the availability of or increasing the price of what the Fund believes to be, based on its investment criteria, exceptional investment opportunities.

Borrowing; Interest Rates; Margin. The General Partner and/or the Adviser may borrow funds from brokerage firms and banks on behalf of the Funds to be able to increase the amount of capital available for marketable securities investments. The rates at which a Fund can borrow, in particular, will affect the operating results of the Fund. Even if the Fund makes a profit on a trade, the interest expense incurred in carrying the position may exceed the profit generated by the trade. Any use of short-term borrowings or repurchase agreements will result in certain additional risks to the Funds. For example, should the securities pledged to brokers to secure the Fund's' margin accounts or repurchase obligation decline in value, the Funds could be subject to a "margin call," pursuant to which the Fund must either deposit additional funds with the broker or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a sudden drop in the value of the Funds' assets, the Funds might not be able to liquidate assets quickly enough to pay off its margin debt.

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

Limited Operating History. Although the principal and key members of the Investment Team are experienced investment professionals who have successfully pursued investment objectives similar to the Funds' investment objective at other organizations, the Funds have limited operating history on which prospective investors can base an evaluation of its performance. Past performance is not indicative of future results.

Equity Securities. Equity securities fluctuate in value in response to many factors, including the activities and financial condition of individual companies, the business market in which individual companies compete, industry market conditions, interest rates and general economic environments.

Short Sales. Short selling involves selling securities that may or may not be owned and borrowing the same securities for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the investor to profit from a decline in market prices to the extent such decline exceeds the transaction costs and the costs of borrowing the securities. However, since the borrowed securities must be replaced by purchases at market prices to close out the short position, any appreciation in the price of the borrowed securities would result in a loss. A short sale involves the risk of a theoretically unlimited increase in the market price of the security. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss.

In addition, short sellers are subject to the risk of a “short squeeze.” A short squeeze is a situation in which the short seller is prematurely forced out of a short position. The lender of a security used to cover a short generally has the right to demand the return of the security that has been loaned at any time. If a lender were to demand the return of securities that the Funds have borrowed, the Funds would be required to replace the borrowed securities by borrowing identical securities from another lender. If the Funds were unable to replace the borrowed securities, it would be required to close out the short sale by buying identical securities in the market to make delivery. In such event, the Funds could incur significant losses if the securities sold short had increased in value.

The Funds also could be forced to close out a short sale prematurely as a result of an increase in margin requirements, coupled with an inability to provide the required additional margin on short notice.

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

Options. The Funds may engage in the trading of options when appropriate. Such trading involves risks substantially similar to those involved in trading margined securities in that options are speculative and highly leveraged. Specific market movements of the securities underlying an option cannot accurately be predicted. The purchaser of an option is subject to the risk of losing the entire purchase price of the option. The writer of an option is subject to the risk of loss resulting from the difference between the premium received for the option and the price of the security underlying the option which the writer must purchase or deliver upon exercise of the option.

Derivatives. The Funds may invest in derivative financial instruments. In addition, the Funds may, from time to time, utilize both exchange-traded and over-the-counter futures, options and contracts for differences, for hedging purposes, as well as other derivatives. Regulatory restraints may restrict the instruments that the Funds may trade. Such derivative instruments are highly volatile, involve certain special risks and expose investors to a high risk of loss. The low initial margin deposits normally required to establish a position in such instruments permit a high degree of leverage. As a result, a relatively small movement in the price of a contract may result in a gain or a loss which is high in proportion to the amount of funds actually placed as initial margin, and may result in unquantifiable further losses exceeding any margin deposited. Further, when used for hedging purposes, there may be an imperfect correlation between these instruments and the investments or market sectors being hedged.

Risks of Foreign Investments. The Fund may invest in securities of foreign companies, governments and government agencies. Investing in such securities, which are generally denominated in foreign currencies, and the use of forward foreign currency exchange contracts, involves unusual risk not typically associated

with investing in securities issued by U.S. companies or by the U.S. government or its agencies or instrumentalities. Investing in emerging markets poses greater risks and a greater potential for returns than investing in developed countries. Securities of companies in these emerging markets are generally more volatile and may be much more volatile than securities issued by companies located in developed countries. The Funds may be affected favorably or unfavorably by exchange control regulations or changes in the exchange rate between such currencies and the U.S. dollar. Moreover, individual foreign economies may compare unfavorably with the U.S. economy in growth of gross national product, rate of inflation, rate of savings and capital reinvestment, resource self-sufficiency, balance-of-payment positions and in other respects. Some of the countries in which the Funds may invest have laws and regulations that currently preclude or severely restrict direct foreign investment in securities of their companies. Securities of some foreign companies are less liquid and their prices are more volatile than securities of comparable U.S. companies. Investing in foreign securities creates a greater risk of securities clearance and settlement problems. Further, some of the securities in which the Funds may invest may be thinly traded and relatively illiquid or may cease to be traded after the Funds invest in them. In addition to being illiquid, such securities may be issued by unseasoned companies and may be highly speculative. In addition, the Funds occasionally may acquire relatively large positions in a few securities. In such cases, and in the event of extreme market activity, the Funds may not be able to liquidate investments promptly, if the need should arise, which could materially and adversely affect the results of such investments.

Company Capitalization. The Funds may invest in securities of companies with varying market capitalizations where such companies meet the investment criteria described herein. While such companies may provide significant potential for appreciation, such investments, particularly small-capitalization securities, involve higher risks (including, without limitation, limited liquidity) in some respects than do investments in securities of larger companies. The prices of small capitalization and even medium-capitalization and mid-capitalization securities are often more volatile than prices of large capitalization securities and the risk of bankruptcy or insolvency of many smaller companies (with the attendant losses to long investors) is higher than for larger, “blue-chip” companies. In addition, due to thin trading in some small-, mid- and medium-capitalization securities, an investment in those securities may be illiquid. The small-, mid- and medium-capitalization securities may, at times, significantly underperform the large capitalization securities and may do so in the future. A related concern for short sale risk is that smaller companies tend to be more readily acquired.

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

Special Situation Investments. The Funds may invest in companies involved in, or the target of, acquisition attempts or tender offers or in companies involved in or undergoing work-outs, liquidations, spin-offs, reorganizations, bankruptcies or other catalytic changes or similar transactions. In any investment opportunity involving any such type of special situation, there exists the risk that the contemplated transaction either will be unsuccessful, take considerable time or will result in a distribution of cash or a new security, the value of which will be less than the purchase price to the Funds of the security or other financial instrument in respect of which such distribution is received. Similarly, if an anticipated transaction does not in fact occur, the Funds may be required to sell its investment at a loss. Because there is substantial uncertainty concerning the outcome of the transactions involving financially troubled companies in which the Funds may invest, there is a potential risk of loss by the Funds of the entire investment in such companies.

It should be noted that the Managed Account's investment objectives and the types of investments that such portfolio will hold are individually negotiated and established between the Adviser and the Managed Account.

Please also see Item 4 (Advisory Business), Item 10 (Other Financial Industry Activities and Affiliations), Item 11 (Code of Ethics, Participation in Client Transactions and Personal Trading) and Item 12 (Brokerage Practices).

Item 9 – DISCIPLINARY INFORMATION

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

Item 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

The Adviser and its management persons are not registered and do not have any applications pending registration as a broker-dealer or as a registered representative of a broker-dealer.

The Adviser is registered with the Commodity Futures Trading Commission (the “CFTC”) as a commodity pool operator (CPO).

At any time and from time to time, the Principal, the Adviser, the General Partner and/or their respective affiliates may manage assets for themselves and/or for other individuals or entities, either directly or indirectly, through managed accounts, through other pooled investment vehicles (including managed accounts or pooled investment vehicles formed to invest in the Funds or in parallel with the Advisory Clients), or otherwise (collectively, the Advisory Clients and any such individuals, managed accounts, investment vehicles and other structures, the “Hondius Clients”). Such Hondius Clients may utilize investment strategies that are similar to, or different than, that of the Advisory Clients. In addition, certain of the clients may be subject to terms, including management fees, performance allocation, incentive fees, withdrawal rights, reporting and disclosure requirements, and other terms, that are different than the terms applicable to the Advisory Clients. Not in limitation of the foregoing, from time to time the Principal, the Adviser, and/or their respective affiliates may pursue other lines of business and/or other business opportunities. It is not expected that any such lines of business or other business opportunities will be directly competitive with the Advisory Clients.

HCM Investor Holdings, LLC, which is owned by certain supervised persons of the Adviser, is the sponsor of the HCM Acquisition Corp., a special purpose acquisition company (a blank check company) formed for the purpose of effecting a merger, capital stock exchange, asset acquisition, stock purchase, reorganization or similar business combination with one or more businesses. The Chairman and Chief Executive Officer of the SPAC is Shawn Matthews and the other senior employees of the Adviser are involved with the SPAC.

The Adviser serves as the investment manager to the Funds. The Adviser, its principals and employees also invest directly in the Funds. Investments in the Funds made by such parties, generally, are not subject to the Management Fee or Performance Allocation described in Item 5 (Fees and Compensation) above.

As previously noted in Item 4 (Advisory Business), the General Partner is the general partner of the Domestic Fund and the Master Fund.

The Adviser does not recommend or select other investment advisers for its clients.

Please also see Item 4 (Advisory Business), Item 5 (Fees and Compensation), Item 8 (Methods of Analysis, Investment Strategies and Risk of Loss), Item 11 (Code of Ethics, Participation or Interest in Client Transactions and Personal Trading) and Item 12 (Brokerage Practices).

Item 11 – CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

Code of Ethics

The Adviser and any principals, officers and employees (together, “Employees”) of the Adviser have a fiduciary duty to the Advisory Clients. That fiduciary duty requires that the Adviser implement and enforce certain standards of conduct that are applicable to all of its Employees in order to protect the confidentiality of material, nonpublic information held by the Adviser and to govern such Employees’ personal securities trading activities. To that end, and in accordance with Rule 204A-1 under the Advisers Act, the Adviser has adopted a code of ethics (the “Code of Ethics”).

Employees are required to carefully read the Code of Ethics. Upon hire and generally on an annual basis thereafter, each Employee must sign, date, and return a certification indicating they have read, understand and will adhere to the Code of Ethics to the Chief Compliance Officer. Each Employee should maintain a copy of the Code of Ethics and the compliance manual in their personal files.

The Code of Ethics requires compliance with all applicable laws and sets forth the Adviser’s policies and procedures for Employees (and their respective personal accounts) on (i) personal investments, (ii) inside information, and (iii) gifts, entertainment, political contributions and outside activities.

All Employees receive training with respect to the Code of Ethics and the Adviser’s compliance manual periodically, including with respect to the prohibitions on trading on material, nonpublic information.

Fund Investors or prospective investors may obtain a copy of the Code of Ethics by contacting the Adviser at the address or phone number listed on the Cover Page of the Brochure.

Employees found to be in violation of the Adviser’s Code of Ethics may be subject to discipline, up to and including termination of employment with the Adviser.

Personal Trading

The purpose of the personal investment policy and related procedures (the “Policy”) is to alert Employees of their ethical and legal responsibilities with respect to securities transactions involving (i) possible conflicts of interest with the Advisory Clients, and (ii) the possession and use of material, nonpublic information. It is a violation of the Code of Ethics and the Policy for any Employee to use their knowledge concerning a trade, pending trade or contemplated securities transaction by any Advisory Client to profit personally, directly or indirectly, as a result of such transaction, including by purchasing or selling such securities.

The Code of Ethics also sets forth certain reporting and pre-clearance requirements with respect to personal trading by access persons, including all Employees. The Advisers’ access persons must provide the Chief Compliance Officer with a list of their personal accounts and an initial holdings report within 10 days of becoming an access person. In addition, the Advisers’ access persons must provide annual holdings reports and quarterly transaction reports in accordance with Rule 204A-1 and must seek pre-clearance before engaging in certain transactions in his or her personal account.

Participation or Interest in Client Transactions

Among other restrictions on personal trading, the Adviser generally does not permit access persons to execute transactions in any issuer or security which is owned by an Advisory Client or any issuer or security which is being considered for purchase (as defined in the Code of Ethics), except for securities that are exempt from the Adviser's pre-clearance requirements. The Adviser monitors all access persons' personal securities transactions through the reporting and pre-clearance requirements described above. However, to the extent such access persons invest in any of the Funds (including Funds where the Adviser and its affiliates represent 25% or more of such Fund), such portfolio holdings will overlap with other Advisory Clients.

The Adviser and its personnel may have conflicts in allocating their time and services among the Advisory Clients. The Adviser will devote as much time to each of the Advisory Clients as it deems appropriate to perform its duties in accordance with its investment management agreements. In addition, the Adviser, its affiliates, partners, members and employees may conduct outside business activities. Pursuant to the Code of Ethics, such activities are subject to disclosure and pre-approval.

The Adviser and its related persons have a material financial interest with respect to fees paid by Fund Investors. In addition, such related persons invest directly in certain of the Funds. These factors could create an incentive for the Adviser to make investment decisions that are different from those that would be made if such parties did not have such interests. The Funds and Fund Investors are provided with clear disclosure as to how performance-based compensation is charged and the risks associated with such performance-based compensation prior to making an investment. The Adviser also conducts regular monitoring of Fund portfolios, as described in Item 13.

Please also see Item 10 (Other Financial Industry Activities and Affiliations) and Item 12 (Brokerage Practices).

Item 12 – BROKERAGE PRACTICES

Selection of Brokers

As noted in Item 4 (Advisory Business) above, the Adviser has full discretionary authority in managing the investments of the Advisory Clients. This discretion includes the authority to make decisions with respect to which securities are bought and sold, the quantity and price of those securities, the broker-dealers (collectively, “Broker-Dealers”) used to effect such transactions and commissions and other transaction costs to be incurred.

Purchase and sale transactions for the Master Fund and the Managed Account are generally allocated to Broker-Dealers on the basis of best execution, including the ability to achieve prompt and reliable executions; the ability to obtain access to a security; the financial stability and reputation of the particular Broker-Dealer; the quality, comprehensiveness, frequency of available research and related services considered to be of value to the Master Fund or the Managed Account; and the competitiveness of commission rates in comparison with other Broker-Dealers satisfying the General Partner’s and Adviser’s other selection criteria.

Soft Dollars and Commission Rebate Arrangements

Section 28(e) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) provides a “safe harbor” to investment managers who use commission dollars generated by their advised accounts to obtain investment research and brokerage services that provide lawful and appropriate assistance to the manager in the performance of investment decision-making responsibilities. Conduct outside of the safe harbor afforded by Section 28(e) is subject to the traditional standards of fiduciary duty under state and U.S. federal law. The Adviser may use “soft dollars” or commission rebate arrangements to obtain brokerage and research services within the meaning of Section 28(e) of the Exchange Act. Any soft dollar transactions are expected to fall within the safe harbor provided by Section 28(e) of the Exchange Act. In some instances the Adviser may receive a product or service that may be used only partially for functions covered by Section 28(e) (e.g., an order management system, trade analytical software or proxy services). In such instances, the Adviser will make a good faith effort to determine the relative portion of the product or service used to assist the Adviser in carrying out its investment decision-making responsibilities with respect to the Domestic Fund, the Offshore Fund and/or the Master Fund and the relative portion used for administrative or other purposes not covered by Section 28(e). The portion of the product or service attributable to assisting the Adviser in carrying out its investment decision-making responsibilities with respect to the Domestic Fund, the Offshore Fund and/or the Master Fund, as applicable, will be paid through brokerage commissions generated by transactions on behalf of the Domestic Fund, the Offshore Fund and/or the Master Fund, and the portion attributable to administrative or other purposes not covered by Section 28(e) is expected to be paid by the Adviser from its own resources.

Research and related services furnished by Broker-Dealers may include written information and analyses concerning specific securities, companies or sectors; market, financial and economic studies and forecasts; statistics and pricing services and discussions with research personnel. The services furnished by a Broker-Dealer may benefit the General Partner and the Adviser in rendering investment management services to all of its clients. The Domestic Fund, the Offshore Fund or the Master Fund, as applicable, may pay a Broker-Dealer a commission in excess of that which another Broker-Dealer might have charged for effecting the same transaction, in recognition of the value of the overall brokerage or research services provided by the Broker-Dealer. Because commission rates in the U.S., as well as in certain other

jurisdictions, are negotiable, selecting Broker-Dealers on the basis of considerations that are not limited to applicable commission rates may at times result in higher transaction costs than otherwise would be obtainable. The Adviser is of the view that such products and services provide the Adviser with lawful and appropriate assistance in the performance of its investment-decision making responsibilities.

The use of soft dollars to obtain research and other services by the Adviser may present a potential conflict of interest. While the Adviser is confident that the Fund (or Funds) that are generating “soft” or commission dollars will benefit from most of the services obtained with soft dollars, such Fund (or Funds) may not benefit exclusively. When the Adviser uses Fund brokerage commissions (markups and markdowns) to obtain research or other products or services, the Adviser and/or its affiliates may also derive direct or indirect benefits from some or all of these services because the Adviser does not have to produce or pay for the research, products or services. The Adviser may have an incentive to select or recommend a broker-dealer based on its interest in receiving the research or other products or services, rather than in the interest of the Funds obtaining best execution.

In addition to the Adviser addressing the potential conflicts of interest in connection with its brokerage practices through its best execution review process, It is intended that soft dollar payments will be reviewed by the Chief Compliance Officer to ensure such payments are consistent with the Adviser’s policies and comply with the safe harbor afforded by Section 28(e).

Brokerage for Client Referrals and Directed Brokerage

Certain personnel of the Adviser may participate in events offered by brokers including the Funds’ prime brokers, such as capital introduction events. The Adviser does not compensate or otherwise reward Broker-Dealers for such events or for client referrals. The Adviser recognizes that it has an incentive to favor Broker-Dealers that provide capital introduction services to the Adviser or otherwise refer prospective Fund investors. Such events and services may influence the Adviser’s decision to use such Broker-Dealers in connection with the Funds’ financing and trading activities, rather than the Funds receiving most favorable execution.

As previously noted, the Adviser has full discretion in selecting brokers to effect the Funds’ securities transactions. The Adviser does not allow investors in the Funds to direct brokerage to a particular broker-dealer.

Trade Aggregation and Allocation Policies

As previously disclosed, the Domestic Fund and the Offshore Fund invest substantially all of their assets in the Master Fund. The Adviser may allocate investment opportunities among Hondius Clients in any manner that it reasonably determines to be necessary, desirable or appropriate, consistent with its fiduciary duties. If an investment is appropriate for one or more of the Hondius Clients (including the Advisory Clients), it is currently anticipated that the investment generally will be allocated among such Hondius Clients pro rata based upon the respective net asset values of such Hondius Clients. However, the Adviser, in its reasonable discretion, may make non-pro rata allocations among the Hondius Clients (including the Advisory Clients) based upon a variety of factors including, among other things, tax and regulatory considerations, the overall portfolio composition of such Hondius Clients (including the Advisory Clients), different terms governing the Hondius Clients (including the Advisory Clients) or client accounts, and the risk profile and investment restrictions (including limitations with respect to leverage) for such Hondius Clients (including the Advisory Clients). Similarly, although it is currently anticipated that sales of investments held by multiple Hondius Clients (including the Advisory Clients) generally will be sold

by the Hondius Clients on a *pari passu* basis, the Adviser may, in its sole and absolute discretion, sell investments from various Hondius Clients on a non-*pari passu* basis, based on a variety of factors, including those described above in respect of allocations of investment opportunities. Accordingly, it is possible that one Hondius Client (including the Advisory Clients) may sell an investment, while another Hondius Client retains, or invests more capital in, the same investment.

Please also see Item 10 (Other Financial Industry Activities and Affiliations).

Item 13 – REVIEW OF ACCOUNTS

The Adviser intends to perform continuous and regular reviews of each Fund’s portfolio. Such reviews will be conducted by the Adviser’s Principal and the Chief Compliance Officer, and include a review of portfolio composition and trading activity, trade allocations, cash management, margin availability and counterparty exposure.

It is intended that the Funds’ administrator (the “Administrator”) will perform cash, transaction and position reconciliations daily to prime broker/custodian, counterparty accounts and to the Adviser. It is also intended that the Administrator will perform the reconciliation, identifies any differences and communicates the differences to the Adviser for resolution.

The Adviser will provide Fund Investors with annual audited financial statements for the Funds (generally within 120 days after the end of each fiscal year) and monthly performance reports, and in the case of the Domestic Fund, Schedules K-1 with respect to each Fund Investor. In addition, the General Partner and/or the Adviser may provide Fund Investors with performance and other updates on a periodic basis.

It should be noted that the valuation methodology in place for the Managed Account has been individually negotiated and established between the Adviser and the Managed Account.

Item 14 – CLIENT REFERRALS AND OTHER COMPENSATION

The Adviser does have the ability to enter into arrangements with one or more placement agents or third-party marketers, but does not at this time intend to compensate any third parties in connection with the referral of investors to the Funds or for any client referrals.

Item 15 – CUSTODY

The Adviser and the General Partner are deemed to have custody of client funds and securities. The Adviser relies on an exemption from Rule 206(4)-2 by maintaining the assets of the Funds with qualified custodians and by having an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board audit the Funds' financial statements (in accordance with generally accepted accounting principles), which are then provided to the Funds' investors, on an annual basis generally within 120 days of the Funds' fiscal year-end.

The Adviser is of the view that it does not have custody over the cash or securities of the Managed Account.

Item 16 – INVESTMENT DISCRETION

As noted in Item 4 (Advisory Business) above, the Adviser invests the assets of the Funds on a discretionary basis. The Adviser has been granted this authority pursuant to an investment management agreement between the Adviser and each of the Funds.

In the case of the Managed Account, the Adviser has tailored the investment objectives to the specific objectives/restrictions of the Managed Account and has individually negotiated the terms and fees for the Managed Account, which may be different from those of the Funds. The Adviser has obtained discretionary authority over the Managed Account through investment management agreement with the Managed Account.

Item 17 – VOTING CLIENT SECURITIES

The Adviser has discretionary authority to vote securities held by the Funds. Pursuant to Rule 206(4)-6 of the Advisers Act, the Adviser has adopted written policies and procedures designed to ensure that proxies are voted in the best interests of the Funds.

The policy applies to those Funds that own voting securities or debt instruments and for which the Adviser has authority to vote proxies or agree to waivers and amendments (as related to various lending transaction documents). The Adviser will vote the Funds' proxies or waiver/amendment requests in the best interest of such Advisory Clients. In acting upon these matters on behalf of its Funds, the Adviser will seek to avoid material conflicts of interest between the interests of the Adviser/its affiliates on the one hand and the interests of its Funds on the other. The following are certain of the Adviser's general principles when voting proxies or determinations relative to requests for waivers or amendments in respect of Fund portfolio holdings:

- (a) The Adviser generally gives significant weight to the views of management it has supported. In all cases, the Adviser considers the effect of management positions on the value of the Fund's investment.
- (b) The Adviser evaluates proposals related to corporate governance matters, such as changes in the state or form of organization, amendment of charter documents, mergers and other corporate restructurings, and anti-takeover provisions, in light of the purpose underlying the Fund's investment position, including the investment horizon and the current or planned ownership position and degree of management involvement by the Adviser on behalf of the Fund.
- (c) The Adviser believes that compensation of company executives and other appropriate company employees should provide proper incentives by aligning economic interests with those of shareholders. In considering proposals related to stock option plans and other management compensation issues, the Adviser considers the company's need to recruit and retain highly qualified individuals in competitive labor markets and will consider proposals related to compensation matters in relation to relevant industry standards and practices.
- (d) The Adviser considers proposals regarding changes in capital structure on a case-by-case basis in light of what the Adviser believes to be the purpose of the proposed change, the Adviser's estimation of the likely effect of the change on the Fund's investment in the company, and other relevant factors.
- (e) The Adviser considers the merit of proposals related to social and corporate responsibility issues and will generally defer to company management on such issues. The Adviser is skeptical of proposals by outsiders with non-economic agendas. The Adviser will not support proposals that the Firm believes may conflict with the company's ability to maximize long-term profits or would have an adverse effect on the Fund's investment.

The Adviser is not required to vote every proxy and not voting a proxy should not be construed as a violation of the Adviser's fiduciary obligations. The Adviser will at no time ignore or neglect its proxy voting responsibilities. However, there may be times when refraining from voting is in Fund's best interest; provided that, in cases that the Adviser votes (or fails to vote) a proxy inconsistent with its written policies, the Adviser will document such exceptions.

Investors or prospective investors may obtain a copy of the Adviser's proxy voting policies and information on how the Adviser voted their securities by contacting the Adviser at the address or phone number listed on the Cover Page of this Brochure.

With respect to the Managed Account, the adviser of such account retains the right to vote any securities held the in the account.

Item 18 – FINANCIAL INFORMATION

The Adviser does not require or solicit prepayment of Advisory fees 6 months or more in advance.

The Adviser is not aware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to its clients.

The Adviser has not been the subject of a bankruptcy petition at any time during the past 10 years.