**Fund 1**

Basic Information

* Location: Westchester, NY
* Fund Inception: 1/1/2000
* Current AUM:
  + Fund: $90,000,000
  + Firm: $90,000,000
* Terms:
  + Redemption frequency: monthly
  + Redemption notice: 30 days
  + Redemption fee: none
  + Gates: none
  + Lockups: none
  + Management Fee: 1.5%
  + Performance Fee: 20%
* Client base %
  + Fund of funds: 50%
  + High Net Worth/Family Office: 15%
  + Friends/Family/Internal: 15%
  + Institutional: 20%
* Client base #
  + Fund of funds: 3
  + High Net Worth / Family Office: 2
  + Managing Partner: 1
  + Institutional: 1
* Largest Clients
  + Top 1: 38.89% (FoF 1)
  + Top 3: 73.89% (FoF 1, Institutional Investor, Managing Partner)
  + Top 5: 90.56% (FoF 1, Institutional Investor, Managing Partner, HWN/FO 1, FoF 2)
* Employees
  + 1 Portfolio Manager (Managing Partner)
  + 2 Analysts
  + 1 Business / COO / Marketing
  + 1 Receptionist
* Employee Turnover (last 2 years): none
* Employee Turnover (last 5 years): 5 analysts, 2 marketing, 1 COO, 2 business, 2 IT
* Segregation of Duties:
  + Portfolio Management: PM
  + Trading: PM
  + Reporting, performance analysis: COO
  + Strategy, research and development: PM, Analyst 1, Analyst 2
  + IT/Programming: outsourced
  + Administration: COO, receptionist
  + Risk Management: PM
  + COO/Operations: COO
  + Legal: COO, outsourced
  + Compliance: COO, outsourced
  + Marketing and Business Development: PM, COO
  + Others: PM
* Ownership
  + 100% owned by Managing Partner
* Registration
  + SEC: no
  + Other: none
* Service Providers:
  + Prime Broker: Reputable
  + Administrator: Reputable
  + Legal: Reputable
  + IT: Reputable
  + Compliance: Reputable
* Investor Reporting
  + Bi-monthly estimated performance
  + Monthly estimated/final performance
  + Monthly newsletter

Biography and Experience

* PM
  + 50+ years old
  + Undergrad Econ
  + 5 years equity research at bulge bracket bank
  + Grad school
  + 5 years investment banking at bulge bracket bank
  + 5 years junior PM at US equity long/short hedge fund
  + Launched Fund 1
* Analyst 1
  + 30+ years old
  + Undergrad Math
  + 3 years investment banking at bulge bracket bank
  + Grad school
  + 3 years as research analyst at US equity long/short hedge fund
  + 7 years as research analyst at Fund 1
* Analyst 2
  + 20+ years old
  + Undergrad Finance/Accounting
  + 5 years as research analyst at Fund 1
* COO
  + 50+ years old
  + Undergrad Accounting
  + 10 years in operations at bulge bracket bank
  + 10 years in back office at bulge bracket administration firm
  + 5 years COO at US equity long/short hedge fund
  + 5 years as COO at Fund 1

Company History

The managing partner launched the fund in January 2000. The fund was initially seeded by a top tier firm with $200 million. The seeding arrangement lasted for 10 years and the seeder has now redeemed all of its investment in the fund.

The fund grew to a peak of $750 million in late 2007. At that time, there were 15 employees. Following the financial crisis of in 2008, assets under management declined. The manager did not side pocket or impose gates at the time. The strategy, which has not changed since the crisis, is fundamental, directional, value and research driven, and has a long term horizon/holding period. At the time of the crisis, the manager was net long and incurred losses as a result of his positioning.

Following the crisis, the manager had to downsize his team and re-structure the infrastructure of the firm (move to a smaller office space, outsource IT, outsource legal etc…). After stabilizing the performance and the assets, the manager is now looking to raise assets and grow the firm once again.

Investment Strategy

The fund focuses on long and short investments in US equities across all sectors but with a focus on small to mid-cap companies. The goal of the manager is to produce 15% annualized return with a 6% annualized volatility.

The idea generation process for long positions starts from the top. The objective is to find deeply undervalued stocks. The PM defines the research agenda based on his own discretionary research (news flow, sell-side research, company screens etc…). Once a sector, theme or a potentially interesting company is identified by the PM, it is assigned to an analyst for further research (fundamental company research, fundamental sector/industry research, valuation etc…). The process is extremely thorough and the PM insists on knowing everything about the company, the competitors, the overall environment/landscape of the industry/sector etc… After the analyst completes the research process, he/she provides the PM with an investment recommendation.

Shorts are used to hedge out long ideas and to reduce the max drawdown at the overall portfolio level in the case of a sharp decline in the market. The PM uses indices or ETFs, but never single name shorts.

Ultimately, the PM has sole investment decision. From a portfolio construction standpoint, it’s all about conviction levels and potential upside to downside ratio on the long side. The PM typically invests in 8 to 10 long positions at 10% per position. Hence the long exposure varies between 80% and 100%. On the short side, the overall exposure level varies between 20% and 30%.

Trading is low as the typical time horizon on the long positions is anywhere between 24 and 36 months. The PM is responsible for the trading.

Risk Management

The PM also assumes the role of risk manager. The primary tool for managing risk is the net exposure limit of 90%. There are no systematic stop loss limits. Because of his longer term horizon, the PM can decide to add to his positions as they are moving against him. Nevertheless, if a position moves against him by more than 50%, the PM and the analyst have a formal review process where they confirm their conviction level in the position, reduce position size or exit the position completely.

* Gross Exposure: 150% max
* Net Exposure: 90% max
* Position Size :
  + Long : 20%
  + Short : none (ETFs, indices)
* Stop/Loss : soft review process at -50%