

Investment Management & Funds Regulatory Update - July 2024

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In this issue, we discuss a recent enforcement action involving a private fund adviser that allegedly included misleading performance information in advertisements in violation of the Marketing Rule under the Advisers Act.

Litigation

SEC charges investment adviser for including misleading performance information in advertisements

On June 14, 2024, the SEC issued an [order](#) (the Order) instituting and settling administrative and cease-and-desist proceedings against Twenty Acre Capital LP (Twenty Acre), a registered investment adviser that advised Twenty Acre Global Master Fund LP (the Fund), a private fund investing in the technology sector. According to the Order, Twenty Acre disseminated advertisements that included performance information for the Fund that was misleading, and not fair and balanced. Such advertisements included pitch decks and fact sheets emailed directly to prospective investors and uploaded to third-party databases that were accessible to such prospective investors.

According to the Order, from at least November 2021 through February 2023, Twenty Acre disseminated to prospective investors in the Fund advertisements that presented performance returns experienced by a single investor in the Fund, which did not constitute the Fund's performance. Such advertisements allegedly did not disclose that at times, the investor's performance differed substantially from, and was significantly higher than, the overall performance of the Fund and the returns achieved by other investors in the Fund due to investment restrictions. For example, according to the Order, Twenty Acre presented the positive 44.8% net performance experienced by the single investor in 2021 as the Fund's returns, whereas the undisclosed net performance of the Fund was negative 5.7% in 2021.

On account of this alleged conduct, the SEC charged Twenty Acre with violations of Sections 206(4) of the Advisers Act, and Rules 206(4)-8 and 206(4)-1 thereunder. Twenty Acre agreed to be censured and cease and desist from future violations. Twenty Acre also agreed to pay a civil money penalty of \$100,000.

If you have any questions regarding the matters covered in this publication, please reach out to any of the lawyers listed below or your usual Davis Polk contact.

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