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BROCHURE PURSUANT TO PART 2A OF FORM ADV

<http://www.paamco.com/>

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This brochure provides information about the qualifications and business practices of Pacific Alternative Asset Management Company, LLC ("PAAMCO US"), Pacific Alternative Asset Management Company Europe LLP ("PAAMCO Europe") and Pacific Alternative Asset Management Company Asia Pte. Ltd. ("PAAMCO Asia," and with PAAMCO Europe and PAAMCO US, "PAAMCO"). If you have any questions about the contents of this brochure, please contact us at 949-261-4900. 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 PAAMCO is also available on the SEC's website at: www.adviserinfo.sec.gov.

In this brochure, PAAMCO US is referred to as a registered investment adviser (the "filing adviser") under the Investment Advisers Act of 1940, as amended (the "Advisers Act"), and PAAMCO Europe and PAAMCO Asia are referred to as "relying advisers." SEC registration does not imply a certain level of skill or training.

Item 2. Material Changes

This section discusses only material changes since the last annual update of this Brochure. This Brochure was previously updated by PAAMCO US on March 28, 2012. This update reflects a change to the address of PAAMCO Asia.

PAAMCO US is registered with the SEC as an investment adviser. Pursuant to an SEC No-Action Letter (American Bar Association, Business Law Section, pub. avail. Jan. 18, 2012, the “ABA Letter”), you are receiving this Part 2A of Form ADV from PAAMCO US for itself (as “filing adviser”) and on behalf of PAAMCO Europe and PAAMCO Asia (collectively, “PAAMCO Affiliates,” as “relying advisers”). As such, this Brochure incorporates information on PAAMCO US and the PAAMCO Affiliates (collectively referred to as “PAAMCO”).

Item 3. Table of Contents

Page

Item 2. Material Changes	2
Item 3. Table of Contents	2
Item 4. Advisory Business	3
Item 5. Fees and Compensation	4
Item 6. Performance-Based Fees and Side-by-Side Management	5
Item 7. Types of Clients	6
Item 8. Methods of Analysis, Investment Strategies and Risk of Loss	7
Item 9. Disciplinary Information	14
Item 10. Other Financial Industry Activities and Affiliations	15
Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading ..	15
Item 12. Brokerage Practices	16
Item 13. Review of Accounts	17
Item 14. Client Referrals and Other Compensation.....	18
Item 15. Custody	18
Item 16. Investment Discretion	18
Item 17. Voting Client Securities	19
Item 18. Financial Information	19

Item 4. Advisory Business

PAAMCO US was founded in 2000. PAAMCO US is owned by PAAMCO Founders Co., LLC ("Founders") and by certain supervised persons of PAAMCO and its affiliates. The owners of Founders are M. Jane Buchan, Judith Posnikoff, William Knight, James Berens and Franklin Realty Holdings, LLC, an entity controlled by S. Donald Sussman.

PAAMCO Europe, a subsidiary of PAAMCO US, was founded in 2003. PAAMCO Europe does not currently advise any Clients (as defined below). It instead refers potential investment advisory clients to and performs due diligence on hedge fund managers, primarily those located in Europe, for PAAMCO US. PAAMCO Europe is owned 90.89% by PAAMCO US and the balance is owned by employees of PAAMCO Europe.

PAAMCO Asia, a subsidiary of PAAMCO US, was founded in 2006. PAAMCO Asia does not currently advise any Clients. PAAMCO Asia provides due diligence services, including sourcing and evaluating Asian-based hedge fund managers as well as research on hedge fund managers that are located in Asia or are investing in Asia, to PAAMCO US. PAAMCO Asia is owned 96.09% by PAAMCO US and the balance is owned by employees of PAAMCO Asia.

As of March 1, 2012, PAAMCO US managed \$8.5 billion on a discretionary basis and \$6.8 billion on a non-discretionary basis.

PAAMCO US is a "hedge fund of funds" adviser, meaning that it advises clients on investments in various types of private investment vehicles or managed accounts (each, an "Investment Fund"). PAAMCO US provides these advisory services to a variety of clients on either a discretionary or non-discretionary basis. In particular:

- (i) PAAMCO US serves as the manager or investment adviser of funds that have a single investor (or group of affiliated investors) ("Separate Accounts");
- (ii) PAAMCO US serves as the manager or investment adviser of funds that have multiple investors that are generally not affiliated with each other ("Commingled Funds");
- (iii) PAAMCO US serves as the investment adviser to each segregated portfolio ("Segregated Portfolio") of PM Manager Fund, SPC., a Cayman Islands segregated portfolio company ("PM Manager Fund"). The day to day investment activities of each Segregated Portfolio of PM Manager Fund are conducted by subadvisers that are not affiliated with PAAMCO (each, a "Subadviser"); and
- (iv) PAAMCO US provides advisory or consulting services regarding Investment Funds ("Advisory Clients").

The term "Client" as used in this brochure means the Separate Accounts, the Commingled Funds, the Segregated Portfolios of PM Manager Fund, the Advisory Clients and any other investment advisory clients of PAAMCO US. The term "PAAMCO Fund" as used in this brochure refers the Separate Accounts and the Commingled Funds. The list of Clients above is not exhaustive and PAAMCO US, may thus provide advisory services to other types of clients. The PAAMCO Affiliates may also provide investment services to clients in the future.

As noted above, PAAMCO US provides advisory and subadvisory services on a discretionary and non-discretionary basis. For example, PAAMCO US typically has investment discretion with regard to the PAAMCO Funds but typically does not have investment discretion with regard to Advisory Clients.

Generally, only Separate Accounts, Commingled Funds and Advisory Clients may invest in the Segregated Portfolios of PM Manager Fund.

For all Clients, PAAMCO researches and evaluates Investment Funds that PAAMCO US believes will meet such Clients' investment objectives. Where PAAMCO US has investment discretion, PAAMCO US is also responsible for implementing its investment advice for a Client by causing the investment or redemption of Client assets in or from Investment Funds and other appropriate investments.

While PAAMCO US serves as the investment adviser to each Segregated Portfolio of PM Manager Fund, the day-to-day investment activities of each Segregated Portfolio are conducted not by PAAMCO US or the PAAMCO Affiliates but by the Subadviser to such Segregated Portfolio. Under the terms of the subadvisory agreement among PM Manager Fund for and on behalf of the applicable Segregated Portfolio, PAAMCO US and the Subadviser ("Subadvisory Agreement"), the Subadviser is responsible for determining the specific securities and other investments to be bought and sold and arranging the execution of all orders for the purchase and sale of such securities and other investments with respect to the applicable Segregated Portfolio.

PAAMCO US works with each Separate Account and Advisory Client to determine such Client's specific investment objectives. During the course of these discussions, a Separate Account or Advisory Client may place various types of restrictions on the management of their accounts. For example, a Separate Account or Advisory Client may restrict investment in a certain industry, in Investment Funds that implement specific strategies or in a specific region of the world. Investors in Commingled Funds may not generally impose restrictions on PAAMCO US's investment discretion.

PAAMCO US does not participate in any wrap fee programs.

Item 5. Fees and Compensation

For Separate Accounts, the standard management fee for PAAMCO US services is 1% (annual) of assets under management, with breakpoints for lower management fees for investors that exceed specific assets under management thresholds. PAAMCO US is also entitled to receive incentive fees with regard to certain Separate Accounts.

For Commingled Funds, the standard management fee for PAAMCO US services is 1% (annual) of assets under management, and the standard incentive (performance-based) fee is 5% (annual) of realized and unrealized capital appreciation, with a high water mark.

PAAMCO US does not receive a management or incentive fee with regard to PM Manager Fund. However, each Subadviser receives management fees in the range of 0.5 – 2.0% and incentive fees in the range of 10 – 20%. PAAMCO US and the Board of Directors of PM Manager Fund negotiate such fees with each Subadviser independently.

PAAMCO US's fees and its compensation for its Advisory Clients are negotiated on a case-by-case basis.

PAAMCO US's fees and compensation with regard to any particular Client may be negotiated and thus may vary from the standard fee schedules noted above.

PAAMCO US generally deducts fees from Clients' assets, but may bill Advisory Clients for fees. Fees are generally payable monthly, quarterly, semi-annually or annually in arrears. Certain Clients may pay fees in advance. Payment terms may be negotiated.

In addition to the fees PAAMCO US charges its Clients, each investor in a Separate Account, Commingled Fund, or a Segregated Portfolio also pays its *pro rata* portion of the Separate Account's or the Commingled Fund's ongoing expenses, including transaction (e.g., brokerage commissions), administrative, insurance, fidelity bonds, custody, legal, tax preparation, audit and accounting expenses, pricing and valuation agents and other expenses of the Separate Account or Commingled Fund that are reasonably incurred in connection with the operation of the business and maintenance of the Separate Account or Commingled Fund. Each investor in a Segregated Portfolio pays its *pro rata* portion of the same ongoing expenses of that Segregated Portfolio, except the Subadviser to that Segregated Portfolio pays the costs associated with insurance and the fidelity bond, if any. Advisory Clients may also incur similar expenses.

Each Client also pays its *pro rata* portion of the management fees, performance fees or allocations, redemption fees, and expenses in respect of each Investment Fund in which such Client is invested.

Clients generally do not pay fees in advance. However, if a particular Client and PAAMCO US adopt a fee arrangement that calls for payment of fees in advance, upon redemption or termination of the advisory relationship or upon investment other than at the beginning of the normal investment cycle, PAAMCO US will refund fees and/or charge that Client (or the investors in such Client) only for the actual period of time that PAAMCO US provided advisory services.

The PAAMCO Affiliates each receive fees for services from PAAMCO US and do not receive any fees from any Clients. In addition, PAAMCO Europe receives a percentage of management fees, incentive fees and/or other fees paid to PAAMCO US by any PAAMCO US client referred by PAAMCO Europe.

Please see the response to Item 12 for additional information about brokerage commissions.

Neither PAAMCO nor any of its supervised persons accepts compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

Item 6. Performance-Based Fees and Side-by-Side Management

As stated in Item 5 above, PAAMCO US charges some Clients performance-based fees, which are fees based on a share of capital gains on or capital appreciation of the Client's assets. The fact that PAAMCO US is compensated based on trading profits may create an incentive for PAAMCO US to make investments on behalf of certain Clients that are riskier or more

speculative than would be the case in the absence of such compensation. In addition, the performance-based fee received by PAAMCO US is based primarily on realized and unrealized gains and losses. As a result, the performance-based fee earned could be based on unrealized gains that Clients may never realize. Because PAAMCO US receives performance-based fees from some Clients and not from others, there may be an incentive to favor one Client over another.

PAAMCO has adopted controls that are intended to ensure that no Clients are favored or disadvantaged on the basis of fees. PAAMCO's general allocation policy is to allocate investments and redemptions in Investment Funds – or Investment Fund investment styles – on a *pro rata* basis. In this regard, allocations to Investment Funds – or Investment Fund investment styles – are generally distributed *pro rata* based on the size of the account and any target model weights on a best efforts basis to the extent practicable among appropriate portfolios. Similarly, redemptions are generally allocated on a *pro rata* basis based on the size of the account and any target model weights. Limited investment opportunities (such as allocations to closed Investment Funds or allocations that receive prior investor high water marks) are generally allocated *pro rata* based on the size of each account and any target model weights during a monthly trade review meeting.

In situations where limited investment capacity or redemptions are available for a given Investment Fund, and a *pro rata* allocation of capacity or redemptions may not be feasible or in the best interests of PAAMCO's clients, PAAMCO may consider not only its clients' guiding allocation objectives, but may also consider specific circumstances related to an account or an investment, including, among other considerations, cash available for investment in each client account, timing of notice for subscription or redemption for each client account, asset mix of each account, objectives and restrictions of each account, *de minimis* investment amounts, investment style and other investment considerations.

Certain PAAMCO Funds are treated as "plan assets" for purposes of the fiduciary responsibility standards and prohibited transaction restrictions of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and the parallel prohibited transaction excise tax provisions of Section 4975 of the Internal Revenue Code of 1986. For compliance and other reasons, certain Investment Funds may limit the amount of the investment made by a "plan assets" fund, or may prohibit such investments altogether. As a result, allocations of investments for "plan assets" and non-"plan assets" PAAMCO Funds may be different due to the ability or inability of different Investment Funds to accept assets subject to ERISA.

Item 7. Types of Clients

PAAMCO US serves as a manager, adviser and/or subadviser to domestic and offshore limited partnerships, limited liability companies and companies that are single-member funds or pooled investment vehicles. PAAMCO US also provides consulting services on Investment Fund investments to a limited number of institutional clients. These institutional clients include pension plans, endowments, and other institutions. PAAMCO Europe and PAAMCO Asia currently provide advisory services only to PAAMCO US.

In general, the minimum investment amount for a Separate Account is \$100 million. Each Commingled Fund also has a minimum required investment amount, which generally ranges from \$250,000 to \$5,000,000. Investors may generally not effect a partial redemption if, after such redemption, the net asset value of their investment would be less than the applicable minimum investment amount. The foregoing investment minimums may be waived or modified in

the sole discretion of PAAMCO US (or, in the case of PAAMCO Funds that have a separate board of directors, general partner or managing member, then the board of directors, general partner or managing member of those funds).

Each investor in a PAAMCO Fund and a Segregated Portfolio of PM Manager Fund must generally be an “accredited investor” as defined in Regulation D under the Securities Act of 1933 and a “qualified purchaser” as defined in the Investment Company Act of 1940. In the case of certain offshore funds, non-U.S. investors generally need not be “accredited investors” or “qualified purchasers” so long as each such non-U.S. investor is not a “U.S. person” as defined in Regulation S under the Securities Act of 1933, as amended. Certain PAAMCO Funds impose other eligibility requirements in addition to those discussed above.

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

The PAAMCO Funds pursue their investment objectives by investing substantially all of their assets in a variety of Investment Funds covering many different investing styles. PAAMCO systematically evaluates Investment Fund managers (“Managers”) with an approach involving personal interviews in the Managers’ offices, phone interviews, and analysis of documents provided by the Managers. Each Manager’s investment strategy, portfolio management skills and performance are analyzed. Investment Fund management firms are monitored through contact both in their offices and through phone calls and electronic communications.

In addition to its investment reviews, PAAMCO also conducts a legal review, an operational due diligence review, a risk data review, and an independent risk assessment. If a Manager does not pass any one of these reviews, it will typically not be considered for investment. Prospective Managers are presented to the Investment Oversight Committee (“IOC”) for a vote on eligibility for investment. The IOC is comprised of senior staff members in each of PAAMCO’s offices from Portfolio Management, Account Management, Risk Management, Compliance and Investment Operations. The IOC serves as an integrity check to seek to ensure that the due diligence process is complete, meets PAAMCO standards, and that the terms agreed to are consistent with PAAMCO’s investment policies, restrictions and guidelines. The IOC then votes to make the Manager eligible for investment. The IOC meets monthly and has full veto power over any potential Manager hire.

Once a Manager is approved for eligibility by the IOC, the PAAMCO sector specialist determines the weight of the Manager within his/her respective sector and makes the hire/fire decision. For customized client portfolios, the PAAMCO account manager makes the decision to allocate to Investment Funds based on the client’s stated preferences and the allocation must fit within the client’s investment guidelines and risk tolerances.

PAAMCO US provides advice to Advisory Clients regarding the selection of Managers.

The Managers employ investment strategies that cover a broad range of asset classes including private funds and other investment styles and strategies. PAAMCO generally divides the private fund universe into the following categories: Long/Short Equity, Equity Market Neutral, Convertible Bond Hedging, Fixed Income Relative Value, Distressed Debt, Long/Short Credit, Event-Driven Equity and Opportunistic. PAAMCO’s investment staff is divided into teams led by a sector specialist who is supported by associates and analysts. Each team focuses on one of these investment categories:

- Long/Short Equity: Long/short equity Managers construct net long or net short portfolios by using equity hedging strategies. These strategies typically involve taking a long position in a stock while shorting an individual stock or broad based market instrument. Net and gross exposures are managed in order to take advantage of both current market conditions and the resulting investment opportunity set. Long/short equity Managers use short positions to hedge against a general stock market decline as well as to generate alpha.
- Equity Market Neutral: Equity market neutral Managers construct portfolios that balance long and short positions in order to hedge systemic factors or exposures. Portfolios are generally constructed to be neutral across sectors, industries, and investment styles. Many equity market neutral Managers use sophisticated, computer-run quantitative models to select stocks. These models are used to create both a statistical advantage in picking stocks and a strategic advantage in controlling exposure to systemic risk.
- Convertible Bond Hedging: Convertible bond hedging generates profits by identifying pricing disparities between a company's convertible bonds and its underlying stock. Convertible bond hedging Managers actively monitor the factors that will change the relationship between the convertible bond and underlying equity and typically execute a hedge by purchasing the convertible bond and selling short the stock. Beyond this typical convertible hedge position, these Managers also use various techniques to hedge other influential factors, such as interest rate movements and credit spreads.
- Fixed Income Relative Value: Managers employing these strategies seek to capture profit by taking offsetting long and short positions in related fixed income securities and derivatives. The pricing difference between very closely related fixed income securities is often narrow. As a result, Managers typically use leverage to magnify the small pricing discrepancies between the instruments. Generally, fixed income relative value Managers are positioned with moderate risk and will be able to take advantage of volatility movements in interest rates and foreign exchange.
- Distressed Debt: Managers that focus on distressed debt strategies invest in the securities of companies that are experiencing financial or operational difficulties. Typically, based on Manager style, a distressed debt hedge fund invests in bank debt, corporate debt, trade claims, common stock, or warrants. Distressed situations can include reorganizations, bankruptcies, distressed sales, and other corporate restructurings. The mispricing of these securities often occurs because traditional buyers often must sell the securities of troubled companies. When this happens, distressed debt Managers attempt to capture the pricing discount that results.
- Long/Short Credit: This area focuses on fixed income securities where the majority of the return is derived from credit exposure and selection as opposed to the general term structure of interest rates. Strategies utilized by long/short credit include the purchase or short sale of stressed and distressed bonds, bank loans, high-yield debt and securities from recently reorganized firms (including equities). Long/short credit Managers employ a wide variety of strategies to invest across

the capital structure on a long and short basis. Typically, Managers take positions as a result of bottom-up, fundamental credit analysis on the company and its capital structure. The strategy attempts to capitalize on inefficiencies in the marketplace while maintaining a lower degree of cyclicity and directionality than a typical distressed debt investment.

- Event-Driven Equity: This broad strategy area focuses on event-driven trades implemented mainly through equity positions. In executing this strategy, Managers seek to profit from discontinuities in the valuation of securities caused by “events.” These discontinuities may occur as a result of pending traditional merger and acquisitions negotiations, but also through pending restructurings, reorganizations, spin-offs, asset sales, liquidations and share class or company holdings being discounted.

In the case of merger arbitrage, typically the trade is to buy the equity of the target and sell short the equity of the acquirer, making a profit (capturing the “merger spread”) if the deal closes as expected. The Managers may go long or short the affected securities and will generally seek to hedge out risk on a position by position basis; in addition many Managers have overlay hedges at the portfolio level.

- Opportunistic: This area aims to capitalize on strategies not captured by the above sectors and take advantage of niche opportunistic investments that may have a shorter investment horizon or a focused mandate. Such mandates are sourced with specialty Managers across a range of strategies. Another goal of this area is to improve the overall risk composition of client portfolios, including but not limited to hedging mandates and the pursuit of other asymmetric investments.

Investing in securities involves a risk of loss that investors in PAAMCO Funds and Advisory Clients should be prepared to bear. There are material risks associated with the fund of funds structure and with the investment strategies employed by the Managers of the Investment Funds. Some of these risks are described below. These risks may also apply to Advisory Clients where PAAMCO US recommends the investment of Client assets in Investment Funds.

Risks Related to PAAMCO's Fund of Funds Approach.

Multi-Manager Concept. As noted above, the PAAMCO Funds invest substantially all of their assets in Investment Funds. While providing PAAMCO clients with diversification, this multi-manager approach also exposes PAAMCO clients to several layers of fees and expenses. In addition to the management fees and performance fees, if any, charged by PAAMCO US, each Investment Fund may charge a management fee and/or a performance fee and will incur expenses. These fees and expenses reduce the returns generated by the PAAMCO Funds and may, in the aggregate, be higher than fees charged by Investment Funds with a single Manager.

Moreover, because the PAAMCO Funds invests in Investment Funds whose Managers make their trading decisions independently, it is theoretically possible that one or more of such Managers may, at any time, take investment positions that are opposite of positions taken by other Managers. It is also possible that these Managers may, on occasion, be competing with each other for similar positions at the same time. Also, a particular Manager may take positions for its other clients that are opposite to positions taken for the Investment Fund in which a PAAMCO Fund invests.

Investment Strategies. The success of the PAAMCO Funds depends on PAAMCO's ability to select and allocate assets to individual Investment Funds. Success also depends on each Investment Fund's ability to select individual investments, to correctly interpret market data, predict future market movements and otherwise implement its investment strategy.

PAAMCO will actively allocate and reallocate assets among various Investment Funds. There can be no assurance that the PAAMCO Funds will always be able to invest in a particular Investment Fund. No assurance can be given that the investment strategies to be used by the PAAMCO Funds or an Investment Fund will be successful under all or any market conditions.

Dependence on Managers. Neither PAAMCO nor a PAAMCO Fund will have direct control over a PAAMCO Fund's assets once they are allocated to Investment Funds; therefore, a PAAMCO Fund is highly dependent upon the expertise and abilities of the Managers who have investment discretion over a PAAMCO Fund's assets invested with them. Therefore, the death, incapacity or retirement of the Manager of any Investment Fund or its principals, as well as the investment decisions made by any Manager or its principals, may adversely affect investment results of a PAAMCO Fund. Furthermore, while PAAMCO analyzes Investment Funds and their Managers prior to a PAAMCO Fund's investing with them, and while PAAMCO monitors the performance of the Investment Funds and generally receives portfolio information from each Manager retained on behalf of a PAAMCO Fund, the information PAAMCO receives may not always be complete or accurate. As such, it may not be possible for PAAMCO to uncover fraudulent activity perpetrated by one or more Investment Funds or their Managers.

Limited Asset Allocation Flexibility. A PAAMCO Fund is restricted in its ability to allocate capital and control risk given various limitations on the liquidity of Investment Funds. Investment Funds may permit redemptions only on a semi-annual, annual, or less frequent basis and/or be subject to "lock-ups" (where investors are prohibited from redeeming their capital for a specified period following investment in such fund) and/or "gates." A PAAMCO Fund could be unable to redeem its capital from Investment Funds in which it invests for an extended period after PAAMCO has determined that the Manager operating such Investment Fund has begun to deviate from its announced trading policies and strategy.

Reliability of Valuations. A PAAMCO Fund's interest in an Investment Fund is generally valued at an amount equal to a PAAMCO Fund's interest in such Investment Fund, as determined pursuant to the instrument governing such Investment Fund, and reported by the Manager of the relevant Investment Fund or its administrator. As a general matter, the governing instruments of the Investment Funds provide that any securities or investments that are illiquid, not traded on an exchange or in an established market, or for which no value can be readily determined are assigned such fair value as the respective Managers may determine in their judgment based on various factors, which include, but are not limited to, dealer quotes or independent appraisals, and may include estimates. A PAAMCO Fund generally relies on these valuations in calculating a PAAMCO Fund's net asset value for reporting, withdrawals, fees and other purposes. Such valuations may not be indicative of what actual fair market value would be in an active, liquid, or established market.

Emerging Managers. A PAAMCO Fund may directly or indirectly invest a portion of its assets in Investment Funds managed by "Emerging Managers," which are investment managers that are less than two years old or have less than \$500 million in assets under management at the time of initial investment by a Client. Emerging Managers may have less experience managing their respective Investment Funds and in operating an investment management firm

than other Managers that have been in business for a longer period of time. The relatively shorter operational experience of Emerging Managers could lead to greater losses for their respective Investment Funds and for a PAAMCO Fund than if a PAAMCO Fund had invested in funds managed by more experienced Managers under similar circumstances.

Risks Related to the Investment Funds.

Equity Securities. The value of the securities held by a PAAMCO Fund, directly or through the Investment Funds, is subject to market risk, including changes in economic conditions, growth rates, profits, interest rates and the market's perception of these securities. A PAAMCO Fund's net asset value will increase and decrease, reflecting fluctuations in the value of securities underlying the securities held by a PAAMCO Fund or by an Investment Fund.

Short Selling. Some of the Investment Funds will engage in short selling, both as part of their general investment strategy and for hedging purposes. Short selling involves selling securities that are not 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 an Investment Fund to profit from declines 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 in order to close out the short position, any appreciation in the price of the borrowed securities would result in a loss upon such repurchase.

Debt and Other Income Securities. Many of the Investment Funds may invest in fixed-income and adjustable rate securities. Income securities are subject to interest rate, market and credit risk. Interest rate risk relates to changes in a security's value as a result of changes in interest rates generally. Even though such instruments are investments that may promise a stable stream of income, the prices of such securities are inversely affected by changes in interest rates and, therefore, are subject to the risk of market price fluctuations.

Mortgage-Related Securities. Mortgage-related securities are collateralized by residential or commercial mortgages or pools of residential or commercial mortgages. Pools of mortgage loans are assembled as securities for sale to investors by various governmental, government-related and private organizations. These securities may include complex instruments such as collateralized mortgage obligations, stripped mortgage-backed securities, mortgage pass-through securities, interests in real estate mortgage investment conduits, as well as other real estate related securities. Mortgage-related securities are subject to credit risks associated with the performance by the mortgagors.

Convertible Securities. Some of the Investment Funds will invest in convertible securities ("Convertibles"), which are generally debt securities or preferred stocks that may be converted into common stock. The market value of a Convertible performs like that of a regular debt security; that is, if market interest rates rise, the value of a Convertible usually falls. Since it is convertible into common stock, the Convertible generally has the same types of market and issuer risk as the underlying common stock. Convertibles that are debt securities are also subject to the normal risks associated with debt securities, such as interest rate risks, credit spread expansion and ultimately default risk, as discussed below. Convertibles are also prone to liquidity risk as demand can dry up periodically, and bid/ask spreads on bonds can widen significantly. Because convertible arbitrage also involves the short sale of underlying common stock, the strategy is also subject to stock-borrow risk, which is the risk that the Investment Fund will be unable to sustain the short position in the underlying common shares.

High-Yield Securities. Investment Funds may invest in high-yield securities, which are generally unrated or rated below investment grade and may be considered speculative. Such securities are generally not exchange-traded and, as a result, these instruments trade in the over-the-counter marketplace, which is less transparent than the exchange-traded marketplace. In addition, an Investment Fund may invest in bonds of issuers that do not have publicly traded equity securities, making it more difficult to hedge the risks associated with such investments. High-yield securities face ongoing uncertainties and exposure to adverse business, financial or economic conditions, which could lead to the issuer's inability to meet timely interest and principal payments. The market values of certain of these lower-rated and unrated debt securities tend to reflect individual corporate developments to a greater extent than do higher rated securities (which react primarily to fluctuations in the general level of interest rates) and tend to be more sensitive to economic conditions than are higher-rated securities.

Distressed Securities. An Investment Fund may invest in "below investment grade" securities and obligations of issuers in weak financial condition, experiencing poor operating results, having substantial capital needs or negative net worth, facing special competitive or product obsolescence problems, including companies involved in bankruptcy or other reorganization and liquidation proceedings. These securities are likely to be particularly risky investments although they may also offer the potential for correspondingly high returns. Among the risks inherent in investments in troubled entities is the fact that it frequently may be difficult to obtain information as to the true condition of such issuers.

Foreign Sovereign Debt. Sovereign debt includes bonds that are issued by foreign governments or their agencies, instrumentalities or political subdivisions or by foreign central banks. Sovereign debt also may be issued by quasi-governmental entities that are owned by foreign governments but are not backed by their full faith and credit or general taxing powers. Investment in sovereign debt involves special risks. The issuer of the debt or the governmental authorities that control the repayment of the debt may be unable or unwilling to repay principal and/or interest when due in accordance with terms of such debt, and an Investment Fund may have limited legal recourse in the event of a default.

Non-U.S. Exchanges and Markets. An Investment Fund may engage in trading on non-U.S. exchanges and markets. Trading on such exchanges and markets may involve certain risks not applicable to trading on U.S. exchanges and is frequently less regulated. For example, certain of those exchanges may not provide the same assurances of the integrity (financial and otherwise) of the marketplace and its participants, as do U.S. exchanges. There also may be less regulatory oversight and supervision by the exchanges themselves over transactions and participants in such transactions on those exchanges.

Non-U.S. Investments. Investment in non-U.S. issuers or securities principally traded outside the United States may involve certain special risks due to economic, political and legal developments, including favorable or unfavorable changes in currency exchange rates, exchange control regulations (including currency blockage), expropriation of assets or nationalization, imposition of withholding taxes on dividend or interest payments, and possible difficulty in obtaining and enforcing judgments against non-U.S. entities. Furthermore, issuers of non-U.S. securities are subject to different, often less comprehensive, accounting reporting and disclosure requirements than domestic issuers. The securities of some foreign governments and companies and foreign securities markets are less liquid and at times more volatile than comparable U.S. securities and securities markets. The foregoing risks associated with non-U.S. investments are even greater in emerging markets.

Currency Risk. The value of an Investment Fund's assets may be affected favorably or unfavorably by the changes in currency rates and exchange control regulations. Currency exchange rates may fluctuate significantly over short periods of time and can be affected unpredictably by political developments.

Derivatives Risk. Certain Investment Funds may invest in derivatives. Derivatives are financial contracts whose value depends on, or is derived from, the value of an underlying asset, reference rate or index. An Investment Fund's use of derivative instruments involves risks different from, or possibly greater than, the risks associated with investing directly in securities and other traditional investments. If an Investment Fund invests in a derivative instrument, it could lose more than the principal amount invested. Finally, the assets of an Investment Fund may be pledged as collateral in swap and other derivatives transactions. Thus, if the Investment Fund defaults on such an obligation, the counterparty may be entitled to some of all of the assets of the Investment Fund as a result of the default.

Futures Contracts and Options on Futures Contracts. Investment Funds may purchase and sell futures and options on futures contracts. Futures contracts are traded on a futures exchange and call for the future delivery of a specified "commodity" at a specified time and place. Futures prices are highly volatile. The profitability of purchases and sales of futures contracts by an Investment Fund will depend on the Manager's ability to analyze price movements in those markets. Because low margin deposits are normally required, an extremely high degree of leverage is obtainable in futures and options trading. A relatively small price movement in a futures contract, consequently, may result in large losses. Thus, like other highly leveraged investments, any purchase or sale of a futures contract may result in losses which exceed the amount invested.

Option Transactions. Investment Funds may engage from time to time in various types of options transactions. An option gives the purchaser the right, but not the obligation, upon exercise of the option, either (i) to buy or sell a specific amount of the underlying security at a specific price (the "strike" price or "exercise" price), or (ii) in the case of a stock index option, to receive a specified cash settlement. To purchase an option, the purchaser must pay a "premium," which consists of a single, nonrefundable payment. Unless the price of the instrument underlying the option changes and it becomes profitable to exercise or offset the option before it expires, the Investment Fund may lose the entire amount of the premium. The purchaser of an option runs the risk of losing the entire investment. Thus, an Investment Fund may incur significant losses in a relatively short period of time.

OTC Transactions. Certain Investment Funds may invest in derivative instruments that are not traded on organized exchanges and, as such, are not standardized. These transactions are known as over-the-counter ("OTC") transactions. In general, there is less governmental regulation and supervision in the OTC markets than of transactions entered into on an organized exchange. In addition, many of the protections afforded to participants on some organized exchanges, such as the performance guarantee of an exchange clearinghouse, will not be available in connection with OTC transactions. This exposes an Investment Fund to the risks that a counterparty will not settle a transaction because of a credit or liquidity problem or because of disputes over the terms of the contract. In addition, an Investment Fund will be subject to the risk of the inability of counterparties to perform with respect to transactions, whether due to insolvency, bankruptcy, governmental prohibition or other causes, which could subject the Investment Fund, and thus a PAAMCO Fund, to losses.

Insolvency or Failure of Prime Broker, Other Broker-Dealers. Institutions, such as brokerage firms or banks, may hold certain of an Investment Fund's assets in "street name." Bankruptcy, inadequate controls or fraud at one of these institutions, in particular, an Investment Fund's prime broker, which may hold the majority of that Investment Fund's assets, could impair the operational capabilities or the capital position of that Investment Fund. In addition, as an Investment Fund may borrow money or securities or utilize operational leverage with respect to its assets, that Investment Fund will post certain of its assets as collateral securing the obligations or leverage ("Margin Securities"). Some or all of the Margin Securities may be available to creditors of that Investment Fund's prime broker in the event of its insolvency. In addition, there may be substantial delays in the repayment of that Investment Fund's assets in the event that the prime broker were to become insolvent, as well as a risk of total loss of such assets.

Cash Positions. A substantial portion of a PAAMCO Fund's assets may, from time to time, be maintained in cash or cash-equivalent investments. Although such a practice may assist in the preservation of capital, the assumption of cash positions may also impact overall investment return. Cash investment practices of a PAAMCO Fund may be expected, therefore, to affect total investment performance of a PAAMCO Fund.

Special Situations. Certain Investment Funds may invest in companies involved in (or the target of) acquisition attempts or tender offers or in companies involved in work-outs, liquidations, spin-offs, reorganizations, bankruptcies and 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 result in a distribution of cash or a new security the value of which will be less than the purchase price to the Investment Fund of the security or other financial instrument in respect of which such distribution is received.

Leverage; Interest Rates. Certain Investment Funds may seek to enhance returns through the use of leverage. Certain Investment Funds may borrow greater than 100% of their assets under management pursuant to the strategy employed by such Investment Funds. Leverage magnifies both the favorable and unfavorable effects of price movements in the investments of an Investment Fund, which may subject the Investment Fund, and thus a PAAMCO Fund, to a substantial risk of loss.

Turnover. An Investment Fund's trading activities may be made on the basis of short-term market considerations. Certain Investment Funds' portfolio turnover rates will be significant, involving substantial brokerage commissions and fees. Each Investment Fund will be responsible for the payment of all of the trading expenses incurred in connection with its trading activities, which will ultimately affect the return achieved by a PAAMCO Fund.

Start-Up Periods. The Investment Funds may encounter start-up periods during which they will incur certain risks relating to the initial investment of newly contributed assets. Moreover, start-up periods also represent a special risk in that the level of diversification of an Investment Fund's portfolio may be lower than in a fully committed portfolio.

Item 9. Disciplinary Information

PAAMCO is required to disclose all material facts regarding any legal or disciplinary events that would be material to the evaluation of PAAMCO or the integrity of PAAMCO's management. PAAMCO has no information applicable to this Item.

Item 10. Other Financial Industry Activities and Affiliations

Neither PAAMCO nor any of its management persons is registered, or has an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

PAAMCO US is currently registered as a commodity pool operator and as a commodity trading advisor with the Commodity Futures Trading Commission ("CFTC"). As required by the CFTC rules, certain management persons of PAAMCO are registered as "associated persons" of PAAMCO US.

PAAMCO Europe is located in England and PAAMCO Asia is located in Singapore. PAAMCO Europe is authorized and regulated by the U.K. Financial Services Authority. PAAMCO Asia is an Exempt Fund Manager under the Singapore Securities and Futures Act and Exempt Financial Adviser under the Singapore Financial Advisers Act.

PAAMCO CA GP, Inc. ("PAAMCO CA GP") is a wholly-owned affiliate of PAAMCO. PAAMCO CA GP is a general partner of a specific PAAMCO Fund established as a limited partnership (a "PAAMCO LP Fund"). Pacific Atlantic GP, Ltd., although not owned directly or indirectly by PAAMCO, is also a general partner of a PAAMCO LP Fund. PAAMCO US is the investment manager of each PAAMCO LP Fund and, in that capacity, PAAMCO US has full investment responsibility with regard to the assets of each PAAMCO LP Fund. Because PAAMCO-affiliated entities serve as general partner of and, in such capacity, have investments in the PAAMCO LP Funds, PAAMCO may be viewed as having an incentive to favor the PAAMCO LP Funds. As described in the response to Item 6, PAAMCO has adopted controls, such as its allocation policy, that are intended to ensure that no Clients are favored over others.

In certain cases, PAAMCO Clients may invest in an Investment Fund that is created by that Investment Fund's Manager solely for investment by PAAMCO Clients (each, a "Customized Investment Fund").

As described in more detail in the response to Item 8 above, PAAMCO US invests the assets of the PAAMCO Funds in Investment Funds managed by other investment advisers. PAAMCO does not receive compensation from the other investment advisers in connection with such investments.

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

Under the Code of Ethics adopted by PAAMCO US and the PAAMCO Affiliates, PAAMCO employees are not permitted to trade in most securities without the prior approval of the PAAMCO Compliance Department. In addition, PAAMCO employees and their family members are not permitted to acquire interests in any limited offering (including any PAAMCO Fund or other private investment fund) or initial public offering without the prior approval of the Chief Compliance Officer. It is also PAAMCO's general policy not to permit employees to invest in Investment Funds held by PAAMCO Clients. Finally, PAAMCO's Code of Ethics also contains additional restrictions with regard to PAAMCO employee investments in (i) the Commingled Funds and (ii) investments held by the Segregated Portfolios of PM Manager Fund.

PAAMCO is committed to complying with applicable laws and regulations and to maintaining the highest ethical standards in connection with the management of PAAMCO. PAAMCO's Code of Ethics reflects PAAMCO's view on dishonesty, self-dealing, conflicts of

interest and trading on material, non-public information, which will not be tolerated. PAAMCO's Code of Ethics also requires employees to provide initial and annual securities holdings reports as well as quarterly securities transaction reports. PAAMCO will provide any client or prospective client with a copy of PAAMCO's Code of Ethics upon request.

Subject to the pre-approval requirements noted above, selected PAAMCO employees, officers, members and/or managers may invest in certain Commingled Funds and in underlying securities in which Clients also invest indirectly through the Investment Funds. In addition, PAAMCO CA GP is the general partner of a PAAMCO LP Fund and, as such, is invested in the respective PAAMCO LP Fund. The investments of PAAMCO CA GP and of PAAMCO employees, officers, members and/or managers in various PAAMCO Funds may be viewed as creating a conflict of interest because PAAMCO and its principals may have an incentive to act in its or their own self-interest as opposed to that of the applicable PAAMCO Fund. However, PAAMCO has adopted a Code of Ethics, as described above and, as described in the response to Item 6, PAAMCO has adopted controls, such as its allocation policy, that are intended to ensure that no Clients are favored over others.

Pursuant to its discretionary authority with respect to the PAAMCO Funds, PAAMCO may direct PAAMCO Funds to invest in certain Segregated Portfolios of PM Manager Fund. However, the PAAMCO Funds do not pay a fee to PAAMCO for their investment in those Segregated Portfolios.

Certain principals of PAAMCO serve as directors of Customized Investment Funds, PM Manager Fund and the PAAMCO Funds. These PAAMCO principals do not receive compensation for their service as directors.

Upon obtaining proper direction and subject to its fiduciary duties and compliance with applicable law, PAAMCO may transfer interests in or shares of an Investment Fund between PAAMCO Funds.

PAAMCO employees may benefit from educational events sponsored by industry service providers such as prime brokers, administrators, law firms, audit firms, and other such professional service firms.

Item 12. Brokerage Practices

As a general matter, PAAMCO US does not direct brokerage or have any soft dollar arrangements. PAAMCO US does not invest Client assets in negotiable public securities that are available for purchase or sale through a broker-dealer. Other than completing subscription agreements on behalf of its Clients for their respective investments in Investment Funds, PAAMCO US does not execute trades on behalf of its Clients (except to the extent PAAMCO US manages a Client's cash or cash equivalents or engages in currency hedges and spot currency purchases and sales). Rather, PAAMCO US invests Client assets through private placements in Investment Funds at the prevailing monthly net asset value. Interests in Investment Funds are not generally available for purchase or sale through a broker-dealer. As part of the due diligence process, PAAMCO US reviews the brokerage practices and soft dollar arrangements of the Investment Funds.

Subject to its fiduciary duties and compliance with applicable law, PAAMCO US may purchase interests in or shares of an Investment Fund for one PAAMCO Fund at the same time it is redeeming interests in or shares of such Investment Fund for another PAAMCO Fund.

On rare occasions, a PAAMCO Fund may receive in-kind redemptions from Investment Funds or a Segregated Portfolio of PM Manager Fund or may need to liquidate the assets of a Segregated Portfolio upon termination of that Segregated Portfolio's Subadviser if the Subadviser does not liquidate the Segregated Portfolio by the effective date of termination. In those cases, the Director of FoF Operations or the Director of Operations for PM Manager Fund (the "Director of SFP Operations"), as applicable, will oversee PAAMCO US's hiring of a third party to manage or liquidate the investments.

The Subadvisers do engage in brokerage activities for Segregated Portfolios of PM Manager Fund. As part of the initial due diligence process and on an ongoing basis, PAAMCO US reviews the brokerage practices and soft dollar arrangements of the Subadvisers. The prime brokers and swap counterparties of each Segregated Portfolio are selected by PAAMCO and the Board of Directors of PM Manager Fund in consultation with such Segregated Portfolio's Subadviser based on factors such as the prime broker's or counterparty's overall performance, pricing, and operational capabilities.

Under the terms of each Subadvisory Agreement among a Subadviser, PAAMCO US, and a Segregated Portfolio of PM Manager Fund, each Subadviser is responsible for arranging for the execution of all orders for the purchase and sale of securities and other investments with respect to the applicable Segregated Portfolio. The Subadviser is required to seek best execution for that Segregated Portfolio. The Subadviser, to the extent permitted by applicable laws and regulations, may aggregate the investments to be purchased or sold on behalf of its Clients to attempt to obtain a more favorable price, lower brokerage commissions or efficient execution.

Pursuant to each Subadvisory Agreement, PAAMCO US directs a Subadviser to use one or more prime brokers with respect to the applicable Segregated Portfolio. PAAMCO negotiates the terms of the fees and commissions each Segregated Portfolio will pay to each applicable prime broker.

Under the terms of each Subadvisory Agreement, if a Subadviser generates "soft dollars" with respect to the trades of the applicable Segregated Portfolio, the Subadviser must comply with the safe harbor of Section 28(e) of the Securities Exchange Act of 1934, as amended, with respect to such trades.

Item 13. Review of Accounts

Each PAAMCO Client account is reviewed by a PAAMCO portfolio/account manager. The portfolio/account manager's review process may include constructing the Client portfolio and monitoring adherence to the Client's investment objectives and guidelines as well as reporting. In addition, PAAMCO has various sector specialists assigned to particular Investment Fund investment categories (as described in Item 8 above). These sector specialists and their designees monitor the investment strategies, performance, and other activities of the Investment Funds within the applicable sector, including personal visits to the Managers' offices, electronic communications, and telephone conversations with the Manager and staff.

The account/portfolio managers are accountable for their respective Client portfolios and are responsible for issuing an Investment Guidelines Report on each Client portfolio to PAAMCO's Compliance Department on a monthly basis. The Compliance Department reviews and logs any variation from a Client's guidelines and requires the applicable account/portfolio

manager to address any variation with an explanation and a follow-up to ensure that a Client notification is sent, if required and any necessary changes to the guidelines are considered, if applicable. PAAMCO's Chief Compliance Officer then reviews a final, consolidated Investment Guidelines Report.

Each Advisory Client and each investor in a PAAMCO Fund receives monthly, quarterly or other periodic reports that may include investment commentary and a review of performance. Each investor in a PAAMCO Fund receives audited financial statements with respect to that PAAMCO Fund after the end of such fund's fiscal year. Each investor in a Segregated Portfolio of PM Manager Fund receives audited financial statements after the end of such Segregated Portfolio's fiscal year. PAAMCO and its Clients may also agree that PAAMCO will provide certain other reports.

Item 14. Client Referrals and Other Compensation

PAAMCO does not receive an economic benefit from any person who is not a Client for providing investment adviser or other advisory services to PAAMCO's Clients.

PAAMCO does not have any solicitation agreements with third party solicitors that are currently effective. However, PAAMCO compensates certain third party solicitors for referrals made by these solicitors pursuant to solicitation agreements that have now been terminated. If PAAMCO enters into new solicitation agreements in the future, PAAMCO will disclose the applicable compensation arrangements in writing to the affected client. In addition, PAAMCO Europe receives a percentage of management fees, performance fees and/or other fees paid to PAAMCO US by any PAAMCO US client referred by PAAMCO Europe.

From time to time, PAAMCO may engage one or more consultants to provide PAAMCO with market research and consulting services relating to possible prospective clients.

Item 15. Custody

PAAMCO US is deemed to have custody of the assets of each PAAMCO Fund and each Segregated Portfolio of PM Manager Fund.

To comply with the requirements of the Investment Advisers Act of 1940, each PAAMCO Fund and each Segregated Portfolio is audited each year by an independent public accountant and these audited financial statements are provided to investors within 180 days (in the case of the PAAMCO Funds) or 120 days (in the case of the Segregated Portfolios) of fiscal year end.

Item 16. Investment Discretion

For those Clients where PAAMCO has investment discretion, PAAMCO typically receives discretionary authority, including a power of attorney, through a limited liability company agreement, subscription agreement, investment management or similar agreement between PAAMCO and the applicable Client. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular Client account. For example, PAAMCO generally has discretion to make and terminate investments for PAAMCO Funds without obtaining any consent or approval from the Clients in the PAAMCO Funds; however, certain Separate Accounts have investment guidelines that may specify, for example,

the number of Investment Funds that the PAAMCO Fund may invest in or the maximum percentage of assets of the PAAMCO Fund that may be invested in any one Investment Fund.

Item 17. Voting Client Securities

PAAMCO has adopted a policy governing the voting of proxies that is designed to ensure that PAAMCO will vote proxy proposals, amendments, consents or resolutions (collectively, proxies) relating to interests in Investment Funds in a prudent and diligent manner intended to enhance the economic value of the assets of the funds. PAAMCO US has the authority to vote proxies in all PAAMCO Funds but generally does not vote proxies for Advisory Clients. In the case of PM Manager Fund, the Subadviser of each Segregated Portfolio is generally required to vote proxies with regard to that Segregated Portfolios pursuant to the applicable Subadvisory Agreement.

Where PAAMCO US has proxy voting authority, PAAMCO US considers each proxy proposal on its own merits, and makes an independent determination whether to support or oppose management's position. Any actual or apparent conflict of interest between the interests of PAAMCO and its Clients is resolved in a manner that is consistent with the best interests of PAAMCO's Clients and in a manner not affected by such actual or apparent conflict of interest.

A Client may obtain a copy of these proxy voting policies as well as information about how PAAMCO has voted a PAAMCO Fund's proxies by calling (949) 261-4900.

Item 18. Financial Information

PAAMCO does not require or solicit prepayment of more than \$1,200 in fees per client six months or more in advance and, accordingly, is not required to provide a balance sheet. In addition, PAAMCO has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.