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Form ADV Part 2A – Disclosure Brochure

Important Disclosure:

This brochure provides information about the qualifications and business practices of Fore Research & Management, LP (“Fore Research” or “Fore”), an investment adviser registered with the United States Securities and Exchange Commission (“SEC”). If you have any questions about the contents of this brochure, please contact us at 212-984-3800. Registration with the SEC does not imply that Fore Research or its employees possess a certain level of skill or training. The information in this brochure has not been approved or verified by the SEC or by any state securities authority.

Additional information about Fore Research also is available on the SEC’s website at www.adviserinfo.sec.gov.

IARD No. 130263

ITEM 2. MATERIAL CHANGES

This brochure contains material changes to the disclosure the Advisor provided in its last annual update of this brochure March 31, 2011. The brochure was updated to reflect Fore Research's new clients and to describe their strategies (including, without limitation, a new Japanese credit strategy) and related updates and additions to risk factor, and conflicts disclosures.

Please note that the above summary addresses only changes that Fore Research has determined to be material, and therefore, does not reflect all of the changes that have been made to this brochure since the last annual update.

Currently, our Brochure may be requested by contacting Vineet Kapur, Partner: Investor Relations & Product Development at 212-984-3820 or vineet.kapur@foreresearch.com, or Win Browning, Associate – Marketing & Investor Relations at 212-984-3854 or win.browning@foreresearch.com.

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ITEM 4. ADVISORY BUSINESS

Our Organization

Fore Research & Management, LP (“Fore Research”) is a Delaware limited partnership that was formed in December 2003. As of December 31, 2011, Fore Research has approximately \$3,728,538,000 of regulatory assets under management.

Among the clients of Fore Research are several private investment funds. For purposes of this Brochure, references to the “general partners” shall mean Fore Research’s related persons, Fore GP II, LLC and Fore GP III, LLC, entities which serve as general partners to certain private investment funds organized as limited partnerships. Fore Research and the general partners are under common control and share common employees and/or officers. Employees and officers of the general partners are considered by Fore Research as “persons associated with” it (as that term is defined in section 202(a)(17) of the Investment Advisers Act of 1940, as amended (the “Advisers Act”). As described in Item 10, personnel of the general partners will be subject to Fore Research’s overall supervision and policies and procedures. The relevant books and records of the general partners are the books and records of Fore Research for purposes of Section 204 of the Advisers Act. References to Fore Research in this brochure also include the general partners to the extent any of the general partners’ personnel engage in investment advisory activities.

Principal Owners

Yanxiu (“Matthew”) Li is the principal owner of Fore Research.

Types of Services Offered

Fore Research typically provides investment advisory or management services on a discretionary basis to hedge fund clients which have been organized as limited partnerships and offshore companies. In addition, Fore Research has as its client a collateralized loan obligation. Fore Research’s investment products and strategies include a multi-strategy approach, a European credit strategy, a Japanese credit strategy and a collateralized loan strategy. (Item 8 provides more information about our investment strategies.) Fore Research does not provide financial planning services, and does not advise clients in the selection of other investment advisers.

Investment strategies utilized by Fore Research include, but are not limited to, long and/or short corporate credit, high yield and investment grade trading, event driven credit/equities, convertible arbitrage, long/short equity, distressed security & special situation investing, leverage loan investing, risk/merger arbitrage, commodities, opportunistic trading and various macro-themed trades.

Our portfolio strategies may involve investments in a wide range of asset classes, regions, sectors and markets, including, without limitation, investments in common stocks, preferred stocks, warrants, secured and unsecured debt, bank debt, subordinated bonds, investment grade and non-investment grade corporate bonds (including private placements), municipal securities, U.S. Government and agency securities, convertible securities (including stocks and convertible corporate bonds), real estate investment trusts, structured instruments, exchange traded funds and notes, derivatives, swaps including, without limitation, asset swaps and credit default swaps, including but not limited to swaps referencing corporate and

sovereign debt, rights issued by businesses in capital raising activities, futures, forward contracts, foreign currencies, money market obligations, commodities and their over-the-counter counterparts. Strategies may also involve investments in, without limitation, collateralized loan obligations or securitization vehicles, asset backed securities, and loans and other interests of companies including private loans.

Ability to Tailor Services and Impose Restrictions

Fore Research does not accommodate investor-specific restrictions on its investment strategies. It follows the investment restrictions and mandates of the individual funds or products that it advises.

Wrap Fee Programs

Fore Research does not participate in programs commonly referred to as “wrap fee” programs.

Assets Under Management

As of December 31, 2011, Fore Research manages approximately \$3,728,538,000 in client assets (regulatory assets under management), all of which were managed on a discretionary basis.

ITEM 5. FEES AND COMPENSATION

Fee Schedule

Fore Research provides investment advisory services to limited partnerships and other forms of pooled investment vehicles. For its services, Fore Research and its related persons are entitled to management fees and performance-based incentive fees and allocations, which vary among its clients. Item 6, below, provides more information about performance-based incentive fees and allocations. Management fee arrangements are established through written investment management and investment advisory agreements between Fore Research and each of its clients. While the fee schedule for each fund client is generally not negotiable, in most cases Fore Research and/or its related persons have the discretion to waive or modify (and has in the past waived or modified) fees and/or incentive allocations with respect to clients and/or any investor in a fund. Management and performance-based fees are waived for investors who are employees of Fore Research.

Fore Research receives management fees based on the valuation of assets under management from client accounts on a monthly basis, in arrears, for certain clients and a quarterly basis, in advance, for others, as set forth in the written agreements between Fore Research and such clients. Management fees generally range from 1.25% to 1.5% per annum. Investors in clients who pay management fees in advance will pay such fees on a *pro rata* basis for the initial quarter that they are invested (that is, proportional to the number of days in the quarter for which they are an investor). Such investors will receive a *pro rata* refund of any prepaid management fees if they withdraw/redeem their investment on a day prior to the last day of a fiscal quarter, based on the actual number of days remaining in such partial fiscal quarter following such withdrawal/redemption.

Investors in the different fund clients may incur and pay a redemption fee that generally ranges between 1% and 3% as specified in the respective investment agreement.

In addition, Fore Research serves as the collateral manager of Fore CLO Ltd. 2007-I, a cashflow collateralized loan obligation (the “Fore CLO”). Fore Research is authorized to charge the Fore CLO collateral management fees including a Senior Collateral Management Fee of 0.15% per annum, and a Subordinate Collateral Management Fee of 0.35% per annum. Fore Research has, to date, waived payment of these fees, but retains the right to begin charging them in the future.

Transaction Based Compensation

Fore Research and its employees do not accept compensation for the sale of securities or other investment products.

Other Fees and Expenses

In addition to Fore Research's advisory fees, clients will incur other fees, expenses and/or charges imposed by, among others, custodians, brokers, administrators and service providers including auditors, accountants and legal advisors. Please see the relevant offering memorandum and investment management agreement for the particular client for a description of these fees and expenses. These fees are exclusive of and in addition to Fore Research's fees and compensation.

An affiliate of Fore Research, Fore Consulting Co., Ltd. (Beijing) ("Fore Consulting"), located in Beijing, China, provides services for the Fore CLO including operational support, trade reconciliation, and programming services. In accordance with the Fore CLO's offering documents, Fore Consulting has been retained by the Fore CLO and is paid a fee for the services that it provides, including, without limitation, data processing, trade tracking, and portfolio reconciliation. The fee paid is less than 0.03% on assets under management. The Fore CLO is the only client that pays Fore Consulting any type of compensation.

Please see Item 12 below for further discussion of the factors that Fore Research considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

ITEM 6. PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

Fore Research has entered into performance-based incentive fee and allocation arrangements with respect to its clients. Fore Research will structure any performance or incentive fee or allocation arrangement subject to Section 205(a)(1) of the Advisers Act in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3. In measuring appreciation with respect to assets for the calculation of performance-based fees or allocations, Fore Research will include realized and unrealized capital gains and losses. The Fore CLO does not have a performance-based compensation arrangement.

Performance based allocations or fees typically range from 15% - 20% and are subject to what is commonly referred to as a “high water mark.” Generally, at the end of each fiscal year, a percentage of the realized and unrealized net profits, if any, allocated to a fund investor will be reallocated or paid to Fore Research, or the fund’s general partner – a Fore Research related person. In the event that a fund investor makes a withdrawal from a fund other than at the end of a fiscal year, the performance based allocation or fee will be determined and made as of the withdrawal date with respect to the amount withdrawn. The terms concerning performance based allocations and fees may be waived, reduced or otherwise modified or negotiated in Fore Research’s discretion.

Performance-based fees or allocation arrangements may create an incentive for Fore Research to recommend investments that may be riskier or more speculative than those which would be recommended under a different compensation arrangement. The performance-based amount that Fore Research and/or its related persons receives with respect to certain clients may create an incentive for it to favor those clients that pay a higher performance-based amount, as compared to clients for which it receives a lower performance-based amount, smaller clients, or from those clients from whom Fore Research receives a fee unrelated to performance such as an asset-based fee.

Fore Research has implemented procedures to ensure that these potential conflicts do not influence the method through which it allocates investment opportunities. Fore Research has adopted policies and practices to meet its fiduciary responsibilities and to insure its trading practices are fair to all clients and that no client or account is advantaged or disadvantaged over any other. These procedures include Fore Research’s Trading Allocation and Aggregation policies and procedures. Because of the difference in client investment objectives and strategies, risk tolerances, tax status, and other criteria, there will be differences among clients in invested positions and securities held. In general, the following factors, without limitation, are taken into account by Fore Research in allocating securities among investment advisory clients:

- *Pari passu* nature of the investment advisory clients, if any (*e.g.*, certain investment vehicles are invested on a *pari passu* basis with the Fore Multi Strategy Fund);
- Positions out of equalization (*e.g.*, if a client is traded *pari passu* to another client and holds positions in the same security or related securities out of proportion to the relative NAVs/trading level of these two clients);
- Client investment objective and strategies;
- Client risk profile and nature of risk of the security to be allocated;
- Portfolio asset mixture and issuer and industry concentration;

- Client's tax status;
- Any restrictions placed on a client's portfolio by the client or by virtue of federal or state law or regulation (such as, without limitation, ERISA restrictions);
- Net assets under management of the client;
- Size of available position and size of entire issue;
- Total portfolio invested position;
- Nature of the security to be allocated;
- Client leverage and margin constraints;
- Security liquidity including, without limitation, supply or demand for a security at a given price level;
- Market conditions;
- Timing of cash flows and account liquidity;
- Overall suitability; and
- Any other information determined to be relevant to the fair allocation of securities

Fore Research considers a client to be "eligible" for an allocation when it believes an investment is appropriate for a given client based on certain factors including, but not limited to, those factors outlined above. Fore Research makes decisions about eligibility based on its good faith judgment about appropriateness of investments for a client.

When allocating an investment opportunity after eligibility is determined, Fore Research considers the asset class focus, leverage, and the relative size of the clients, the total size of the investment opportunity available and whether and to what extent the investment is divisible. As a result, investments may not be allocated *pro rata* based on the client's net assets under management. Additionally, a client may not participate in an investment if the securities available for allocation to the account are insignificant relative to the client's net assets (*de minimis* exception).

Fore Research intends to allocate investment opportunities among all eligible clients on a fair and unbiased basis; however, there is no certainty that eligibility determinations and allocation processes will in fact result in fair and unbiased allocations or that investment opportunities will be allocated to all clients or allocated according to any established standard.

Fore Research serves as an adviser to clients which may take conflicting positions based upon Fore Research's investment advice and management. For example, Fore Research could sell short securities for one client while causing another client to hold the same security long. In this case, Fore Research could harm the performance of the long-holding account for the benefit of the account that has executed the short sales. Likewise, continually selling a position short may depress the price of the security which could harm the long-holding account/client if it holds the

same security. The offering memoranda for its clients contain further discussions of such potential conflicts of interest which current and potential investors should review prior to investment.

ITEM 7. TYPES OF CLIENTS

Fore Research typically provides investment advisory or management services on a discretionary basis to its clients which are hedge funds, a single-investor vehicle investing *pari passu* with certain of such hedge funds and a collateralized loan obligation.

Investors in each of the funds managed by Fore Research are required to meet certain suitability qualifications to enable the funds to maintain exemptions under the Securities Act of 1933 and the Investment Company Act of 1940, as amended (the “Investment Company Act”). Such funds generally require a minimum investment amount of \$1,000,000 (although Fore Research retains discretion to waive such minimums).

ITEM 8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Investment Process

Fore Research aims to pursue an investment approach that includes fundamental research, macro views of economic developments, an analysis of market liquidity flows, and other technical and cyclical data. Sources of information that Fore Research considers include, among others, the following: financial newspapers and periodicals, inspections of corporate activities, third-party research materials, corporate rating services, SEC filings, and company communications. Fore Research's investment process is more fully described in each client's offering memorandum.

Please see Item 4, above, for additional information concerning the types of securities and instruments clients typically invest in.

Strategies

Strategies implemented by clients may include, without limitation, any one or more of the following:

Long/Short Corporate Credit / Capital Structure Arbitrage

In Fore Research's view, opportunities arise from time to time from the market mispricing the creditworthiness of issuers. In addition, Fore Research believes that corporate credit and other fixed income assets offer arbitrage opportunities either within a single issuer's capital structure or within a portfolio or tranching portfolio of credit instruments. Fore Research believes that these opportunities may be exploited through a combination of fundamental credit research including evaluating the business model, financials and industries of potential investments through an in-depth understanding of covenants and structuring techniques, and/or quantitative analytics.

When Fore Research believes a particular credit is over/undervalued, the strategy may involve selling/purchasing what it believes is the most over/undervalued security in the corporate structure, or a derivative instrument thereof. Identifying the security or derivative to be traded is a subjective evaluation made by Fore Research after considering factors such as pricing, seniority, covenants, maturity, whether the obligation is secured, relative valuation and risk/reward profile of each security in the corporate structure. Additionally, clients may be long one portion of an issuer's capital structure and short another when it believes the former is undervalued relative to the latter (including, without limitation, the pricing of the debt relative to the equity). Likewise, clients may be short one portion of an issuer's capital structure and long another when it believes the former is overvalued.

Clients may, as a result, be net long or short at any given point in time and are not required to maintain a balanced portfolio of long and short positions.

Convertible Arbitrage

Convertible arbitrage strategies involve investing in convertible securities that appear incorrectly valued relative to their theoretical value. The strategy generally consists of the purchase (or short sale) of a convertible security coupled with the short sale (or purchase) of the underlying security for which the convertible security can be exchanged to exploit price differentials, undervalued credit, or volatility. Fore

Research may seek to hedge out the risk inherent in the stock; the remaining risk including credit, volatility, and/or interest rate risk may or may not be hedged.

Event Driven Credit/Equities

Clients may focus on special situations or discrete events that seem likely to materially affect the value of the securities of a particular company. Such events may include, without limitation: the restructuring of a company's balance sheet; a country's debt obligations; acquisition attempts; the acquisition or divestiture of assets or of a line or lines of business by a company; liquidations; the presence of undervalued assets that would attract outside investors seeking to realize those values; a significant management change; the turnaround of a depressed business; or shifts in government policies.

Long/Short Equities

The long/short equity strategy seeks returns through active investment in long/short equity portfolios within a market. Long positions will not necessarily be completely or even partially hedged by short positions, and short positions will not necessarily be completely or even partially hedged by long positions. Clients may, as a result, be net long or short at any given point in time and are not required to maintain a balanced portfolio of long and short positions. Fore Research may, under certain circumstances, utilize quantitative strategies and/or proprietary models and techniques to identify and exploit various inefficiencies in the market.

Opportunistic Trading: Macro Opportunities and Convex Instruments

Our clients seek investment opportunities on a global basis that express their macro viewpoints. These investments may include, without limitation, thematic investments including the securities of, or financial instruments concerning, individual companies, entire industry sectors, regions, or sovereign debt that trade at improper valuations due to market misperceptions, overly positive or negative sentiment and/or macroeconomic assessments, market technical conditions, or non-economic factors. In pursuing this strategy clients may express their views through trades concerning, without limitation, commodities, interest rates, sovereign debt, through trading in, securities or derivatives including, without limitation, credit default swaps, bonds, options, or commodities, futures, or exchange traded funds.

Fore Research may also seek investment opportunities on behalf of its clients that present, in its view, convexity including an attractive risk/return profile. Trading in convex instruments include, for example, without limitation, purchasing credit default swaps with a tight spread, or purchasing out of the money options.

European Credit

Clients may seek capital appreciation over a limited investment horizon, primarily by acquiring short exposure to credit securities of, or financial contracts linked to the debt of, European governments, banks and other financial issuers (including senior or subordinated debt securities) that Fore Research believes may be significantly affected by certain financial or political events or changing market conditions. While this strategy generally intends to focus on relatively liquid securities and instruments within the credit markets to facilitate navigation of changing market conditions, investment in illiquid securities or instruments is also permitted.

Pursuit of upside appreciation will be sought generally through a portfolio of credit default swaps, bonds and other credit instruments and derivatives. Clients may purchase shares of exchange-traded funds ("ETFs") that are registered under the Investment Company Act, and shares of similar investment vehicles that are not registered under the Investment Company Act, and effect short sales of such shares. While it is expected to invest in currency markets predominantly for hedging purposes, clients may also

make such investments with the goal of achieving investment appreciation. Clients may also utilize a variety of other financial instruments for hedging or speculative purposes. While this strategy generally intends to pursue credit and other investment strategies on a basis similar to a long/short credit strategy, it is also expected, generally, for clients to have predominantly short positions with respect to credit securities of countries and financial institutions that Fore Research believes may be overvalued.

Japanese Credit

Clients may seek capital appreciation over a limited investment horizon primarily by acquiring short exposure, including through the use of derivatives, to credit securities of, or financial contracts linked to the debt of, Japanese and, to the extent that Fore Research deems appropriate, other Asian issuers that it believes may be significantly affected by changing market conditions, or that of countries whose credit may be affected by events in the region. This strategy intends to focus on credit securities of, or derivatives referencing, Japanese and other Asian issuers. Fore Research intends to pursue the strategy's objective by effecting mostly short sales of credit and debt securities when it believes that the market price of a security exceeds its fundamental value. While Fore Research initially expects the strategy's investment bias to be short, it may hold long positions or take an overall long investment bias when Fore Research believes attractive opportunities exist to buy these credits.

Pursuit of capital appreciation will be sought generally through a portfolio of credit default swaps, bonds and other credit instruments and derivatives of, or referencing, Japanese or other Asian issuers. Clients may also make opportunistic investments in other countries, regions and sectors, or in non-credit instruments (including, without limitation, currencies) as deemed appropriate by Fore Research. While it is expected to focus primarily on debt securities and related derivatives, under certain circumstances the clients may take long or short positions in equity securities of certain corporate issuers when, *inter alia*, Fore Research believes such securities are mispriced relative to their underlying debt securities, or relative to the issuer's peers, or otherwise. Clients may also hold long interests in debt, currency, commodities or other securities for investment or hedging purposes, including long investments in instruments that Fore Research believes may appreciate as a direct or indirect consequence of political, regulatory or market dynamics in the region. While this strategy generally expects to invest in currency markets predominantly for hedging purposes, it may also make such investments with the goal of achieving investment appreciation. Clients may also purchase shares of exchange-traded funds and shares of similar investment vehicles, which in each case may or may not be registered under the Investment Company Act and effect short sales of such shares.

New Issues

Certain clients are permitted to purchase and sell "new issues" (as defined under the rules and interpretations of the U.S. Financial Industry Regulatory Authority, Inc. (the "FINRA Rule")), and may sell new issues soon after purchasing them, including, for example, on the day of the offering in question. These clients have classes of shares in which certain classes will participate in the gains and losses arising from new issues, and other classes contain restricted investors who are not eligible to participate in such gains and losses, subject to the further terms of the offering memorandum for the particular Client.

Clients also may utilize these strategies to provide portfolio hedges and may pursue them through long or short biases and varying leverage ratios, and without diversification considerations.

Risks

Investing in securities involves substantial risks, including the risk of total loss of capital, that investors should be prepared to bear. It may not be suitable for all investors. Different investment strategies are subject to different types and degrees of risk and investors should familiarize themselves with the risks associated with the particular investment strategy they intend to invest in.

Typical investment risks include market risk typified by a drop in a security's price due to company-specific events (such as an earnings disappointment or a downgrade in the rating of a bond) or general market activity when securities values fall in general. Other risks include macro-economic factors such as a period of rising interest rates which could erode the value of a bond. Additionally, Fore Research clients typically engage in frequent trading which can affect investment performance, particularly through increased brokerage and other transactions costs and taxes.

Potential investors are referred to each client's respective offering memorandum where material risks associated with these strategies and securities are set forth more fully. Material risks include the following:

Convertible Arbitrage and Convertible Securities

Fore Research may not be able to locate investment opportunities or to correctly exploit price discrepancies. A reduction in the pricing inefficiency of the markets in which the client seeks to invest will reduce the scope of investment opportunities. In the event that the perceived mispricings underlying the client's positions were to fail to materialize as expected by Fore Research, the client could incur a loss. A convertible security may be subject to redemption at the option of the issuer at a price established in the convertible security's governing instrument. If a convertible security held by a client is called for redemption, the client will be required to permit the issuer to redeem the security, convert it into the underlying common stock or sell it to a third-party. Any of these actions could have an adverse effect on the client's ability to achieve its investment objective.

High-Yield Securities

Clients may invest in bonds or other fixed income securities, including without limitation, commercial paper and "higher yielding" (and, therefore, higher risk) debt securities, when Fore Research believes that such securities offer opportunities for profit. Risks include exposure to ongoing uncertainties and exposure to adverse business, exposure to financial or economic conditions which could lead to the issuer's inability to meet timely interest and principal payments and increase the likelihood of default, sensitivity to individual corporate developments and to economic conditions.

Fixed Income

The success of a client's fixed income investment activities will depend on Fore Research's ability to identify price discrepancies in corporate fixed income securities. A client may invest in corporate debt securities, including, but not limited to, public and private corporate fixed income securities, secured and unsecured debt and corporate secured and unsecured bank loans. The value of fixed income securities in which a client invests will change in response to fluctuations in interest rates. In addition, the value of certain fixed-income securities can fluctuate in response to perceptions of creditworthiness, political stability or soundness of economic policies or specific corporate news. In the event the perceived price discrepancies fail to materialize, the client could incur a loss. Fixed income securities are also subject to the risk of the issuer's inability to meet principal and interest payments on its obligations (*i.e.*, credit risk)

and are subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity (*i.e.*, market risk).

Derivatives

Our clients may use a variety of exchange traded and over-the-counter derivative instruments in their investment programs, including, without limitation, call options, put options, stock index options, credit default swaps, equity default swaps, total return swaps, asset swaps, interest rate swaps, forward contracts and future contracts. Each derivative product bears various risks, including counterparty credit risk, liquidity risk, market risk, operations risk, structural risk and legal and regulatory risk, which affect the price and liquidity of each derivative and may affect the volatility of the client's portfolio.

Risks associated with derivative instruments include sensitivity to various types of risks including volatility of the referenced or underlying asset, interest rates, market value of the underlying asset when the derivative is entered into, the duration of the derivative contract and the credit risk of the counterparty, among other factors. Derivatives can involve considerable economic leverage and may, in some cases, involve significant risk of loss.

European Investments/European Credit. The following discussion sets forth some of the more significant risks generally associated with investments in the European Union region.

Economic and political risks. There is often a high degree of government regulation in European economies, including in the securities markets. Action by such governments may directly affect foreign investment in securities in those countries and may also have a significant indirect effect on the market prices of securities.

Legal infrastructure. Laws affecting international investment and business continue to evolve, although at times in an uncertain manner that may not coincide with local or accepted international practices. Laws and regulations, particularly those concerning foreign investment and taxation, can change quickly and unpredictably. Inconsistencies and discrepancies among the vast number of local, regional and national laws, the lack of judicial or legislative guidance on unclear or conflicting laws and broad discretion on the part of government authorities implementing the laws produce additional legal uncertainties. The burden of complying with conflicting laws may have an adverse impact on the operations of a client.

Accounting standards. Investments may be made in countries that lack uniform accounting, auditing and financial reporting standards, practices and requirements. These factors can make it difficult to analyze and compare the financial status of such issuers.

Characteristics of securities markets. The portfolio of a client may include securities, or interests in securities, bought and sold on the principal stock exchanges or over-the-counter markets in Europe. Many of these stock markets are not as developed or efficient as those elsewhere and may be volatile. Trading volumes in these markets may be low, resulting in reduced liquidity and potentially rapid and erratic price fluctuations. Commissions for trades on these European exchanges and over-the-counter markets may be high, as might be custody expenses. Settlement practices for transactions in non-U.S. markets may involve delays, possibly requiring the borrowing of funds or securities to satisfy obligations arising out of other transactions. In addition, there could be "failed settlements," which can result in losses.

Japanese Investments/Japanese Credit. The following discussion sets forth some of the more significant risks generally associated with investments in Japan and the surrounding region:

Market Characteristics. The relevant trading markets in Japan may be smaller (on the basis of market capitalization and value of securities traded) than in the United States. As a consequence, investments may be made in a relatively limited number of issuers, some or many of which may operate in the same industry or economic sector. Trading markets in Japan may be subject to greater price volatility and less liquidity than is the case in the United States.

Companies traded on securities markets in Japan may be smaller than companies whose securities are traded on securities markets in the United States. Investments in smaller companies may involve greater risk than is customarily associated with investing in larger companies. Smaller companies may have limited product lines, markets or financial or managerial resources and may be more susceptible to losses and risks of insolvency or bankruptcy. Additionally, market making and arbitrage activities are generally less extensive in such markets, which may contribute to increased volatility and reduced liquidity of such markets. Accordingly, each of these markets may be subject to greater influence by adverse events generally affecting the market, and by large investors trading significant blocks of securities, than is usual in the United States.

Accounting Standards. Accounting, auditing and financial reporting standards in Japan may not be equivalent to those applicable in the United States. In addition, existing regulations are often inconsistently applied. Less information may, therefore, be available to Fore Research and its clients than in respect of investments in the United States. Trading practices that are prohibited in the United States may also be present in Japan. Further, in Japan, less information may be available to Fore Research and its clients than to local market participants. Foreign security settlements may in some instances be subject to delays and related administrative uncertainties, possibly requiring clients to borrow funds or securities to satisfy obligations arising out of other transactions. In addition, there could be more “failed settlements,” which can result in losses to clients.

Higher expenses may result from investment in Japanese securities than would from investment in U.S. securities because of the costs that must be incurred in connection with conversions between various currencies and non-United States brokerage commissions that may be higher than in the United States. Non-U.S. securities markets also may be less liquid, more volatile and less subject to governmental supervision than in the United States. Investments in non-U.S. countries could be affected by other factors not present in the United States, including lack of uniform accounting, auditing and financial reporting standards, inadequate settlement procedures and potential difficulties in enforcing contractual obligations.

Economic and Political Risks. The Japanese securities market is, to some degree, influenced by economic and market conditions in other Asian securities markets. Although economic conditions are different in each country, investors’ reaction to developments in one Asian country can have effects on the securities of issuers in other Asian countries. There can be no assurance that securities markets in Japan will not be affected negatively by events elsewhere, or that such events will not adversely affect the value of clients’ investments. In 1997, a regional economic crisis had a material and adverse economic effect on many Asian countries. Many such countries experienced significant depreciation in their currencies, increased interest rates and declines in the market values of shares listed on stock exchanges that caused reduced economic growth, an increase in corporate insolvencies and the introduction of government-imposed austerity

measures. The securities exchanges of countries in Asia also experienced, to varying degrees, increased volatility and decreased liquidity following the crisis. The recurrence of a crisis such as the one that occurred in 1997 could have a material adverse effect on clients.

Because many of the countries in Asia lack a “free market” trading tradition, there is often a high degree of government regulation in the economy, including in the securities markets. Governments in Asia have historically had a major role in controlling the development of their respective economies. Government intervention in the region has included, among other measures, wage and price controls, capital controls, limits on imports, restrictions on the free transfer of securities, controls on the price movements of securities on stock exchanges, seizure of foreign deposits or assets, prohibitions on foreign ownership of securities and currency exchange controls. Action by such governments may directly affect foreign investment in securities in the region and may also have a significant indirect effect on the market prices of securities and of the payment of dividends and interest. Although the governments of many Asian countries have taken steps to liberalize their economies, there can be no assurance that such economic liberalization policies will continue in the future or that social or political strife will not cause a reversal of such policies.

Legal infrastructure. Laws affecting international investment and business continue to evolve, although at times in an uncertain manner that may not coincide with local or accepted international practices. Laws and regulations, particularly those concerning foreign investment and taxation, can change quickly and unpredictably. Inconsistencies and discrepancies among the local, regional and national laws, the lack of judicial or legislative guidance on unclear or conflicting laws and broad discretion on the part of government authorities implementing the laws produce additional legal uncertainties. The burden of complying with conflicting laws may have an adverse impact on the operations of clients.

Hedging Strategies

Clients may utilize currency hedging strategies involving various derivative strategies. These techniques could involve a variety of derivative transactions, including swaps, futures contracts, exchange-listed and over-the-counter put and call options on securities or on financial indices, forward foreign currency contracts, and various interest rate and foreign-exchange transactions (collectively, “Hedging Instruments”). Hedging techniques involve risks different than those of underlying investments. In particular, the variable degree of correlation between price movements of Hedging Instruments and price movements in the position being hedged creates the possibility that losses on the hedge may be greater than gains in the value of the client’s positions. Similarly, price movements of Hedging Instruments may not always vary inversely with the price of the position being hedged and may serve to compound the losses on the client position that was being hedged. In addition, certain Hedging Instruments and markets may not be liquid in all circumstances. Although the contemplated use of Hedging Instruments should tend to minimize the risk of loss due to a decline in the value of the hedged position, at the same time the use of these instruments tends to limit any potential gain that might result from an increase in the value of such position. The ability of the client to hedge successfully will depend on the ability of Fore Research to predict pertinent market movements, which cannot be assured. In addition, it is not possible to hedge fully or perfectly against currency fluctuations affecting the value of securities denominated in non-U.S. currencies because the value of those securities is likely to fluctuate as a result of independent factors not related to currency fluctuations.

Short Sales

Short selling involves selling securities that may or may not be owned by the seller 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 declines in the value of securities. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost of buying those securities to cover the short position. There can be no assurance that the security necessary to cover a short position will be available for purchase. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss. Securities may be sold short by the client in a long/short strategy to hedge a long position, to be outright short, or to enable the client to express a view as to the relative value between the long and short positions. There is no assurance that the objectives of these strategies will be achieved, or specifically that the long position will not decrease in value and the short position will not increase in value, causing the client losses on both components of the transaction. In addition, when the client effects a short sale, it may be obligated to leave the proceeds thereof with the broker and also deposit with the broker an amount of cash or other securities (subject to requirements of applicable law) that is sufficient under any applicable margin or similar regulations to collateralize its obligation to replace the borrowed securities that have been sold.

Clients pursuing a long/short strategy may sell securities short to hedge a long position or to enable the clients to express a view as to the relative value between the long and short positions, or as part of an outright short position. There is no assurance that the objectives of these strategies will be achieved, or specifically that the long position will not decrease in value and the securities underlying the short position will not increase in value, causing the clients losses on both components of the transaction, or that the securities underlying an outright short position will not increase in value. If the underlying securities increase in value, the short position decreases in value and the clients sustain a loss. In addition, when a client effects a short sale, it may be obligated to leave the proceeds thereof with the broker and also deposit with the broker an amount of cash or other securities (subject to requirements of applicable law) that is sufficient under any applicable margin or similar regulations to collateralize its obligation to replace the borrowed securities that have been sold.

In response to dislocations in the financial services industry and other market events, the SEC and securities regulators of many other jurisdictions have implemented certain prohibitions and disclosure requirements on short selling of securities and may impose additional restrictions in the future. In 2010, the SEC's new short sale price test ("Short Sale Rule") became effective. The Short Sale Rule imposes restrictions upon a 10% decline in the price of a National Market System stock (any National Market System security other than an option, i.e., stocks listed on the New York Stock Exchange, NYSE Euronext and NASDAQ) from its previous day's closing price and effectively restricts the display or execution by exchanges and other trading centers of a short sale order in such stock to a price above the national best bid for the remainder of the trading day and the next trading day. In November 2011, the European Parliament passed a broad regulation that restricts and regulates short selling and certain over-the-counter derivatives in Europe that will come into effect on November 1, 2012. In addition, following volatility in Europe markets during the summer of 2011 and in November 2011, some European countries, including France, Italy and Spain, imposed temporary bans on short selling securities for certain financial services companies listed in their markets, and certain European countries have imposed further restrictions on short selling. Restrictions on the short selling of securities could interfere with the ability of the clients to execute certain aspects of their investment strategies, including their ability to hedge certain exposures and execute transactions to implement risk management guidelines, and any such limitations may adversely affect clients' performance.

In addition, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the “Dodd-Frank Act”) requires the SEC to adopt rules providing for monthly public disclosure of the aggregate amount of the number of short sales of a particular security by institutional investment managers. The Dodd-Frank Act also expands the SEC’s authority over short selling in most securities, and requires the SEC to study the state of short selling, which could lead to further short sale regulation and additional disclosure requirements.

Private Placements. Clients may invest in privately placed securities the resale of which is restricted by law or contract or for which no liquid market exists. To the extent a client invests in such illiquid securities, its ability to dispose of these securities at prices and times that it wishes to do so may be restricted. Even if the sale of privately placed securities held by a client is permitted by applicable law, no market may exist for such securities at the time that the client desires to sell such securities, or, even if a market exists for such securities, the client may be adversely affected by widening bid-offer spreads if the client is required to liquidate its position to generate cash to satisfy redemption requests or meet other obligations.

Foreign Exchange. Clients may engage in foreign exchange transactions in the spot and forward markets to hedge their equity positions denominated in non-U.S. dollar currencies, if any. A forward currency exchange contract involves an obligation to purchase or sell a specific currency at a future date, which may be any fixed number of days from the date of the contract as agreed by the parties, at a price that is fixed at the time the contract is entered into. In addition, clients may maintain short positions in forward currency exchange transactions, in which clients agree to exchange a specified amount of a currency they do not currently own for another currency at a future date in anticipation of a decline in the value of the currency sold relative to the value of the currency the clients agreed to purchase. A forward currency exchange contract offers less protection against defaults by the counterparty to the contract than is the case with exchange-traded currency futures contracts. Forward currency exchange contracts are also highly leveraged, in some cases requiring little or no original margin deposit. The clients may also purchase and sell put and call options on currencies and currency futures contracts and options on currency futures contracts.

Distressed Securities

Clients may invest in “distressed” securities, private claims and obligations of domestic and foreign entities which are experiencing significant financial or business difficulties. Investments may include loans, commercial paper, loan participations, trade claims held by trade or other creditors, stocks, partnership interests and similar financial instruments, executory contracts and options or participations therein not publicly traded. Distressed securities involve a substantial degree of risk. A client holding such securities may lose a substantial portion or all of its investment in a distressed environment or may be required to accept cash or securities with a value less than the initial investment. Among the risks inherent in investments in entities experiencing significant financial or business difficulties is the fact that it frequently may be difficult to obtain information as to the true condition of such issuers. Such investments also may be adversely affected by state and federal laws relating to, among other things, fraudulent conveyances, voidable preferences, lender liability and the bankruptcy court’s discretionary power to disallow, subordinate or disenfranchise particular claims. The market prices of such instruments are also subject to abrupt and erratic market movements and above average price volatility, and the spread between the bid and asked prices of such instruments may be greater than normally expected. In trading distressed securities, litigation is sometimes required. Such litigation can be time-consuming and expensive, and can frequently lead to unpredicted delays or losses. Moreover, to the extent that a client invests in distressed sovereign debt obligations, it will be subject to additional risks and considerations not present in private distressed securities, including the uncertainties involved in enforcing and collecting

debt obligations against sovereign nations, which may be affected by world events, changes in U.S. foreign policy and other factors outside of the control of Fore Research. The market for distressed securities and instruments is generally thinner and less active than other markets, which can adversely affect the prices at which distressed securities can be sold.

Event Driven Strategy

For an event driven strategy, if and when Fore Research determines that it is probable that a proposed transaction will be consummated, it may cause a client to purchase securities at prices often only slightly below the anticipated value to be paid or exchanged for the securities in the proposed merger, exchange offer, cash tender offer or other similar transaction. The purchase price to the client may be substantially above the prices at which such securities traded immediately prior to the announcement of such merger, exchange offer, tender offer or other similar transaction. If the proposed merger, exchange offer, cash tender offer or other similar transaction appears likely not to be consummated or in fact is not consummated or delayed, the market price of the security to be tendered or exchanged may, and likely will, decline sharply by an amount greater than the difference between the client's purchase price and the anticipated consideration to be paid.

Swap Agreements

Our clients may enter into swap agreements. Swap agreements can be individually negotiated and structured to include exposure to a variety of different types of investments or market factors. Depending on their structure, swap agreements may increase or decrease a client's exposure to equity securities, long-term or short-term interest rates, foreign currency values, corporate borrowing rates or other factors. Swap agreements can take many different forms and are known by a variety of names. Clients are not limited to any particular form of swap agreement if it is otherwise consistent with its investment objective and policies.

Depending on how they are used, swap agreements may increase or decrease the overall volatility of a client's portfolio. The most significant factor in the performance of swap agreements is the change in the individual equity values, specific interest rate, currency or other factors that determine the amounts of payments due to and from the client. If a swap agreement calls for payments by a client, the client must be prepared to make such payments when due. In addition, if a counterparty's creditworthiness declines, the value of swap agreements with such counterparty can be expected to decline, potentially resulting in losses to the client.

Credit Default Swap Agreements

Credit default swaps may involve greater risks than if the client had invested in the underlying reference obligation directly. In addition to general market risks, credit default swaps are subject to liquidity risk and credit risk. A buyer also may lose its investment and recover nothing should no credit event occur. If a credit event were to occur, the value of the reference obligation received by the seller, coupled with the periodic payments previously received, may be less than the full notional value it pays to the buyer, resulting in a loss of value to the client.

Leveraged Loans

Clients may invest their capital in the senior loans of speculative grade companies, both domestically and internationally including in first, second and third lien loans and unsecured loans. Companies use senior loans to finance internal growth, acquisitions, mergers, stock purchases, or for other corporate purposes. As a result of the additional debt incurred by the borrower, the borrower's creditworthiness is often judged by the rating agencies to be below investment grade. Such loans are typically private corporate loans that are negotiated by one or more commercial banks and syndicated among a group of commercial

banks and institutional investors. Senior loans (*i.e.*, first lien loans) are typically ranked at the most senior level of the capital structure, and are often secured by specific collateral, including but not limited to, accounts receivable, inventory, equipment, buildings, real estate, franchises, trademarks, patents, and common and preferred stock of the obligor and its subsidiaries. Such loans often provide for restrictive covenants designed to limit the activities of the borrower in an effort to protect the right of lenders to receive timely payments of interest on and repayment of principal of the loans. Such covenants may include restrictions on dividend payments, specific mandatory minimum financial ratios, limits on total debt and other financial tests. Senior loans usually have shorter terms than more junior obligations and often require mandatory prepayments from excess cash flow, asset dispositions and offerings of debt and/or equity securities.

Bank Loans

A client may enter into agreements to purchase bank loans (“Bank Loans”). These obligations are subject to unique risks, including: (i) the possible invalidation of an investment transaction as a fraudulent conveyance under relevant creditors’ rights laws; (ii) so-called lender-liability claims by the issuer of the obligations; (iii) environmental liabilities that may arise with respect to collateral securing the obligations; and (iv) limitations on the ability of the client to directly enforce its rights with respect to participations. In analyzing each Bank Loan or participation, Fore Research compares the relative significance of the risks against the expected benefits of the investment. Successful claims by third parties arising from these and other risks will be borne by clients. Furthermore, because of the nature of Bank Loans, there may be no liquid market for their disposal. Moreover, a client may seek to invest in Bank Loans on a long-term basis, under the assumption that the client will remain invested in Bank Loans for two years or more.

Call Options

There are risks associated with the sale and purchase of call options. The seller (writer) of a call option which is covered (*e.g.*, the writer holds the underlying security) assumes the risk of a decline in the market price of the underlying security below the purchase price of the underlying security less the premium received, and gives up the opportunity for gain on the underlying security above the exercise price of the option. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security above the exercise price of the option. The securities necessary to satisfy the exercise of the call option may be unavailable for purchase except at much higher prices. Purchasing securities to satisfy the exercise of the call option can itself cause the price of the securities to rise further, sometimes by a significant amount, thereby exacerbating the loss. The buyer of a call option assumes the risk of losing its entire investment in the call option.

Put Options

There are risks associated with the sale and purchase of put options. The seller (writer) of a put option which is covered (*e.g.*, the writer has a short position in the underlying security) assumes the risk of an increase in the market price of the underlying security above the sales price (in establishing the short position) of the underlying security plus the premium received, and gives up the opportunity for gain on the underlying security below the exercise price of the option. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying security below the exercise price of the option. The buyer of a put option assumes the risk of losing its entire investment in the put option.

Stock Index Options

Clients may also purchase and sell call and put options on stock indices listed on securities exchanges or traded in the over-the-counter market. A stock index fluctuates with changes in the market values of the stocks included in the index. Because the value of an index option depends upon movements in the level of the index rather than the price of a particular stock, whether the client will realize gains or losses from

the purchase or writing of options on indices depends upon movements in the level of stock prices in the stock market generally or, in the case of certain indices, in an industry or market segment, rather than movements in the price of particular stocks. Accordingly, successful use by a client of options on stock indices will be subject to Fore Research's ability to correctly predict movements in the direction of the stock market generally or of particular industries or market segments. This requires different skills and techniques than predicting changes in the price of individual stocks.

Highly Volatile Markets

The prices of derivative instruments, including futures and options, can be highly volatile. Price movements of forwards, futures and other derivative contracts in which a client's assets may be invested are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. In addition, governments from time to time intervene, directly and by regulation, in certain markets, particularly those in currencies, futures and options. Such intervention often is intended directly to influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations. The client also is subject to the risk of the failure of any of the exchanges on which its positions trade or of their clearinghouses.

Commodity Futures Contracts

Trading in commodity interests may involve substantial risks. The low margin or premiums normally required in such trading may provide a large amount of leverage, and a relatively small change in the price of a security or contract can produce a disproportionately larger profit or loss. There is no assurance that a liquid secondary market will exist for commodity futures contracts or options purchased or sold, and the client may be required to maintain a position until exercise or expiration, which could result in losses.

Futures positions may be illiquid because, for example, most U.S. commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits". Once the price of a contract for a particular future has increased or decreased by an amount equal to the daily limit, positions in the future can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. Futures contract prices on various commodities or financial instruments occasionally have moved the daily limit for several consecutive days with little or no trading. Similar occurrences could prevent a client from promptly liquidating unfavorable positions and subject the client to substantial losses. In addition, a client may not be able to execute futures contract trades at favorable prices if trading volume in such contracts is low. It is also possible that an exchange or the CFTC may suspend trading in a particular contract, order immediate liquidation and settlement of a particular contract or order that trading in a particular contract be conducted for liquidation only. In addition, the CFTC and various exchanges impose speculative position limits on the number of positions that may be held in particular commodities. Trading in commodity futures contracts and options are highly specialized activities that may entail greater than ordinary investment or trading risks.

The price of stock index futures contracts may not correlate perfectly with the movement in the underlying stock index because of certain market distortions. First, all participants in the futures market are subject to margin deposit and maintenance requirements. Rather than meeting additional margin deposit requirements, investors may close futures contracts through offsetting transactions that would distort the normal relationship between the index and futures markets. Secondly, from the point of view of speculators, the deposit requirements in the futures market are less onerous than margin requirements in

the securities market. Therefore, increased participation by speculators in the futures market also may cause temporary price distortions. Successful use of stock index futures contracts by a client also is subject to Fore Research's ability to correctly predict movements in the direction of the market.

Asset-Backed Securities

Asset-backed securities ("ABS") have underlying assets that include subprime mortgage loans, automobile loans, credit card receivables and student loans. ABS present certain risks. Primarily, these securities do not have the benefit of the same security interest in the related collateral. Credit card receivables, for example, are generally unsecured and the debtors are entitled to the protection of a number of state and Federal consumer loan laws, many of which give such debtors the right to set off certain amounts owed on the credit cards, thereby reducing the balance due. Most issuers of ABS backed by automobile receivables permit the servicers to retain possession of the underlying obligations. If the servicer were to sell these obligations to another party, there is a risk that the purchaser would acquire an interest superior to that of the holders of the related ABS. In addition, because of the large number of vehicles involved in a typical issuance and technical requirements under state laws, the trustee for the holders of the ABS may not have a proper security interest in all of the obligations backing such ABS. Therefore, there is a possibility that recoveries on repossessed collateral may not, in some cases, be available to support payments on these securities. The risk of investing in ABS is ultimately dependent upon payment of consumer loans by the debtor.

The collateral supporting ABS is of shorter maturity than mortgage loans and is less likely to experience substantial prepayments. ABS are often backed by a pool of assets representing the obligations of a number of different parties and use credit enhancement techniques such as letters of credit, guarantees or preference rights. The value of an asset backed security is affected by changes in the market's perception of the asset backing the security and the creditworthiness of the servicing agent for the loan pool, the originator of the loans or the financial institution providing any credit enhancement, as well as by the expiration or removal of any credit enhancement.

Counterparty Risk

Some of the markets in which our clients may effect their transactions are "over-the-counter" or "interdealer" markets. The participants in such markets are typically not subject to credit evaluation and regulatory oversight as are members of "exchange-based" markets. To the extent a client invests in swaps, derivative or synthetic instruments, or other over-the-counter transactions, on these markets, the client may take a credit risk with regard to parties with whom it trades and may also bear the risk of settlement default. These risks may differ materially from those entailed in exchange-traded transactions which generally are backed by clearing organization guarantees, daily marking-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered into directly between two counterparties generally do not benefit from such protections. This exposes the client to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing the client to suffer a loss. Such "counterparty risk" is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the client has concentrated its transactions with a single or small group of counterparties. Clients are not restricted from dealing with any particular counterparty or from concentrating any or all of their transactions with one counterparty. The ability of a client to transact business with any one or number of counterparties, the lack of any independent evaluation of such counterparties' financial capabilities and the absence of a regulated market to facilitate settlement may increase the potential for losses by the client.

Fore Research and its related persons are responsible for choosing the brokers, dealers and transaction agents and counterparties (collectively “Broker-Dealers”) used for each of client’s securities transactions. Although various legal protections are intended to preserve the net claims that a customer, such as a client, may have in relation to a U.S. broker-dealer, a failure in the creditworthiness of a Broker-Dealer, or the default, delay or inability or refusal of a Broker-Dealer to perform could result in a loss of all or a portion of the client’s investments with or through the relevant Broker-Dealer. Because securities owned by the client which are held by Broker-Dealers (including, but not limited to, each of the prime brokers) are generally not held in the client’s name and are usually rehypothecated by the relevant Broker-Dealer, a bankruptcy of any such counterparty is likely to have a greater adverse impact on the client than if such securities were registered in the client’s name. Certain assets of the client may be held by non-U.S. Broker-Dealers. Such assets do not generally have the protection of any legal framework, including the U.S. legal protections. Consequently, in some cases, the client may become an unsecured creditor in bankruptcy or liquidation proceedings outside of the United States.

Other Derivative Instruments

Clients may also take advantage of opportunities with respect to certain other derivative instruments that are not presently contemplated for use or that are currently not available, but that may be developed, to the extent such opportunities are both consistent with the investment objectives of and are legally permissible for the client. Special risks may apply to instruments that are invested in by a client in the future that cannot be determined at this time or until such instruments are developed or invested in by the client.

Non-U.S. Investments

Clients may invest in securities of non-U.S. companies and countries and in non-U.S. currencies. Investing in the securities of such companies and countries involves certain considerations not usually associated with investing in securities of U.S. companies or the U.S. Government, including political and economic considerations, such as greater risks of expropriation and nationalization, confiscatory taxation, the potential difficulty of repatriating funds, general social, political and economic instability and adverse diplomatic developments; the possibility of imposition of withholding or other taxes on dividends, interest, capital gain or other income; the small size of the securities markets in such countries and the low volume of trading, resulting in potential lack of liquidity and in price volatility; fluctuations in the rate of exchange between currencies and costs associated with currency conversion; and certain government policies that may restrict clients’ investment opportunities. In addition, accounting and financial reporting standards that prevail in foreign countries generally are not equivalent to U.S. standards and, consequently, less information is available to investors in companies located in such countries than is available to investors in companies located in the United States. Moreover, an issuer of securities may be domiciled in a country other than the country in whose currency the instrument is denominated. The values and relative yields of investments in the securities markets of different countries, and their associated risks, are expected to change independently of each other. There is also less regulation, generally, of the securities markets in foreign countries than there is in the United States.

Emerging Market Investments

Clients may invest in securities of companies based in emerging countries or issued by the governments of such countries. Investing in securities of certain of such countries and companies involves certain considerations not usually associated with investing in securities of developed countries or of companies located in developed countries, including political and economic considerations, such as greater risks of expropriation, confiscatory taxation, imposition of withholding or other taxes on dividends, interest, capital gains or other income, limitations on the removal of funds, nationalization and general social, political and economic instability; the small size of the securities markets in such countries and the low volume of trading, resulting in potential lack of liquidity and in price volatility; fluctuations in the rate of exchange between currencies and costs associated with currency conversion; certain government policies that may restrict a client's investment opportunities; and problems that may arise in connection with the clearance and settlement of trades. In addition, accounting and financial reporting standards that prevail in certain of such countries generally are not equivalent to standards in more developed countries and, consequently, less information is available to investors in companies located in these countries than is available to investors in companies located in more developed countries. There is also less regulation, generally, of the securities markets in emerging countries than there is in more developed countries. Placing securities with a custodian in an emerging country may also present considerable risks.

Illiquid Investments

Clients may make investments in securities and instruments that are illiquid. If a client sells its more liquid positions in order to meet investor redemption requests, a greater percentage of the portfolio may consist of illiquid positions, and such result might be compounded if positions that were previously liquid were to subsequently become illiquid. Further, if substantial redemptions were requested by the client's underlying investors, and the client did not have sufficient liquid securities to satisfy such redemptions, the client might meet such redemptions through distributions of illiquid positions, which may, in turn, be distributed to redeeming investors.

Interest Rate Risk

Clients may invest in a combination of floating rate and fixed income securities. Generally, the value of fixed income securities will change inversely with changes in interest rates. As interest rates rise, the market value of fixed income securities tends to decrease. Conversely, as interest rates fall, the market value of fixed income securities tends to increase. This risk will be greater for long-term securities than for short-term securities. The value of equity securities is also affected by changes in interest rates. Fore Research may or may not attempt to minimize the exposure of the portfolio to interest rate changes through the use of interest rate swaps, interest rate futures and/or interest rate options. Even if Fore Research does attempt to do so, there can be no guarantee that it will be successful in mitigating the impact of interest rate changes.

Currencies

A client may invest a portion of its assets in non-U.S. currencies, or in instruments denominated in non-U.S. currencies, the prices of which are determined with reference to currencies other than the U.S. dollar. Our clients, however, value their securities and other assets in U.S. dollars. A client may or may not seek to hedge all or any portion of its foreign currency exposure. To the extent a client's investments are not hedged, the value of its assets will fluctuate with U.S. dollar exchange rates as well as the price changes of the client's investments in the various local markets and currencies. Thus, an increase in the value of the U.S. dollar compared to the other currencies in which the client makes its investments will reduce the effect of increases and magnify the effect of decreases in the value of the client's positions in their local markets. Conversely, a decrease in the value of the U.S. dollar will have the opposite effect on the client's non-U.S. dollar securities. The client also may utilize options and forward contracts to hedge against

currency fluctuations, but there can be no assurance that such hedging transactions will be effective, and such techniques entail additional risks.

Forward Contracts

Clients may enter into forward contracts which are not traded on exchanges and generally are not regulated. There are no limitations on daily price moves of forward contracts. Banks and other dealers with whom a client may maintain accounts may require the client to deposit margin with respect to such trading, although margin requirements are often minimal or non-existent. The client's counterparties are not required to continue to make markets in such contracts. There have been periods during which certain counterparties have refused to continue to quote prices for forward contracts or have quoted prices with an unusually wide spread (the price at which the counterparty is prepared to buy and that at which it is prepared to sell). Arrangements to trade forward contracts may be made with only one or a few counterparties, and liquidity problems therefore might be greater than if such arrangements were made with numerous counterparties. The imposition of credit controls by governmental authorities might limit such forward trading to less than that which would otherwise be optimal, to the possible detriment of the client.

Equity Securities

Our clients' investment portfolios may also include positions in common stocks, preferred stocks and convertible securities of U.S. issuers and, to a lesser extent, non-U.S. issuers. Clients also may invest in depositary receipts relating to non-U.S. 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 and industry market conditions and general economic environments.

Securities offered by the Fore CLO ("Fore CLO Securities"): The following discussion sets forth some of the more significant risks generally associated with investments in collateralized loan obligations such as the Fore CLO Securities.

Limited Liquidity and Restrictions on Transfers of Fore CLO Securities. There is currently no market for any of the Fore CLO Securities. Although the arrangers of the Fore CLO Securities may from time to time make a market in one or more classes of the Fore CLO Securities, they are under no obligation to do so and, following the commencement of any market-making, may discontinue the same at any time without prior notice. A secondary market for the Fore CLO Securities is unlikely to develop. If a secondary market does develop for the Fore CLO Securities, there can be no assurance that it will provide the holders of the Fore CLO Securities with liquidity of investment or that it will continue for the life of the Fore CLO Securities. Consequently, an investor in the Fore CLO Securities must be prepared to hold its investment in the Fore CLO Securities for an indefinite period of time or until their stated maturity. The Fore CLO Securities are subject to certain transfer restrictions and can only be transferred to certain transferees. Transfer restrictions may limit liquidity.

Status; Limited Recourse. The Fore CLO Securities will be limited recourse obligations. Payments on the Fore CLO Securities will be payable solely pursuant to restrictive terms in accordance with the offering memorandum. A situation could arise where the Fore CLO is unable to make payments to holders of the Fore CLO Securities, no other assets will be available for payment of the deficiency and all claims in respect of the Fore CLO Securities will be extinguished and will not thereafter revive.

Subordination. Certain classes of Fore CLO Securities are subordinated to higher-ranking classes and to the payment of certain fees and expenses pursuant to offering memorandum. Payments due to lower ranking classes of the Fore CLO Securities will not be made until payment to the higher ranking classes has been paid in full. To the extent that any losses are suffered, such losses will be borne by the Fore CLO Securities in reverse order of priority, commencing with the lowest ranking classes.

Leveraged Nature of the Subordinated Classes. The subordinated classes of the Fore CLO Securities represent highly leveraged investments. Therefore, the market values of subordinated classes are anticipated to be significantly affected by, among other things, changes in the market value of, and distributions, defaults, recoveries, capital gains, capital losses and prepayments on collateral debt securities and the availability, prices and interest rates of collateral debt securities for reinvestment. Accordingly, a significant portion (and in some circumstances all) of the investment of holders of the lowest ranking classes of the Fore CLO Securities may not be repaid.

Control of Remedies. Certain classes of the Fore CLO Securities will be entitled to direct certain actions and control certain decisions (including with respect to certain remedies following an event of default) Remedies pursued by this controlling class could be adverse to the interests of the holders of other classes of the Fore CLO Securities.

Redemption. If any coverage test under the offering memorandum is not satisfied as and when required and is continuing, amounts that otherwise would have been used to pay interest to lower ranking classes will be diverted to pay principal of higher ranking classes, as set forth in the offering memorandum. Additional consequences could result which could result in insufficient funds to pay all or a portion of the interest due to the lower ranking classes or to make certain distributions.

Under certain conditions the collateral manager may be required to liquidate positions more rapidly than might otherwise be desirable, which could adversely affect the amount of redemption proceeds. There can be no assurance that, following such redemption, available funds would permit any distribution on the subordinated holders. In addition, if interest rates or spreads fall below current levels, a refinancing may be more likely to occur, which could result in one or more classes of notes being redeemed at par at a time when such notes may be trading in the market at a premium and when other investments bearing the same rate of interest or spread relative to the level of risk assumed may be difficult or expensive to acquire. Certain types of redemptions may cause the holders of higher ranking classes to receive principal payments earlier than anticipated and at a time when reinvestments that offer the same level of return may not be available and may reduce yields on the lowest ranking classes.

Special Situations

Clients 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, will 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 client 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 client may be required to sell its investment at a loss. Because there is substantial uncertainty concerning the outcome of transactions

involving financially troubled companies in which the client may invest, there is a potential risk of loss by the client of its entire investment in such companies.

Investment in Reorganizations and Restructurings

Clients may make investments in restructurings that involve companies that are experiencing or are expected to experience severe financial difficulties. These severe financial difficulties may never be overcome and may cause such companies to become subject to bankruptcy proceedings. In such situations, the client's investment is subject to the risk that a bankruptcy filing may adversely and permanently impact the value of a company and that high administrative costs may impair the value of the company. In addition, such investments could subject the client to certain additional potential liabilities that may exceed the value of the client's original investment therein. For instance, under certain circumstances, payments to the client and distributions by the client to its shareholders may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance, preferential payment or similar transaction under applicable bankruptcy and insolvency laws. Furthermore, investments in distressed companies and restructurings may be adversely affected by statutes relating to, among other things, fraudulent conveyances, voidable preferences, lender liability and a court's discretionary power to disallow, subordinate or disenfranchise particular claims.

Diversification Policies

Our clients generally do not have any formal diversification guidelines. They therefore may concentrate their investments in particular markets, regions, industries or companies. The investment risk of a portfolio that is concentrated in particular markets, regions, industries or companies is greater than if the portfolio is invested in a more diversified manner among various markets, regions, industries, or companies.

Competition for Investment Opportunities

Clients may compete for investments with various other investors – such as other public and private funds, commercial and investment banks and commercial finance companies. Such competitors may be larger and have considerably more financial and other resources. Other funds may have investment objectives that overlap with the client, which may create competition for investment opportunities with limited supply. Some competitors may have a lower cost of funds and access to funding sources that are not available to the client, and may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establish more relationships. The competitive pressures could impair a client's business, financial condition and results of operations. Also, as a result of this competition, our clients may not be able to take advantage of attractive investment opportunities from time to time.

Use of Quantitative Methodologies

The quantitative methodologies used by Fore Research when making certain investments decisions for our clients utilize historical data. Financial and economic patterns, trends and relationships are not immutable, however, and there is no guarantee that the patterns, trends and relationships that appear to Fore Research to govern any investments or markets will continue to govern such investment or market in the future.

While Fore Research will make efforts to control the risks associated with market changes, and will attempt to identify changes as they occur, market environment changes can be sudden and extreme. When these changes occur, certain market dynamics can make the changes more severe and can cause their adverse effects to spread to other markets not affected by the initial changes.

In particular, events can cause other market participants to liquidate large positions in a short period of time in order to raise capital, reduce risk or meet margin calls. To the extent that these market participants hold positions in a portfolio of strategies similar to that of a client, all of these strategies may begin to exhibit adverse returns and correlations not seen under normal market conditions, even if the initial changes were in markets in which the client was not involved. Positions that would typically serve as hedges may actually become anti-hedges of the instruments they were initially attempting to hedge, adding further risk to the client.

Statistical Measurement Error

Many of the quantitative trading methodologies employed by Fore Research rely on patterns inferred from the historical series of prices. Even if all of the assumptions of the models underlying the strategies were met exactly, the model can only make a prediction, which can be far from certain. Further, statistically-based models cannot fully match the complexity of the financial markets and as such, results of their application are uncertain. In addition, changes in underlying market conditions can adversely affect the performance of a statistical model.

Reliance on Technology

Fore Research's quantitative methodologies are highly reliant on technology, including hardware, software and telecommunications systems. Trade execution, data gathering, risk management and accounting systems all integrally require a high degree of automation and computerization. The incidence of software errors should be reduced by internal testing and the impact of such errors should be reduced by independent safeguards in the applicable software code. However, software errors may result in the execution of unanticipated trades, either through direct automated execution or because Fore Research followed such unanticipated trades and created unintended results. Errors in the code may be very hard to detect and can potentially degrade or impact results over a long period of time. Further, to the extent that an unforeseeable software or hardware malfunction or problem is caused by a defect, virus or other outside force, the client may be materially adversely affected.

Reliance on Fore Research

There could be adverse consequences to clients or underlying investors in the event that Fore Research's principals cease to be available to devote their services to Fore Research. In the event of death, disability, or departure of any such persons, clients and/or investors may be adversely affected. None of Fore Research or its related persons will work exclusively on the investment activities of a single client. Fore Research and its related persons spend substantial time on other business activities, including those related to various existing and future pooled investment vehicles and other client accounts sponsored, formed, offered and managed by any of Fore Research's affiliates.

ITEM 9. DISCIPLINARY INFORMATION

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Fore Research's advisory business or the integrity of Fore Research's management. Fore Research has no legal or disciplinary events to report.

ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

The following related persons of Fore Research are the general partners of certain clients of Fore Research:

- Fore GP II, LLC
- Fore GP III, LLC

Fore Research supervises these general partners' provision of investment advice to its clients and its personnel are subject to Fore Research's policies and procedures, including its Code of Ethics (*see* Item 11, below). Books and records of the general partners will be deemed the books and records of Fore Research for purposes of Section 204 of the Advisers Act.

Although Fore Research has procedures in place which seek to mitigate conflicts, there may be certain inherent and potential conflicts of interest between Fore Research, its affiliates and their employees and principals, on the one hand, and clients, on the other hand. Potential conflicts of interest from these relationships include the following:

- Performance-based fees may create an incentive for the general partner to make and approve more speculative investments than it would otherwise make in the absence of such performance-based compensation. (See Item 6, above, for further information concerning this potential conflict and Fore Research's policies and procedures to address it.)
- The general partner and other Fore Research-related persons may provide investment advisory advice to other clients some of which may have the same, similar, or conflicting investments objectives as other Fore Research clients. Fore Research and these general partners may, therefore, have a duty of loyalty to certain clients that may conflict with its duty of loyalty to other clients. Fore Research and its related persons may give advice and recommend securities to certain clients that may differ from advice given to, or securities recommended or bought for other clients, even though the investment objectives of such some of these clients may be the same or similar to those of other clients. For example, a particular security may be purchased for one or more clients at a time when another client is selling or establishing a short position in the same security.
- Clients may, from time to time, make an investment in an issuer in which one or more other clients invests in a different part of the issuer's capital structure. There may be instances in which such issuer may become insolvent or bankrupt and where Clients' interests in such issuer may conflict. To the extent that a client holds securities in an issuer with rights, preferences and privileges that are different from those held by one or more other clients in the same issuer, Fore Research may be presented with decisions in which the interests of such clients are in conflict. It is possible that in a bankruptcy proceeding, one client's interests may be subordinated or otherwise adversely affected by virtue of an other client's involvement and actions relating to its investment.
- Arrangements with certain clients and their investors may afford such clients and investors different terms than other clients and their investors, including, without

limitation, with respect to liquidity, fees and expenses, subscription rights and the content and frequency of reports. Clients and their investors that have been granted access to portfolio information or enhanced transparency may be able to make investment decisions, including, without limitation, making additional capital contributions, making withdrawals and entering into hedging transactions designed to offset their exposure to investment positions taken by such client (which may be the same investment positions taken by other clients), based on information not generally available to other investors. In addition, certain investors may negotiate side letter arrangements that provide similar benefits to such persons. Any such investment decisions made by these other clients or their investors on the basis of such information, including any substantial withdrawals or redemptions, could adversely affect the market value of other clients' portfolios and therefore the value of investors' investments not being redeemed. Substantial withdrawals or redemptions by such other clients or their investors within a limited period of time could require the liquidation of securities positions more rapidly than would otherwise be desirable or otherwise be detrimental to the value of such securities, which may be the same investment positions held by other clients and therefore could adversely affect the value of investors' investment not being redeemed.

- Fore Research and these general partners may have conflicting duties of loyalty to clients to allocate limited investment opportunities. (See Item 6, above, for further information concerning this potential conflict and Fore Research's policies and procedures to address it.)
- None of Fore Research or its related persons will work exclusively on the investment activities of a single client. Fore Research and its related persons spend substantial time on other business activities, including those related to various existing and future pooled investment vehicles and other client accounts sponsored, formed, offered and managed by any of Fore Research's affiliates.
- Fore Research, the clients or their respective members, officers, directors, employees, principals or affiliates may come into possession of material, non-public information. The possession of such information may limit the ability of the clients to buy or sell a security or otherwise to participate in an investment opportunity.

These and other potential conflicts of interest are disclosed and discussed in the relevant offering memorandum for the particular client, which investors have an opportunity to review prior to investment and are deemed to have consented to by their investment in a client. In addition, Fore Research maintains and enforces policies and procedures which are designed to address certain of these conflicts as well. Please see Items 6 and 11 for additional information concerning these policies and procedures. Conflicts that arise are discussed among Fore Research's senior personnel in order to reach a resolution.

Investors considering an investment in a client are directed to the offering memoranda and other offering materials for that client for a description of additional potential conflicts of interest.

ITEM 11. CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

Fore Research has adopted a Code of Ethics (the “Code”) pursuant to SEC rule 204A-1, for the purposes of establishing the standards of business conduct and fostering a culture of honesty and accountability and assisting those covered by the Code to comply with the Advisers Act. The Code is applicable to all of Fore Research’s employees. A copy of the Code of Ethics is available to any client or prospective client, or to any prospective investor therein, upon request.

The Code of Ethics contains policies which address, among other things, the following situations:

- **Compliance with Applicable Federal Securities Laws:** all employees are required to comply with applicable federal securities laws.
- **Personal Account Trading:**
 - Employees must obtain written approval prior to affecting certain securities transactions specified in the Code of Ethics. Employees (including the members of their respective households) are required to disclose any and all brokerage accounts in which they have a direct or indirect interest or in which they have any beneficial interest. To facilitate the monitoring process, Fore Research receives duplicate confirmations and statements for the applicable brokerage accounts held by employees. Employees certify and confirm the accuracy and completeness of their accounts on record.
 - Employees of Fore Research are permitted to buy and sell securities for their personal investments in personal accounts. In some cases, employees may buy or sell securities that were also purchased or sold on behalf of Fore Research’s clients. To govern such transactions, Fore Research has adopted a personal securities trading policy that requires employees to receive pre-approval from both Fore Research’s portfolio manager or risk manager and the compliance officer prior to purchasing or selling a security in order to confirm and ensure that none of Fore Research’s employees will buy or sell a security on the same day as a client.
 - Subject to the standards of the Code of Ethics, while employees may own the same securities as are held by clients, Fore Research intends to give client interests priority over all others. Fore Research’s policies are intended to prevent employees from affecting transactions that may cause, or appear to cause, a conflict with the interests of a client.
- **Pre-Approval for IPOs, Private Placements or Outside Business Activities:** Pre-approval by Fore Research is required before, among other things, an employee may purchase a security issued in an initial public offering, or in a limited offering/private placement, or partaking in certain outside business activities which could present a potential conflict of interest or other concern.
- **Gifts and Entertainment:** In order to address possible conflicts of interest that may arise when an employee accepts or gives a gift, favor, entertainment, special accommodation, or other items of value, Fore Research places restrictions on gifts and entertainment.

- **Political Contributions:** Employees of Fore Research must obtain the approval of the Chief Compliance Officer before the employee, his/her spouse or certain other immediate family members make certain political contributions or engage in certain campaign-related fundraising activities.
- **Reporting Violations to the Code:** employees must immediately report any violation of the Code of Ethics to Fore Research's compliance officer.
- **Prohibition of Use of Insider Information:** Fore Research has adopted policies and procedures to prevent the misuse of "insider" information (material, non-public information). A copy of such policies and procedures is available upon request.

Interest in Client Transactions

Fore Research may recommend clients to buy or sell interests in the same investment products in which it or related persons (such as Fore GP II, LLC, Fore GP III, LLC, or employees of Fore Research) have some financial interest, including ownership, and Fore Research and/or its related and affiliated persons may own, buy or sell for themselves the same securities that Fore Research may have recommended to clients. Fore Research's policies and procedures are intended to identify these and other potential conflicts of interest and assure that these situations are dealt with in a fair and unbiased manner. Examples of specific potential conflicts of interest are described below.

Financial and Proprietary Interests

Fore Research and related persons may invest in securities or investment products in which clients may also have made investments, and may also invest in the clients themselves.

Fore CLO, Fees Paid to Fore Research's Affiliate

Fore Research serves as the collateral manager of the Fore CLO. The Fore Multi Strategy Master Fund is the sole investor in the subordinated notes of the Fore CLO. Under the offering documents of the Fore CLO, Fore Research may charge the Fore CLO collateral management fees, which could result in additional compensation being paid indirectly to Fore Research by the Master Fund. (*See* response to Item 5, above for further information concerning Fore CLO-related fees.)

Cross Trades

Subject to the terms of individual agreements with its clients, Fore Research may cause the purchase and sale of securities between two or more client accounts – when Fore Research determines that they are in the best interests of all of the participating clients – pursuant to procedures that are designed to achieve prices that are fair to clients on both sides of the trade. Fore Research will not receive any compensation for effecting such transactions.

Additionally, please see the response to Item 6, above, concerning Fore Research's allocation policy and procedure which is designed to address certain of these potential conflicts of interest.

ITEM 12. BROKERAGE PRACTICES

Brokerage Selection

Client transactions are allocated to various brokers and dealers. In selecting brokers and dealers to effect transactions, Fore Research will allocate to brokers and dealers generally on the basis of best execution, and in consideration of factors such as price, the ability of the brokers and dealers to effect the transactions, access to new issues, their reliability and financial responsibility, and the brokers' provision or payment of the costs of research and brokerage services which are of benefit to clients. Accordingly, if Fore Research determines in good faith that the commissions charged by a broker are reasonable in relation to the value of the research or brokerage services provided, Fore Research may direct clients to pay commissions to such broker which are greater than those commissions another broker might charge.

Fore Research may place transactions with a broker or dealer that: (i) provides Fore Research (or an affiliate) with the opportunity to participate in capital introduction events sponsored by the broker-dealer or (ii) refers investors to the client or to other products advised by Fore Research (or an affiliate), if otherwise consistent with seeking best execution; provided Fore Research is not selecting the broker-dealer in recognition of the opportunity to participate in such capital introduction events or the referral of investors.

Fore Research has sole discretion to select brokers and dealers on behalf of its clients, taking into account the consideration of factors including, but not limited to, those described above.

Fore Research maintains policies and procedures to review the quality of executions, including periodic reviews by its investment professionals.

Research and Other Soft Dollar Benefits

From time to time, Fore Research may pay a broker-dealer commissions (or markups or markdowns with respect to certain types of riskless principal transactions) for effecting client transactions in excess of that which another broker-dealer might have charged for effecting the transaction in recognition of the value of the brokerage and research services provided by the broker-dealer. Fore Research will effect such transactions, and receive such brokerage and research services, only to the extent that they fall within the safe harbor provided by Section 28(e) of the Securities Exchange Act of 1934, as amended, and subject to prevailing guidance provided by the SEC regarding Section 28(e). Section 28(e) provides a "safe harbor" from a possible breach of fiduciary duty claim to investment managers who use soft dollars generated by their advised accounts to obtain investment research and brokerage services that provide lawful and appropriate assistance to Fore Research in the performance of investment decision-making responsibilities.

When Fore Research uses client brokerage commissions (or markups or markdowns) to obtain research or other products or services, Fore Research receives a benefit because Fore Research does not have to produce or pay for the research, products or services. Therefore, Fore Research 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 on Fore Research's clients' interest in receiving most favorable execution. Therefore, Fore Research may cause clients to pay

commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for soft dollar benefits (known as paying-up).

Fore Research uses soft dollar benefits to service all client accounts. Research and brokerage services obtained by the use of commissions arising from one client's portfolio transactions may be used by Fore Research in its other investment activities and thus, such client may not necessarily, in any particular instance, be the direct or indirect beneficiary of the research or brokerage services provided. Fore Research allocates soft dollar benefits to client accounts in a way that it believes is fair and equitable to its clients.

In the past fiscal year, soft dollars have been used to obtain, without limitation, research reports on particular industries and companies, including, without limitation, reports concerning the structure and nature of their offering terms, economic surveys and analyses, recommendations as to specific securities, on-line quotations, news and research services, and other services providing lawful and appropriate assistance to Fore Research in the performance of its investment decision making responsibilities on behalf of clients (collectively, "Soft Dollar Items").

Soft Dollar Items may be provided directly by brokers, by third parties at the direction of brokers or purchased on behalf of clients with credits or rebates provided by brokers. Brokers sometimes suggest a level of business they would like to receive in return for the various services they provide. Actual business received by any broker may be less than the suggested allocations, but can (and often does) exceed the suggestions, because total transaction volume is allocated on the basis of all of the considerations described above. A broker will not be excluded from executing transactions for clients because it has not been identified as providing Soft Dollar Items.

Fore Research has a soft dollar arrangement with Instinet. Soft dollar credits are generated at Instinet as a result of trades made by Fore Research's clients, which may then be used to pay for Soft Dollar Items. In addition to order execution, research and other client services, Instinet provides soft dollar support to Fore Research and investment record keeping duties.

In some instances, Fore Research may receive a product or service that may be used only partially for functions within Section 28(e) (*e.g.*, communication services, an order management system, or trade analytical software or proxy services). In such instances, Fore Research will make a good faith effort to determine the relative proportion of the product or service used to assist Fore Research in carrying out its investment decision-making responsibilities and the relative proportion used for administrative or other purposes outside Section 28(e). The proportion of the product or service attributable to assisting Fore Research in carrying out its investment decision-making responsibilities may be paid through brokerage commissions generated by client transactions and the proportion attributable to administrative or other purposes outside Section 28(e) will be paid for by Fore Research from its own resources.

The process of paying for some investment decision making products via soft dollars may be viewed as a potential conflict of interest between Fore Research and the client including, but not limited to, where Fore Research might have paid for the research using its own funds.

Brokerage for Client Referrals

Fore Research and its related persons do not receive client referrals from a broker-dealer or third party in return for selecting such broker-dealer to execute its trades. Please see the section titled, "Brokerage

Selection,” above, for additional information concerning how Fore Research determines how to allocate client transactions.

Directed Brokerage

Fore Research’s policy and practice is to not accept investors’ instructions for directing a client’s brokerage transactions to a particular broker-dealer.

Trade Aggregation Practices

Fore Research seeks to insure that our trading practices are fair to all clients and that no client or account is advantaged or disadvantaged over any other. Fore Research generally aggregates its clients’ trades unless doing so would favor/disfavor one client over another. Each client that participates in an aggregated order will participate at the average price for that order, and if the aggregated order is filled in its entirety it will be allocated among clients in accordance with the considerations outlined above. If the aggregated order is partially filled, it shall be allocated among clients pro-rata based on how the order would have been allocated had it been filled in its entirety.

ITEM 13. REVIEW OF ACCOUNTS

Our chief investment officer reviews client accounts and is assisted by a head portfolio manager, who is responsible at a more detailed level for a portion of each account. Additionally, our head of Risk Management reviews accounts, and our team of research analysts is supervised by the head of global research.

Credit reviews are performed routinely under the direction of the head of global research by analysts who generally have an MBA level education or an equivalent level of practical work experience. Credit reviews are provided to the portfolio managers with recommendations to aid their investment decisions. Part of the investment process is measuring and quantifying market risk. Each business day, the risk management team attempts to capture aspects of the market risk of each investment advisory account and produces written daily risk reports that are distributed to all investment personnel. The risk reports are reviewed as part of an effort to ensure accurate capture and quantification of portfolio risk. The portfolio managers, traders, risk management team and analysts interact regularly to review recent activities.

Underlying investors of a client receive unaudited monthly performance updates and other portfolio-related reports from Fore Research and a statement from the client's third party administrator indicating the official value of their accounts. Underlying investors are also generally provided unaudited weekly performance estimates. Underlying investors can review more detail concerning current portfolio composition, including a copy of the fund's current portfolio, and Fore Research's outlook on the market, by attending an in-person meeting at Fore Research's office scheduled in advance in agreement with Fore Research. Investors may be asked to sign a separate confidentiality agreement. In addition, as soon as reasonably practicable, but in any event within 120 days of the end of the client's fiscal year, underlying investors receive audited year-end financial statements following the completion of each year's audit of the client's books and records.

ITEM 14. CLIENT REFERRALS AND OTHER COMPENSATION

Fore Research and its related persons do not receive any economic benefit from third-parties in return for provision of investment advice or other advisory services to clients. Fore Research does not currently compensate third parties, including brokers and dealers and placement agents in connection with the solicitation of prospective clients.

Please see Item 12, “Brokerage Selection,” for additional related information.

ITEM 15. CUSTODY

Fore Research has custody of client assets as such term is defined under Rule 206(4)-2 under the Advisers Act (but does not provide custodial services to its clients). Fore Research's clients have engaged independent public accountants registered with, and regularly examined by, the Public Company Accounting Oversight Board to conduct annual financial audits of the funds prepared in accordance with US GAAP. Each fund furnishes annual written reports containing the audited financial statements to investors within 120 days of the end of the fund's fiscal year.

ITEM 16. INVESTMENT DISCRETION

As of December 31, 2011, Fore Research manages client assets (regulatory assets under management) on a discretionary basis in the amount of approximately \$3,728,538,000.

Fore Research usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought and sold. Such authority is provided in Fore Research's advisory contract with each 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.

When selecting securities and determining amounts, Fore Research observes the investment policies, limitations and restrictions of the clients which it advises.

ITEM 17. VOTING CLIENT SECURITIES

Fore Research possesses authority to vote its client's securities. Fore Research seeks to vote proxies in accordance with the best economic interests of its clients, and Fore Research endeavors to resolve any conflicts of interest exclusively with the best economic interests of its clients. In order to avoid conflicts of interest, Fore has contracted with RiskMetrics Group, Inc./Institutional Shareholder Services ("ISS"), an independent third party service provider, to vote clients' proxies according to ISS's proxy voting recommendations. On an annual basis, Fore will review information obtained from ISS to ascertain whether ISS (i) has the capacity and competency to adequately analyze proxy issues, and (ii) can make such recommendations in an impartial manner and in the best economic interest of Fore Research's clients. Fore Research votes proxies when ISS has recused itself from a vote recommendation or if it believes it necessary in the best economic interests of clients as determined in Fore's sole discretion. Fore Research's proxy voting policies include guidelines for it to follow if a material conflict of interest arises between Fore Research and its clients and are intended to ensure that any material conflict is resolved in the best interest of its clients. A copy of Fore Research's proxy voting procedures and information on how the client's proxies were voted are available upon request.

ITEM 18. FINANCIAL INFORMATION

Fore Research does not require or solicit prepayment of more than \$1,200 per client, six months or more in advance. Fore Research does not believe that it has any financial commitments that impair its ability to meet contractual commitments to clients, and Fore Research has never been subject to a bankruptcy proceeding.