

Part 2A of Form ADV: Firm Brochure

PLATINUM GROVE ASSET MANAGEMENT, L.P.

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This brochure provides information about the qualifications and business practices of Platinum Grove Asset Management, L.P. If you have any questions about the contents of this brochure, please contact us at 914-690-2100 or invest@pgamlp.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Platinum Grove Asset Management, L.P. also is available on the United States Securities and Exchange Commission's website at www.adviserinfo.sec.gov.

Platinum Grove Asset Management, L.P. is registered with the United States Securities and Exchange Commission as an investment adviser. Registration does not imply a certain level of skill or training.

Material Changes

Platinum Grove Asset Management, L.P.'s most recent update to Part 2A of Form ADV was made on March 17, 2011. This annual update of Part 2A of Form ADV contains the following material changes since the last annual update:

<u>Item</u>	<u>Change</u>
Methods of Analysis, Investment Strategies and Risk of Loss	Risk factors do not purport to be a complete enumeration or explanation of all of the risks involved in an investment in the Funds.
Brokerage Practices	Opportunities will be allocated among accounts based on certain factors.
Voting Client Securities	The management of the Funds and the beneficial owners of managed accounts may elect to receive proxy materials and vote proxies directly.

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Advisory Business

Platinum Grove Asset Management, L.P. (the “**Adviser**”) and its predecessors in interest have been in operation since 1999. The Adviser’s principal owners are Platinum Grove Partners, L.P. and Platinum Grove Holdings, L.P. As of December 31, 2011, the Adviser has approximately \$981.8 million in regulatory assets under management. All assets are managed on a discretionary basis.

The Adviser serves as an investment manager to several collective investment vehicles, including private investment partnerships and foreign investment companies, organized to invest in securities and other financial instruments (each, a “**Fund**”). (An affiliate of the Adviser serves as general partner to some of these Funds.) In providing these services to each Fund, the Adviser formulates its investment objective, directs and manages the investment and reinvestment of each Fund’s assets, and provides reports to investors. Investment advice is provided directly to each Fund and not individually to the limited partners or shareholders of the Fund. The Adviser manages the assets of each Fund in accordance with the terms of the governing documents applicable to the Fund. The Adviser may also advise other client accounts that replicate the investment strategies employed by these Funds.

The offerings of shares or limited partnership interests in the Funds are not registered under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”), and the Funds are not registered under the U.S. Investment Company Act of 1940, as amended (the “**Investment Company Act**”). Accordingly, interests or shares in the Funds are offered and sold exclusively to investors satisfying the applicable eligibility and suitability requirements, either in private transactions within the United States or in offshore transactions.

Fees and Compensation

The Adviser generally receives both an annual 2% asset-based management fee and 20% incentive fee from each Fund. (In lieu of a 20% incentive fee, an affiliate of the Adviser may receive an annual 20% incentive profit allocation.) Asset-based management fees are generally paid monthly in advance. Performance-based compensation is generally determined at the end of a fiscal or fee year, based on the net realized and unrealized appreciation for the year, subject to a “high water mark.” Asset-based and performance fees will be invoiced by the Adviser to the Fund and paid by the Fund’s administrator or general partner.

All compensation arrangements where the Adviser receives a fee based on a share of capital gains or capital appreciation will comply with the requirements of Rule 205-3 under the U.S. Investment Advisers Act of 1940, as amended (the “**Advisers Act**”). Performance-based compensation may create an incentive for the Adviser to make investments that are riskier or more speculative than would be the case in the absence of a performance-based compensation. Asset-based compensation may create an incentive for the Adviser to attempt to increase assets under management, even in situations where this would not result in greater absolute returns for investors.

The fees paid by each Fund managed by the Adviser have not been established on the basis of an arm's-length transaction between the Fund and the Adviser. Fees are not negotiable. Investors should review all fees charged by the Adviser and each Fund's administrator, prime brokers, custodians, executing brokers and dealers, and other service providers to fully understand the total amount of fees, brokerage and transaction costs paid annually by each Fund. (Please see "—Brokerage Practices" below.)

The advisory agreement with each Fund is terminable, without penalty, generally upon 90 days written notice to either party, although a shorter termination period may apply. Fees are due and payable through the date of termination.

Reimbursement of Operational and Administrative Expenses. Each Fund managed by the Adviser bears its own operating and administrative expenses, including reporting expenses, legal, tax and accounting fees and expenses, litigation-related and indemnification expenses (including directors and officers and errors and omissions liability insurance premiums), taxes, and travel expenses incurred in connection with the Fund's business. Under the terms of the constituent documents for the Funds, and the investment management agreements and limited partnership agreements between these Funds and the Adviser, the Adviser is entitled to be reimbursed from a Fund as a general unsecured creditor for any expenses it incurs on behalf of the Fund.

Operating and administrative expenses reimbursed by each Fund include the following expenses incurred by the Adviser on behalf of the Fund: (i) salaries, bonuses and employee benefit expenses of employees of the Adviser who provide operating and administrative services to the Fund, and (ii) office overhead (including rent, utilities and other similar items) resulting from the activities of these employees in connection with providing operating and administrative services to the Fund. In calendar year 2011, the Adviser was reimbursed for an allocated portion of the salaries, bonuses, employee benefits and overhead expenses for employees in the Adviser's legal and compliance group and operations and accounting group. Additional information about expense reimbursements can be found in the annual reports for the Funds.

Side Letters. The Adviser may enter into letter agreements (often referred to in the industry as "side letters") with certain investors in the Funds which may grant terms which differ from those outlined in the Funds' governing documents. These terms may include (i) the waiver or reduction of management fees and/or incentive fees or incentive profit allocations, (ii) commitments to permit future investments in the Fund by such investors when the Fund is otherwise closed to new or additional investments, and (iii) undertakings designed to protect an investor from violating an applicable statute or administrative regulation. The Fund may also agree to provide certain investors with supplemental information and reports that may not be made available to all investors.

Performance-Based Fees and Side-by-Side Management

As stated in "—Fees and Compensation" above, the Adviser charges performance based fees, which are fees based on a share of capital gains on or capital appreciation of the client's assets. The fact that the Adviser is compensated based on the trading profits

may create an incentive for the Adviser to make investments on behalf of clients that are riskier or more speculative than would be the case in the absence of such compensation. In addition, the performance based fee received by the Adviser is based primarily on realized and unrealized gains and losses. As a result, the performance based fee earned could be based on unrealized gains that clients may never realize.

Types of Clients

The Adviser currently provides investment advice to several related collective investment vehicles, including private investment partnerships and foreign investment companies. The Adviser may also serve as the investment manager of certain separately managed accounts, such as accounts in the name of public and private pension funds, university endowments, banks, or collective investment vehicles sponsored and managed by third-party investment firms.

Details concerning applicable investor suitability criteria are set forth in the respective Funds' offering documents and subscription application materials. Although the Adviser has the authority to accept subscriptions for lesser amounts, the minimum investment in each Fund is generally \$5 million for individual investors and \$10 million for institutional investors. Each investor is required to meet certain suitability qualifications, such as being a "qualified purchaser" as defined in the Investment Company Act or being a "non-U.S. person" as defined in Regulation S under the Securities Act. In addition, each U.S. investor in a U.S. Fund must also satisfy the suitability requirements under Rule 205-3 under the Advisers Act, which prescribes certain requirements which must be satisfied in connection with the Adviser's receipt of performance-based compensation.

The Adviser does not have a specified minimum dollar net assets under management (NAUM) requirement for managed accounts, although it is generally only feasible to advise a managed account that will attain an NAUM of at least \$50 million.

Methods of Analysis, Investment Strategies and Risk of Loss

The Adviser's primary investment strategies focus on buying securities and other instruments that are believed to be relatively inexpensive and selling securities and other instruments that are believed to be relatively expensive. These relative price differences arise temporarily because of liquidity or risk-transfer needs of market participants. The Adviser uses both (i) proprietary quantitative models in conjunction with (ii) qualitative analysis obtained from discussions with broker-dealers, institutional investors, financial academics and professionals, and government and quasi-governmental entities to identify these relative-value opportunities.

Types of securities include government, agency, corporate and asset-backed fixed-income securities, corporate equities, listed equity options, commodity futures, foreign currencies (including forwards, futures and options), bank loans and other bank obligations, whole loans, physical commodities, insurance products, derivatives and other instruments. Derivatives may include contracts known as swaps and other similar

notional principal contracts, forwards, futures and options, and contracts based on indices, financing transactions, and other types of contracts or instruments based on any, or any combination, of any of the foregoing. The securities may be denominated in any currency, including notional or basket currencies. The Funds may invest in listed or unlisted equity securities and either rated or unrated fixed-income securities. Trading strategies are implemented using substantial leverage.

Investing in securities involves risks of loss that clients should be prepared to bear. These risks include:

- Frequent trading and portfolio turnover may increase brokerage and other transaction costs and reduce investment performance.
- Fixed income securities may be exposed to interest-rate, credit and inflation risk; equity securities may be exposed to issuer and market risk.
- Leverage may increase the risk of loss.
- Illiquid positions may be difficult to close in times of crisis.
- Over-the-counter (OTC) derivatives may increase leverage and liquidity risk and may present tracking error and operational risks.
- Relative-value positions may diverge rather than converge.
- Credit exposures to prime broker, dealers and counterparties may increase the risk of loss.
- Short selling may result in limited upside gain with risk of potentially unlimited loss.
- Investing outside the United States may present special legal, tax and accounting risks.
- The Adviser's risk management procedures may not work as designed in a crisis.

The foregoing list of risk factors does not purport to be a complete enumeration or explanation of all of the risks involved in an investment in the Funds. Additional disclosure on the specific risks of each Fund's investment objectives and strategies can be found in the Fund's offering document.

Disciplinary Information

In a disciplinary proceeding initiated by the Board of Trade of the City of Chicago, Inc. on November 24, 2009, Mr. Michael Stefanski, an employee the Adviser, was alleged to have violated CBOT Regulation 9B.14 (Good Faith Bids and Offers) and CBOT Rule 534 (Wash Sales Prohibited). In accordance with his settlement offer and

without Mr. Stefanski admitting or denying the allegations, the CBOT Conduct Committee ordered Mr. Stefanski to pay a fine of \$25,000.

The Adviser does not believe that Mr. Stefanski meets the definition of “management person” for purposes of Form ADV, Part 2A reporting.

Other Financial Industry Activities and Affiliations

Private Investment Funds. The Adviser serves as an investment manager to the Funds. An affiliate of the Adviser serves as general partner to some of these Funds. The Adviser’s advisory clients are the Funds. The Adviser does not provide individualized investment advice to investors in the Funds.

Commodity Pool Operator and Commodity Trading Advisor. The Adviser is exempt from registration as a commodity pool operator (“CPO”) and a commodity trading advisor (“CTA”) with the Commodity Futures Trading Commission (“CFTC”) and generally functions as both the exempt CPO and exempt CTA for the Funds, which are exempt from registration with the CFTC as “commodity pools.” (An affiliate may serve as the exempt CPO for certain Funds.)

Platinum Grove Asset Management Japan Ltd. Affiliates of the Adviser hold an indirect, controlling stake in Platinum Grove Asset Management Japan Ltd. (“**PGAM Japan**”). PGAM Japan is registered with the Japanese Financial Services Agency (FSA) as a discretionary fund manager. PGAM Japan Holdings Ltd., the corporate parent of PGAM Japan, provides advice to the Adviser regarding the Japanese institutional market (including indentifying investors who may be interested in investing in the Funds) and receives fees from the Adviser for this advice. PGAM Japan may also provide investment advice to prospective investors in the Funds managed by the Adviser, and in that capacity, PGAM Japan may have a conflict of interest in representing the investor while PGAM Japan Holdings Ltd. provides advice to the Adviser at the same time.

Other Advisers. Certain indirect owners of the Adviser may also be officers, employees or principals of other independent, alternative investment managers pursuing investments in different and varied asset classes. These independent investment managers may manage client accounts, funds or collective investment vehicles with investment objectives and strategies similar to those of the Funds, and these relationships may give rise to conflicts of interest. These independent investment managers may give advice, and take action, with respect to any of their client accounts, funds and collective investment vehicles that may differ from or be identical to the advice given, or the timing or nature of action taken, by the Adviser with respect to the Funds.

From time to time, these independent investment managers may come into possession of material, non-public information concerning an entity in which a Fund has invested, or in which it is considering an investment, or proposes to invest. The Adviser has adopted and implemented what it believes to be reasonable policies and procedures to prevent the Adviser and its employees from coming into possession of material, non-public information known to these independent investment managers. If these policies

and procedures were deemed to be unreasonable, the possession of this information might limit the ability of the Adviser to recommend that the Funds buy or sell securities of the entity that is the subject of this information.

Other Business Activities. Although the principal business of the Adviser and its principals and employees is alternative investment management, from time to time the Adviser's principals and employees may serve on the boards of directors or as officers of entities whose businesses or activities are independent of the Adviser. Principals and employees may also serve on the boards of directors or as officers of companies in which the Funds or other clients invest.

Code of Ethics, Participation in Client Transactions and Personal Trading

Code of Ethics; Personal Trading. The Adviser's personnel are permitted to trade for their own accounts, and from time to time may buy or sell securities or futures that the Adviser trades for its clients, including purchases or sales occurring at or about the same time as trades for a client. To avoid any potential conflicts of interest resulting from the personal trading of the Adviser's principals and employees, and to avoid the misuse of material, non-public information, the Adviser has adopted a written Code of Ethics designed to address and avoid potential conflicts of interest, as required under Rule 204A-1 of the Advisers Act.

The Adviser's Code of Ethics requires, among other things, that principals and employees:

- Act with integrity, competence, diligence, respect, and in an ethical manner with the public, clients, prospective clients, employers, employees, colleagues in the investment profession, and other participants in the global capital markets;
- Place the integrity of the investment profession, the interests of clients, and the interests of the Adviser above one's own personal interests;
- Adhere to the fundamental standard that an employee should not take inappropriate advantage of his or her position;
- Avoid and/or disclose any actual or potential conflict of interest;
- Conduct all personal securities transactions in a manner consistent with this policy;
- Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities;
- Practice and encourage others to practice in a professional and ethical manner that will reflect credit on the employee and the profession;

- Promote the integrity of, and uphold the rules governing, capital markets;
- Maintain and improve his or her professional competence and strive to maintain and improve the competence of other investment professionals; and
- Comply with applicable provisions of the Federal securities laws.

The Adviser's Code of Ethics also requires principals and employees to: 1) pre-clear certain personal securities transactions, 2) report personal securities transactions on at least a quarterly basis, and 3) provide the Adviser with a detailed summary of personal securities holdings (both initially upon commencement of employment and annually thereafter), in each case subject to certain exceptions described in the Code of Ethics. A copy of the Adviser's Code of Ethics will be provided to any client or prospective client upon request.

Principal Investment. The Adviser serves as the investment manager to the Funds. The Adviser or a related entity will generally have a material investment in the Funds, often as the general partner of a limited partnership. Therefore, the Adviser may be considered to participate, indirectly, in transactions effected for those clients. The foregoing relationships, fees and any other actual or potential conflicts of interest are disclosed in the applicable Fund offering documents.

Standard of Care; Trade Errors. Under the terms of the constituent documents for the Funds managed by the Adviser, and the investment management agreements and limited partnership agreements between each Fund and the Adviser and its affiliates, neither the Adviser, any subadvisor, or any affiliate nor any officer, director, principal, shareholder, partner, employee, agent, member or representative of the Adviser, any subadvisors, or any such affiliate (each, an **"Indemnified Person"**) will be liable in damages or otherwise to the Fund or to any investor in the Fund for any act or omission by it in connection with the Fund's activities, except for any liability that results from the Indemnified Person's gross negligence, willful misconduct or fraud. This standard of care will result in the Fund bearing the costs of any trade errors committed by the Adviser and its principals and employees, so long as the errors do not evidence gross negligence, willful misconduct or fraud. Examples of common trades errors committed by investment advisers include executing a purchase instead of a sale (or vice versa), marking a short sale as a long sale, purchasing or selling a security in the incorrect amount, or purchasing or selling the wrong security. Although a broker-dealer may choose to assume responsibility for a trade error loss caused by the Adviser, the Adviser may not obtain the broker-dealer's agreement to do so in exchange for the Adviser's "soft dollar" credits from the broker-dealer, or for the Adviser's promise to direct future commissions to the broker-dealer. The Adviser does not reimburse "opportunity costs" or other soft costs, only direct losses from the trade error, such as commissions, mark-ups and market price movements. If the client is owed a reimbursement, it will be paid promptly and without interest.

Principal and Agency Cross Transactions. In accordance with applicable legal requirements, the Adviser may, on behalf of a client, purchase securities or other instruments from, or sell securities or other instruments to, the Adviser or any of its affiliates, and the Adviser or any of its affiliates may be authorized to engage in transactions in which one of them acts as a broker for both the client and its investors, on the one hand, and for another person on the other side of the transaction, on the other hand, which may be another client. In this event, the Adviser or its affiliates may have a potential conflicting division of loyalties and responsibilities regarding both parties to these transactions. Where the consent of the client is required under Section 206(3) of the Advisers Act, the consent may be given by client's management, an independent representative, or an investor advisory committee acting on behalf of the client, in accordance with the terms of the governing documents applicable to the Fund.

The Adviser may also enter into "rebalancing" transactions between the Funds when contributions or withdrawals of capital to or from the Funds change the ratio of assets of one Fund to another. The purpose of the rebalancing transactions is to bring each Fund's exposure to a commonly held investment into line with the Fund's percentage of total risk-adjusted capital. A Fund could be a purchaser or a seller in these rebalancing transactions. All rebalancing transactions are effected at the prevailing market price, and if executed through a broker, generally do not involve any brokerage commission fee (except for customary transfer fees, or in the case of certain markets where customary brokerage fees must be paid) or other remuneration.

Brokerage Practices

Selection of Brokers and Commission Arrangements. In making its decisions regarding the allocation of brokerage transactions for the Funds and other clients, the Adviser seeks to obtain best execution, taking into account the following factors: (i) the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any); (ii) the operational efficiency with which transactions are effected (such as prompt and accurate confirmation and delivery), taking into account the size of order and difficulty of execution; (iii) the financial strength, integrity and stability of the broker-dealer; (iv) the quality, comprehensiveness and frequency of available research services considered to be of value to the Adviser and its clients; (v) the value of brokerage services over and above trade execution provide to the Adviser and its clients; and (vi) the competitiveness of commission rates in comparison with other broker-dealers satisfying the Adviser's other selection criteria. Although the Adviser generally seeks competitive commission rates and commission equivalents, it will not necessarily pay the lowest commission or equivalent. Transactions may involve specialized services on the part of a broker-dealer, which may justify higher commissions and equivalents than would be the case for more routine services.

Soft Dollar Benefits. The Adviser does not intend to seek lower brokerage commissions to the extent that doing so may detract from receiving valuable brokerage and research services. The commissions or equivalents charged by any one broker-dealer may be greater than the amount another firm would charge for executing the same transactions if the Adviser determines in good faith that the amount of such commissions

is reasonable in relation to the value of the brokerage and research services provided by the broker-dealer. Selecting brokers on the basis of considerations which are not limited to applicable commission rates may at times result in higher transaction costs than would otherwise be obtainable. These brokerage and research services are used to service all accounts advised by the Adviser.

The Adviser is authorized to use “soft dollars” to pay for brokerage and research services. Generally speaking, “soft dollar” arrangements are understood to be ones where products or services other than the execution of securities transactions are obtained by an investment adviser from a broker-dealer in exchange for the direction of client brokerage transactions to the broker-dealer. “Soft dollars” would be that portion of the brokerage commission that exceeds the lowest rate available from other broker-dealers for basic execution services. Payment of this excess amount is frequently referred to as “paying up.”

Where possible, the Adviser intends to comply with the “safe harbor” provided by Section 28(e) of the U.S. Securities Exchange Act of 1934, as amended, which permits the use of soft dollars from commissions (*i.e.*, “paying up”) to obtain “brokerage and research” services that provide lawful and appropriate assistance to the investment adviser in the performance of its investment decision-making responsibilities. Conduct outside the safe harbor afforded by Section 28(e) is subject to the applicable standards of fiduciary duty under applicable law and the Advisers Act. Notwithstanding the Adviser’s good faith determination that the amount of commissions paid is reasonable in relation to the value of brokerage and research services provided, to the extent that the Adviser uses commission dollars to obtain administrative and non-research assistance, the arrangements may be outside the parameters of Section 28(e).

The products and services available from brokers include both internally generated items (such as proprietary research reports prepared by employees of the broker-dealer), as well as items acquired by the broker-dealer from third parties (such as outside research prepared by third-party research firms, market data feeds, and computer software). Research services may include, but are not limited to, written information and analyses concerning specific securities, companies or sectors; market, financial and economic studies and forecasts; specialized financial publications; news, quotation, statistics and pricing services, as well as discussions with research personnel; and software, data bases and other technical services utilized in the investment management process. Brokerage services may include, but are not limited to, trade execution (including telecommunications services and equipment, algorithmic trading software, and direct market access systems), clearance, settlement and custody, securities lending and financing, and post-trade record keeping.

In addition, many of the Adviser’s clients’ transactions are expected to occur in “over the counter” (OTC) markets where dealers make a market on a principal basis, including both riskless and risk-bearing principal transactions. Under a current SEC interpretation, Section 28(e) only provides a safe harbor for soft dollars from brokers’ commissions paid-up in transactions executed on an agency basis and dealers’ mark-ups paid-up in certain riskless principal transactions where mark-ups are disclosed under

Financial Industry Regulatory Authority (“FINRA”) trade reporting rules (primarily transactions executed on the NASDAQ stock market). Therefore, under this interpretation, Section 28(e) would not apply to a dealer’s mark-up where a dealer was acting as a market maker in a transaction other than a riskless principal transaction subject to trade reporting rules.

Relations with broker-dealers providing soft dollar services to the Adviser may influence the Adviser’s judgment in allocating brokerage business, and may create a conflict of interest in using the services of these broker-dealers to execute a client’s securities transactions. The Adviser has an incentive to select or recommend a broker-dealer based on its interest in research or other products and services rather than the clients’ interests in receiving the most favorable execution. While the Adviser believes the research and other services obtained will be beneficial to its clients, selecting broker-dealers on the basis of considerations other than applicable commissions may at times result in higher transaction costs than would otherwise be the case. The Adviser is expected to derive substantial direct and indirect benefit from these services, because when the Adviser uses client commissions to obtain research or other products and services, the Adviser does not have to produce or pay for the research or other products and services. It should be noted that there is a limited universe of broker-dealers capable of providing the execution services needed by the Adviser to pursue its strategies, and that the Adviser may have a limited ability to negotiate a reduction of commissions on its clients’ brokerage transactions, especially in certain products and markets.

The Adviser does not pay broker-dealers separately for research services, but receives these services from broker-dealers that execute securities transactions on behalf of its clients. If a particular broker-dealer’s research services were significant in making an investment decision, the resulting securities transactions may be directed to that broker-dealer, assuming that the commissions charged are reasonable in relation to the value of the brokerage and research services provided. The Adviser has a policy of not pre-committing a specific amount of commissions to broker-dealers that provide research services. In any particular instance, a given client may or may not be the direct or indirect beneficiary of the research services provided, and these research services may, in fact, benefit the Adviser in its other investment activities, even though the client bears the attendant soft dollar costs.

Proprietary Soft Dollar Arrangements. As noted above, the Adviser executes securities transactions with multiple executing brokers, many of whom provide the Adviser with access to proprietary research and brokerage services (*e.g.*, standard investment, securities and economic research and credit reports, securities price and market data, and direct voice and data lines) , which are used to service all accounts at the Adviser. To the best of the Adviser’s knowledge, these services are generally made available to all institutional investors doing business with these broker-dealers. These bundled services are made available to the Adviser on an unsolicited basis and without regard to the rates of commissions charged or paid by the Adviser’s clients or the volume of business the Adviser directs to these broker-dealers. Since these products and services are merely made available by broker-dealers as part of a bundled business package to the Adviser, who may or may not use them, it is the Adviser’s understanding that broker-

dealers do not set discrete prices for these products and services. Accordingly, the Adviser does not separately compensate these broker-dealers for the provision of these services and does not believe that it “pays-up” for the broker-dealers’ services due to the difficulty associated with the broker-dealers not breaking out the costs for the services in question.

Soft Dollar Brokerage and Research Services in 2011. In 2011, the Adviser acquired the following research services: written information and analyses concerning specific securities, companies or sectors; market, financial and economic studies and forecasts; specialized financial publications; news, quotation, statistics, economic data, securities risk analysis, and pricing services, as well as discussions with research personnel; and software, data bases and other technical services utilized in the investment management process. In 2011, the Adviser acquired the following brokerage services: trade execution (including telecommunications services and equipment, algorithmic trading software, and direct market access systems), clearance, settlement and custody, securities lending and financing, and post-trade record keeping. In 2011, the Adviser selected broker-dealers to which to direct client transactions as set forth in “—Selection of Brokers and Commission Arrangements” above.

Capital Introduction. Prime brokers used by the Funds for financing, clearing, settlement and custody may provide “capital introduction” services as part of the overall prime brokerage service offering. These bundled services are made available to the Adviser on an unsolicited basis and without regard to the rates of commissions charged or paid by the Adviser’s clients or the volume of business the Adviser directs to these broker-dealers. The Adviser has an incentive to recommend selection or retention of a prime broker based on capital introduction services rather than in the clients’ interests in receiving the most favorable execution. In 2011, the Adviser’s recommendation to select or maintain prime brokers for clients accounts was not based primarily on the prime brokers’ provision of these capital introduction services and this was at most an incidental consideration.

Investments by Broker-Dealer Affiliates. A majority of the investors in investment funds managed by the Adviser may themselves be investment funds sponsored by, and/or advisory accounts advised by, other investment advisers. In many instances, these investment advisers are affiliated with broker-dealers with whom the Adviser conducts business on behalf of its clients. When selecting broker-dealers through which the Adviser executes client securities transactions, the Adviser would not normally consider that an investment adviser affiliated with a given broker-dealer has recommend to its clients to make an investment in an investment fund managed by the Adviser. However, the existence of these relationships may give rise to potential conflicts of interest.

Allocation of “New Issues”. Occasionally, the Adviser may, to the extent allowable under Rule 2790 of the rules and regulations of the Financial Regulatory Authority (FINRA), purchase for its advisory clients equity securities that are part of an initial public offering (“**New Issues**”). New Issues will generally be allocated to the Adviser’s clients based on the clients’ risk-adjusted capital. Sensitive allocation issues

arise when the Adviser is given the opportunity to participate in an offering that is expected to be over-subscribed, or to purchase a limited position in a security that might be appropriate for multiple advisory clients. Because New Issue premiums provide the potential for an immediate profit, and since the Adviser may typically receive only a small portion of the allotments sought, the Adviser will exercise particular care in the allocation of these securities. However, in the event that participation in an initial public offering is not suitable for a client, that client will be excluded from the allocation.

Allocation and Aggregation of Client Trading Orders. The Adviser may act as investment manager and investment adviser (and an affiliate may act as general partner) for a number of clients, accounts, funds and collective investment vehicles, including collective investment vehicles pursuing similar or varied investment strategies. The Adviser will allocate investment opportunities among its clients in a manner that is fair and equitable. However, the Adviser may give advice, and take action, with respect to any of those clients, accounts, funds and collective investment vehicles that may differ from or be identical to the advice given, or the timing or nature of action taken, with respect to other clients. The Adviser, its respective affiliates, and the principals, officers, partners, directors, managers, employees and agents of the Adviser and its respective affiliates may engage in transactions or investments, or cause or advise other clients to engage in transactions or investments, that may differ from or be identical to the transactions or investments engaged in by the Adviser for a client's account. There can be no assurance that an investment opportunity which comes to the attention of the Adviser and its affiliates will not be allocated wholly or primarily to one or more of the Adviser's clients, with other clients being unable to participate in this investment opportunity or participating only on a limited basis, or with other clients not sharing the risks of the investment. Opportunities will be allocated among those accounts for which participation in the respective opportunity is considered appropriate, taking into account, among other considerations: (i) whether the risk-return profile of the proposed investment is consistent with the account's objectives and program, whether these objectives are considered in light of the specific investment under consideration or in the context of the portfolio's overall holdings; (ii) the potential for the proposed investment to create an imbalance in the account's portfolio (taking into account expected inflows and outflows of capital); (iii) liquidity requirements of the account; (iv) tax considerations; (v) regulatory and other restrictions that would or could limit an account's ability to participate in a proposed investment; and (vi) the need to re-size risk in the account's portfolio. A client could be disadvantaged because of activities conducted by the Adviser for other clients as a result of, among other things: legal restrictions on the combined size of positions which may be taken for all accounts managed by the Adviser, thereby limiting the size of any one client's position; and the difficulty of liquidating an investment for more than one account where the market cannot absorb the sale of the combined positions.

The Adviser may aggregate a client's securities and commodity futures transactions with those of other clients that are being made simultaneously, if the Adviser believes aggregation is reasonably likely to result in an overall economic benefit to its clients in the aggregate. This belief may be based on an evaluation that clients are benefited by relatively better purchase and sale prices, lower commission expenses, beneficial transaction timing and other similar factors. Purchase and sale orders may be

combined for the Adviser's clients with each entity paying its proportionate share of the total commission and paying or receiving its proportionate share of the total cost or sales proceeds. However, the aggregate order may not be filled in its entirety or may be filled at different times and prices. To address allocation of "split fills" (*i.e.*, transactions filled at different prices throughout the trading day) or "partial fills" (*i.e.*, transactions not filled in their entirety on the same trading day), the Adviser will use one of the following approaches: (i) accounts will participate on a *pro rata* basis, based on an average price for the trading day in question; (ii) the Adviser will rotate accounts on a daily cycle to determine which accounts will receive the most favorable fills for a given day; or (iii) the Adviser will allocate trades based on another basis it deems fair and equitable. One or more of the foregoing considerations may (and are often expected to) result in allocations among the client accounts on other than a *pari passu* basis. If the Adviser does not aggregate a client's transactions with the Adviser's other clients, each client may be competing for similar positions and, depending on whose order is placed first, the difference in timing may result in some clients receiving better execution than others. From the standpoint of each client, simultaneous identical portfolio transactions for all clients may decrease the prices received, and increase the prices required to be paid, by a client for its portfolio sales and purchases.

Review of Accounts

Review of Accounts. Ongoing portfolio management is the responsibility of a committee of the Adviser's principals called the Capital Allocation Committee, which meets periodically. The strategies selected by the Committee are then implemented by the portfolio managers and traders responsible for a given class of strategies or for a geographic region. The Committee determines risk capital per strategy, performs portfolio optimization, monitors stress scenarios and overall risk, reviews and approves allocations to sectors and strategies, and garners information from various sources to augment trader information flow. The portfolio managers and traders then construct portfolios, execute trades, perform qualitative and quantitative research, and propose new strategies or changes to existing strategies to the Committee. Significant market fluctuations, proposed changes in investment strategy, or changes in the geo-political environment may be factors which could trigger a review by the Committee.

Nature and Frequency of Regular Reports. With respect to the Funds for which the Adviser serves as investment manager (or for which an affiliate serves as general partner), those Funds' investors receive regular reports as specified in each Fund's governing documents (such as the offering memorandum or limited partnership agreement).

For each Fund, each investor receives audited financial statements for the Fund within 120 days after the conclusion of the Fund's fiscal year, including audited schedules of investments, balance sheets, income statements and cash flow statements. For Funds with U.S. resident partners, each investor receives a statement of the investor's share of the Fund's taxable income or loss for the given year. For Funds in certain offshore jurisdictions, each investor receives an unaudited semi-annual report within four months after the end of the semi-annual period to which the report relates, including

unaudited balance sheets, unaudited income statement and unaudited cash flow statement. Finally, promptly after the end of each month, each investor receives an unaudited statement of the investor's investment in the Fund and changes thereto for the month.

In addition to the foregoing reports and statements, the Adviser also provides, in its discretion, individual investors or groups of investors with more frequent disclosure or provide additional information not contained in the above mentioned reports and statements, either due to legal/regulatory constraints that must be followed by some of the Funds' investors and/or the specific needs of and requests made by certain investors. The obligation to provide this additional reporting is often memorialized in a separate letter agreement, frequently referred to in the industry as a "side letter."

In the past, regular reporting for managed accounts has been similar to the foregoing. However, in the future, the Adviser may provide customized reporting for managed accounts that may differ from the reporting provided to investors in the Funds.

Client Referrals and Other Compensation

The Adviser may, from time to time, compensate affiliated and unaffiliated persons for client referrals in accordance with Rule 206(4)-3 under the Advisers Act. The compensation to be paid will generally consist of a cash payment computed as a percentage of the assets under management referred, although other methods may be used.

Custody

The Adviser may be deemed to have "constructive custody" of its clients' assets in accordance with Rule 206(4)-2 under the Advisers Act by virtue of the Adviser maintaining fee debiting authority over client accounts or by virtue of an affiliate of the Adviser serving as general partner to some of the Funds. In the event the Adviser has or is deemed to have custody of a client's assets, the Adviser will comply with the custody rule as follows:

Qualified Custodian. The client's funds and securities will be maintained in a separate account by a qualified custodian, which may be either a U.S. bank, broker-dealer or futures commission merchant or a foreign financial institution that customarily holds financial assets for its customers.

Notice to Clients. For each client that is not a Fund, if an account is opened in the client's name (or the Adviser's name as agent) with a qualified custodian, the client will be notified of the qualified custodian's name, address and the manner in which the funds or securities are maintained.

Account Statements to Clients. For each client that is not a Fund, the qualified custodian will deliver account statements directly to the client at least quarterly. Such clients should carefully review those statements.

Annual Audit. For each client that is a Fund, each investor in the Fund will receive GAAP audited financial statements for the Fund within 120 days after the

conclusion of the Fund's fiscal year, including audited schedules of investments, balance sheets, income statements and cash flow statements.

Investment Discretion

The Adviser is authorized to make the following determinations in accordance with each Fund's objectives and restrictions without obtaining prior consent from the Fund or any of its investors: (1) which securities or instruments to buy or sell; (2) the total amount of securities or instruments to buy or sell; (3) the executing broker or dealer for any transaction; and (4) the commission rates or commission equivalents charged for transactions. This grant of discretionary authority is memorialized in each Fund's governing documents.

Voting Client Securities

Due to the nature of the investment strategies pursued by the Adviser, the outcome of any particular proxy vote would have minimal (if any) impact on the Adviser's investment decision making. In addition, the Adviser has determined that the administrative costs and burdens associated with voting proxies in client accounts outweigh any advantages to clients obtained through the voting process. Therefore, it is the Adviser's policy not to vote proxies for client accounts. In lieu of the Adviser doing so, the management of the Funds and the beneficial owners of managed accounts may elect to receive proxy materials and vote proxies directly.

The Adviser's proxy voting policy and procedures are memorialized in writing and are available for review. A copy of the Adviser's proxy voting policy and procedures will be provided to clients upon request.

Financial Information

The Adviser does not believe that its current financial condition is reasonably likely to impair its ability to meet its contractual commitments to its clients.

