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**PART 2A OF FORM ADV: FIRM BROCHURE**

**MAN INVESTMENTS (USA) CORP.**

**March 30, 2012**

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This brochure (this "Brochure") provides information about the qualifications and business practices of Man Investments (USA) Corp. (the "Registrant"). If you have any questions about the contents of this Brochure, please contact us at (646) 452-9700 and/or [compny@man.com](mailto:compny@man.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority.

*The Registrant is registered as an investment adviser with the SEC. Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.*

Additional information about the Registrant also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **ITEM 2**

### **MATERIAL CHANGES**

The Registrant's last annual update to its Brochure was dated June 30, 2011. The Registrant has not made any material changes to the Brochure for this 2012 annual update. However, clients and prospective clients should review the Brochure carefully.

### ITEM 3 TABLE OF CONTENTS

ITEM 1 COVER PAGE.....	i
ITEM 2 MATERIAL CHANGES .....	ii
ITEM 3 TABLE OF CONTENTS .....	iii
ITEM 4 ADVISORY BUSINESS .....	1
A. <u>General Description of Advisory Firm</u> .....	1
B. <u>Description of Advisory Services</u> .....	1
C. <u>Availability of Customized Services for Individual Funds</u> .....	2
D. <u>Wrap Fee Programs</u> .....	2
E. <u>Assets Under Management</u> .....	2
ITEM 5 FEES AND COMPENSATION .....	3
A. <u>Advisory Fees and Compensation</u> .....	3
B. <u>Payment of Fees</u> .....	3
C. <u>Additional Fees and Expenses</u> .....	4
D. <u>Additional Compensation and Conflicts of Interest</u> .....	4
ITEM 6 PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT.....	5
ITEM 7 TYPES OF CLIENTS .....	6
ITEM 8 METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS.....	7
A. <u>Methods of Analysis and Investment Strategies</u> .....	7
B. <u>Material, Significant or Unusual Risks Relating to Investment     Strategies</u> .....	8
ITEM 9 DISCIPLINARY INFORMATION .....	25
ITEM 10 OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS .....	26
A. <u>Broker-Dealer Registration Status</u> .....	26
B. <u>Futures Commission Merchant, Commodity Pool Operator or     Commodity Trading Advisor Registration Status</u> .....	26
C. <u>Material Relationships or Arrangements with Industry Participants</u> .....	26
D. <u>Material Conflicts of Interest Relating to Other Investment Advisers</u> .....	27
ITEM 11 CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING.....	28
A. <u>Code of Ethics</u> .....	28

B. <u>Securities that the Registrant or a Related Person Has a Material Financial Interest</u> .....	29
C. <u>Conflicts of Interest Created by Contemporaneous Trading</u> .....	31
ITEM 12 BROKERAGE PRACTICES.....	32
A. <u>Factors Considered in Selecting or Recommending Broker-Dealers for Client Transactions</u> .....	32
1. <b>Research and Other Soft Dollar Benefits</b> .....	32
2. <b>Brokerage for Client's Referrals</b> .....	32
3. <b>Directed Brokerage</b> .....	33
B. <u>Order Aggregation</u> .....	33
C. <u>Trade Error Policy</u> .....	33
ITEM 13 REVIEW OF ACCOUNTS.....	34
A. <u>Frequency and Nature of Review of Client Accounts or Financial Plans</u> .....	34
B. <u>Factors Prompting Review of Client Accounts Other than a Periodic Review</u> .....	34
C. <u>Content and Frequency of Account Reports to Clients</u> .....	34
ITEM 14 CLIENT REFERRALS AND OTHER COMPENSATION.....	35
A. <u>Economic Benefits for Providing Services to Clients</u> .....	35
B. <u>Compensation to Non-Supervised Persons for Client Referrals</u> .....	35
ITEM 15 CUSTODY.....	36
ITEM 16 INVESTMENT DISCRETION.....	37
ITEM 17 VOTING CLIENT SECURITIES.....	38
ITEM 18 FINANCIAL INFORMATION.....	39

## **ITEM 4**

### **ADVISORY BUSINESS**

#### **A. General Description of Advisory Firm.**

Man Investments (USA) Corp., a Delaware corporation with its primary office in New York City (the "Registrant"), was established in 2002, and provides discretionary investment advisory services to U.S. pooled investment vehicles (including private investment funds), and commodity pools (each a "Fund" and collectively, the "Funds"). The Registrant is ultimately owned by Man Group plc which is listed on the London Stock Exchange and is a component of the FTSE 100 Index. Man Group, through its investment management subsidiaries (collectively, "Man"), is a global alternative investment management business and provides a range of fund products and investment management services for institutional and private investors globally. As of December 31, 2011, Man has approximately \$58.4 billion of funds under management.

Registrant primarily acts as a general partner or managing member and/or investment manager/pool operator to the Funds and allocates Fund assets to affiliated and non-affiliated trading advisors ("Trading Advisors") who are delegated discretionary responsibility for the direct investment of a Fund's assets. Additionally, one of the Funds allocate a percentage of its assets to a fund of hedge funds managed by an affiliated investment adviser, which in turn may invest in affiliated and non-affiliated underlying funds. The Funds primarily invest in a managed futures trading program but may also invest in securities and other instruments. A Trading Advisor may trade a Fund's assets through separately managed portfolios or through investments in other pooled investment vehicles, which may include pooled investment vehicles managed by Registrant, such Trading Advisor and/or affiliates of Registrant and/or for which Registrant or an affiliate of the Registrant may act as general partner or managing member. Funds may be in the form of limited partnerships, limited liability companies and trusts. One of the Funds is a public reporting company under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Proprietary assets of Registrant or affiliates of Registrant also may be directly or indirectly invested in Funds.

Registrant provides investment advice and/or management services according to the stated investment objectives, restrictions and policies of each Fund as set forth in the applicable Fund's offering memorandum. Important information regarding each Fund, including investment objectives, strategy, fees and other material information, including applicable conflicts of interest regarding relationships with affiliates is contained in each Fund's offering documents. As used herein, the term "client" generally refers to each Fund.

#### **B. Description of Advisory Services.**

Please see Item 8 herein.

*This Brochure generally includes information about the Registrant and its relationships with the Funds and affiliates. While much of this Brochure applies to all such Funds and affiliates, certain information included herein applies to specific Funds or affiliates only.*

*This Brochure does not constitute an offer to sell or solicitation of an offer to buy any securities. The securities of the Funds are offered and sold on a private placement basis under exemptions promulgated under the Securities Act of 1933, as amended (the "Securities Act"), and other exemptions of similar import under U.S. state laws and the laws of other jurisdictions where any offering may be made. The interests in the Funds are generally offered on a private placement basis, pursuant to Section 3(c)(7) of the Investment Company Act of 1940, as amended (the "Company Act"), to persons who are "accredited investors" as defined under the Securities Act and "qualified purchasers" as defined under the Company Act, and subject to certain other conditions, which are set forth in the offering documents for the Funds. Persons reviewing this Brochure should not construe this as an offer to sell or solicitation of an offer to buy the securities of any of the Funds described herein. Any such offer or solicitation will be made only by means of a confidential private placement memorandum.*

C. Availability of Customized Services for Individual Funds.

The Registrant's investment decisions and advice with respect to each Fund are subject to each Fund's investment objectives and guidelines, as set forth in its offering documents.

The Registrant in respect of a Fund may enter into agreements with one or more investors which have the effect of altering or supplementing the terms of the offering to the specific investor. Such agreements may grant certain investors fees, reporting (subject to appropriate confidentiality agreements) or liquidity, as well as other matters, that are more favorable than the terms given to other investors and are not subject to the approval of or specific disclosure to any investor or any other person.

D. Wrap Fee Programs.

The Registrant does not participate in wrap fee programs.

E. Assets Under Management.

Registrant has approximately \$130.171 million Regulatory Assets Under Management in securities portfolios on a discretionary basis as of December 31, 2011. In addition, Registrant manages commodity pools with approximately \$693.967 million in total assets as of December 31, 2011.

## **ITEM 5**

### **FEES AND COMPENSATION**

#### **A. Advisory Fees and Compensation.**

Registrant does not have a standardized fee schedule. Registrant generally receives an annual management fee of up to 2% of a Fund's assets under management, payable monthly or quarterly in arrears. With respect to one Fund for which it acts as general partner, Registrant receives a monthly general partner administrative fee that is equal to 1/12<sup>th</sup> of 1% of the month-end net asset value of the limited partnership (approximately 1% annually), whether or not the Fund is profitable. Registrant may receive incentive or performance-based compensation of up to 20% of net profits, realized and unrealized, generally payable monthly or annually in arrears. As applicable, Registrant's performance-based compensation complies with SEC Rule 205-3 under the Investment Advisers Act of 1940. Registrant's fees and compensation may be shared with a Trading Advisor, including an affiliated Trading Advisor.

Certain of the Funds also charge their investors a service fee equal to up to 1.5% of the applicable Fund's assets under management payable monthly in arrears.

Fees may be negotiable or waivable depending upon a variety of factors, including, among other things, type and extent of advisory services offered, amount of assets under management, the overall relationship with the investor and other services offered to the Fund or investor.

The Registrant or its affiliates may also invest Fund assets in investments that charge additional fees or are subject to additional allocations (including other Funds advised by the Registrant or their affiliates ("Affiliated Funds")). Investors may therefore indirectly bear (i) advisory fees or an allocation (including management, performance, administrative, or other fees or a performance allocation) to the Registrant or its affiliates and (ii) fees charged by the underlying investment. Investments that charge additional fees may include, but are not limited to, money market funds, short-term investment vehicles, exchange traded funds, pooled investment vehicles, special purpose investment vehicles and alternative investment vehicles.

Given its role as general partner or managing member, Registrant's advisory relationship is generally set forth in the governing documents for a Fund (the limited liability company agreement and limited partnership agreement) and not a separate advisory agreement, and is generally terminable upon a vote of investors as set forth therein.

#### **B. Payment of Fees.**

Fees and compensation paid to the Registrant or its affiliates by the Funds are generally paid by the Fund from its assets. Management fees are generally paid on a monthly or quarterly basis in arrears, general partner administrative fees are generally paid on a monthly basis in arrears, and the performance compensation is generally deducted on a monthly or annual basis, or at the time of a redemption or withdrawal, as applicable. Management fees and performance-based compensation may be pro-rated for partial periods.

Registrant's employees may invest in the Funds or one or more Affiliated Funds. Registrant's employees are generally charged a management fee and subject to performance-based compensation by the Fund and these Affiliated Funds subject to the Registrant's right to charge a discounted fee or allocation in its sole discretion.

C. Additional Fees and Expenses.

Not all of the Fund's bear all of the expenses set forth below, however the following sets forth the expenses that the Funds may bear: To the extent permitted under the applicable documents, each Fund bears all expenses incurred in connection with its trading, operations and administration (i.e., the ordinary course of its business), including, without limitation: investment expenses and all other expenses (including, all commissions, clearing fees, all other costs of executing transactions, interest charges, financing charges and applicable withholding and other taxes) related to the purchase, sale, transmittal or custody of the Funds' assets and related items; marketing, legal, accounting, auditing and other professional fees and expenses; tax preparation and "tax matters partner" expenses and the costs of preparing, printing and distributing annual and periodic reports, expenses related to general communication costs, including investor communications; any taxes and duties payable in any jurisdiction in connection with the Funds' operations; administrative costs (including the fees and out-of-pocket expenses of the administrator), as well as the costs of paying agency, transfer agency and accounting verification services (if any); the fees and out-of-pocket expenses of any service providers incurred in performing services for the Funds; any other operating, marketing or administrative expenses related to accounting, research, due diligence, reporting or preparation of marketing materials, offering memoranda and applicable supplements; any indemnification payments, costs of security systems, record keeping, equipment, cash management fees, continuing offering fees and expenses, computer time-sharing costs, the costs of dedicated communication facilities, evaluation, accounting and administrative support services, taxes and assessments, expenses associated with compliance with applicable laws and regulations, including the preparation and filing of periodic and current reports under the Exchange Act, custodial fees and insurance costs and extraordinary expenses, if any.

The Funds also pays their allocable share of the operating costs and other expenses of the investment vehicles in which they invest, if applicable, which may include any or all of the types (and possibly additional types) of expenses listed above.

D. Additional Compensation and Conflicts of Interest.

Neither the Registrant nor any of its supervised persons accepts compensation (e.g., brokerage commissions) for the sale of securities or other investment products.



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

The Registrant and its affiliates accept performance-based fees from every Fund. As a result, the Registrant and its affiliates do not face certain conflicts of interest that may arise when an investment adviser accepts performance-based fees from some Funds, but not from other Funds.

**ITEM 7**  
**TYPES OF CLIENTS**

Registrant provides advisory services primarily to the Funds on a discretionary basis. One of the Funds is a public reporting company under the Exchange Act. In addition, Registrant provides advisory services to structured products funds. The securities of the Funds are not registered under the Securities Act. In addition, the Funds are not registered under the Company Act, and may or may not be continuously offered. The Investment Adviser may in the future provide investment advice to separately managed accounts for institutional and other investors.

## **ITEM 8**

### **METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

#### **A. Methods of Analysis and Investment Strategies.**

*The descriptions set forth in this Brochure of specific advisory services that the Registrant offers to the Funds, and investment strategies pursued and investments made by the Registrant on behalf of its Funds, should not be understood to limit in any way the Registrant's investment activities. The Registrant may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this Brochure, that the Registrant considers appropriate, subject to each Fund's investment objectives and guidelines. The investment strategies the Registrant pursues are speculative and entail substantial risks. Funds should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any Fund will be achieved.*

Registrant may invest a Fund's assets, or select Trading Advisors who will invest a Fund's assets, directly or indirectly, in interests in pooled investment vehicles such as partnerships, limited liability companies, and foreign entities, which pooled investment vehicles may invest in a wide range of investment products, including commodities and futures contracts, derivatives, equity and debt securities, options on securities and commodities, interests in other pooled investment vehicles, U.S. and foreign government securities and other instruments. Trading Advisors selected by Registrant also may invest a Fund's assets directly in the foregoing commodities and futures contracts, derivatives, securities, and other instruments. Furthermore, with respect to the structured products Funds, Registrant generally invests a portion of the assets in a managed futures trading strategy and fund of hedge funds strategy with the balance investing in United States government issued zero coupon bonds that serve as collateral for a letter of credit issued by an investment bank.

Registrant considers a variety of factors, and utilizes a variety of proprietary and third-party informational sources (including from affiliates) in conducting its advisory activities, including with respect to the selection and monitoring of Trading Advisors and monitoring a Fund's underlying investments. Such factors include, among others, past performance of an investment strategy, fees, overall integrity and reputation, degree of market exposure, diversification and allocation characteristics, risk management, use of leverage, as well as organizational and operational criteria. Registrant or an affiliate also conducts quantitative evaluations of a Fund's investments.

The various investment strategies used to implement investment advice given to Funds are employed through Trading Advisors which employ their own proprietary trading methodologies. An affiliate of Registrant, Man-AHL (USA) Limited ("Man-AHL"), which acts as a Trading Advisor for Funds, generally trades pursuant to technical analysis utilizing model-driven systematic approaches. As such, references herein to the Registrant shall be to the Registrant or its affiliates (including any Trading Advisor that is affiliated with the Registrant). If a Fund makes investments in investment vehicles as well as direct investments, the below discussed conflicts of interests apply to investments made by the investment vehicles as well and references to the Registrant will apply to the manager of such investment vehicles as well.

## AHL Alpha Program and AHL Diversified Program

The AHL Alpha Program and AHL Diversified Program (collectively, the “Programs”) employ a systematic, statistically based investment strategy that is designed to identify and capitalize on inefficiencies in markets around the world. A stable and robust trading and implementation infrastructure is then employed to capitalize on these trading opportunities. The trading systems are quantitative and primarily directional in nature, meaning that investment decisions are entirely driven by mathematical models based on market trends and other historic relationships. Trading takes place around-the-clock and real-time price information is used to respond to price moves across a diverse range of global markets. The Programs invest in a diversified portfolio of instruments which may include futures, options and forward contracts, swaps and other financial derivatives both on and off exchange. These markets may be accessed directly or indirectly and include, without limitation, stock indices, bonds, currencies, short-term interest rates, energies, metals, and agriculturals. The AHL Alpha Program targets a volatility of 10% whereas the AHL Diversified Program targets a volatility of 15%.

### Allocation Strategy

The Allocation Strategy will be applied by certain Funds, which will invest in: (i) the AHL Diversified Program; and (ii) a portfolio of hedge funds chosen by a member of the Man Group implementing a multi-strategy investment program which will initially be accessed by an investment in a fund managed by an affiliate of the Registrant.

Important information regarding each Fund, including investment objectives, strategy, and other material information, is contained in such Fund's offering memorandum.

### B. Material, Significant or Unusual Risks Relating to Investment Strategies.

*The following risk factors may not be applicable to all the Funds. Investment in a Fund is speculative and involves a substantial degree of risk, including the risk that an investor could lose some or all of its investment in a Fund. Prospective investors should carefully consider the risks of investing, which include, without limitation, those set forth below which are more fully described in the applicable Fund's offering documents. These risk factors include only those risks the Registrant believes to be material, significant or unusual and relate to particular significant investment strategies or methods of analysis employed by the Registrant and do not purport to be a complete list or explanation of the risks involved in an investment in the Funds.*

*References herein to the Registrant shall be to the Registrant or its affiliates (including any Trading Advisor that is affiliated with the Registrant). If a Fund makes investments in investment vehicles (i.e., Hedge Funds (as defined below)) as well as direct investments, the below discussed risk factors apply to investments made by the investment vehicles as well and references to the Registrant will apply to the manager of such investment vehicles as well.*

**Non-U.S. Securities** – The Funds will invest in the securities of foreign companies. Investments in foreign securities face specific risks in addition to the risks intrinsic to the particular types of instruments.

These specific risks include: unfavorable changes in currency rates and exchange control regulations; restrictions on, and costs associated with, the exchange of currencies and the repatriation of capital invested abroad; reduced access to market information regarding foreign companies; accounting, auditing and financial standards that are different from, and reporting standards and requirements that may be less stringent than, standards and requirements applicable to U.S. companies; reduced liquidity as a result of inadequate trading volume and government-imposed trading restrictions; the difficulty in obtaining or enforcing a judgment abroad; increased market risk due to regional economic and political instability; increased brokerage commissions and custody fees; securities markets which potentially are subject to a lesser degree of supervision and regulation by competent authorities; foreign withholding taxes; the threat of nationalization and expropriation; and an increased potential for corrupt business practices in certain foreign countries.

**Trading on Foreign Exchanges Presents Greater Risk Than Trading on US Exchanges.** The Registrant may trade on non-U.S. markets for the Funds and will use non-U.S. futures commission merchants and forward contract dealers. The Funds may trade on commodity exchanges outside the United States. Trading on foreign exchanges is not regulated by any United States governmental agency and may involve certain risks that do not arise when trading on United States exchanges. For example, an adverse change in the exchange rate between the United States dollar and the currency in which a non-US futures contract is denominated would reduce the profit or increase the loss on a trade in that contract.

Trading on foreign exchanges also presents risks of loss due to: (i) the possible imposition of exchange controls, which could make it difficult or impossible for the Funds to repatriate some or all of its assets held by non-US counterparties; (ii) possible government confiscation of assets; (iii) taxation; (iv) possible government disruptions, which could result in market closures and thus an inability to exit positions and repatriate the Fund's assets for sustained periods of time, or even permanently; and (v) limited rights in the event of the bankruptcy or insolvency of a foreign broker or exchange resulting in a different and possibly less favorable distribution of the bankrupt's assets than would occur in the United States.

Many foreign regulatory systems do not assure all market participants equal access to transactions to the same extent as the US regulations, and a Fund — as a non-local speculative trading vehicle — may be denied opportunities to which, in the United States, it would have access as a matter of right.

**No Attempt at Complete Hedging.** While certain Funds may use 'market neutral' or 'relative value' hedging or arbitrage strategies, this does not imply that exposure to the Funds is without risk. Substantial losses may be recognized on 'hedge' or 'arbitrage' positions, and illiquidity and default on one side of a position can effectively result in the position being transformed into an outright speculation. Every market neutral or relative value strategy involves exposure to some second order risk of the market, such as the implied volatility in convertible bonds or warrants, the yield spread between similar maturity and coupon government bonds or the price spread between different classes of stock of the same issuer. Further, many 'market neutral' Funds employ limited directional strategies which expose the Funds to certain market risk.

**Markets May Be Illiquid.** At times, it may not be possible for the Registrant on behalf of the Funds to obtain execution of a buy or sell order at the desired price or to liquidate an open

position, either due to market conditions on exchanges or due to the operation of 'daily price fluctuation limits' or 'circuit breakers.' For example, most U.S. commodity exchanges limit fluctuations in most futures contract prices during a single day by regulations referred to as 'daily price fluctuation limits' or 'daily limits.' During a single trading day, no trades may be executed at prices beyond the daily limit. Futures contract prices occasionally have moved to the daily limit for several consecutive days with little or no trading.

Even when futures prices have not moved to the daily limit, the Registrant might not be able to obtain execution of trades at favorable prices if little trading in the contracts which the Registrant wishes to trade is taking place. Also, an exchange or governmental authority may suspend or restrict trading on an exchange (or in particular futures traded on an exchange) or order the immediate settlement of a particular instrument.

Options trading may be restricted in the event that trading in the underlying instrument becomes restricted. Options trading also may be illiquid at times regardless of the condition of the market in the underlying instrument. In either event, it will be difficult for the Registrant to realize gain or limit losses on option positions by offsetting them or to change positions in the market. Trading in over-the-counter ("OTC") derivative instruments is conducted with individual counterparties rather than on organized exchanges. There have been periods during which forward contract dealers have refused to quote prices for forward contracts or have quoted prices with an unusually wide spread between the bid and asked price.

**Financing Arrangements.** As a general matter, the banks and dealers that provide financing to the Funds can apply essentially discretionary margin, haircut, financing and collateral valuation policies. Changes by banks and dealers in any of such policies may result in large margin calls, loss of financing and forced liquidations of positions at disadvantageous prices. There can be no assurance that any Fund will be able to secure or maintain adequate financing.

**Currencies.** The Funds will trade in currencies on a speculative basis. Currency trading involves positioning in anticipation of movements in exchange rates among countries. Exchange rates can change dramatically over short periods of time, particularly during times of political or economic unrest or as a result of actions taken by central banks, which may be intended directly to affect prevailing exchange rates.

**The Registrant Analyzes Primarily Technical Market Data, Not Any Economic Factors External to Market Prices.** The strategies used by the Registrant on behalf of certain Funds focus almost exclusively on statistical analysis of market prices. Consequently, any factor external to the market itself which dominates prices is likely to cause major losses. For example, a pending political or economic event may be very likely to cause a major price movement, but the Registrant would not adjust its positions until its program indicated that it should do so as a result of market price movements.

**Certain Discretionary Aspects of the Registrant's Strategies.** Although the Registrant applies highly systematic strategies, these strategies may retain certain discretionary aspects. Decisions, for example, to adjust the size of positions indicated by the systematic strategies, which futures contracts to trade and method of order entry, require judgmental input from the Registrant's principals. Discretionary decision-making may result in the Registrant making

unprofitable trades in situations when a more wholly systematic approach would not have done so.

**Increased Competition Among Trend-Following Traders Could Reduce the Funds Profitability.** The Registrant believes that there has been, over time, a substantial increase in interest in technical trading systems, particularly trend-following systems. As the assets under the management of trading systems based on the same general principles increase, an increasing number of traders may attempt to initiate or liquidate substantial positions at or about the same time as the Registrant, or otherwise alter historical trading patterns or affect the execution of trades, to the significant detriment of the Funds.

For example, in the early 1990s a number of currency traders left major banks and began implementing their individual currency trading strategies. This resulted in several long-established technical currency traders discontinuing operations as the price patterns which their systems had been designed to identify were disrupted by the substantial new order flow into the markets.

**Decisions Based on Trends and Technical Analysis.** The trading decisions of the Registrant will be based in part on trading strategies which utilize mathematical analyses of technical factors relating to past market performance. The buy and sell signals generated by a technical, trend-following trading strategy are based upon a study of actual daily, weekly and monthly price fluctuations, volume variations and changes in open interest in the markets. The profitability of any technical, trend-following trading strategy depends upon the occurrence in the future of significant, sustained price moves in some of the markets traded. The Funds may incur substantial trading losses: during periods when markets are dominated by fundamental factors that are not reflected in the technical data analyzed by the program; during prolonged periods without sustained moves in one or more of the markets traded; or during 'whip-saw' markets, in which potential price trends start to develop but reverse before actual trends are realized.

In the past there have been prolonged periods without sustained price moves in various markets. Presumably, such periods will recur. A series of volatile reverses in price trends may generate repeated entry and exit signals in trend-following systems, resulting in unprofitable transactions and increased brokerage commission expenses. Technical, trend-following trading systems are used by many other traders. At times, the use of such systems may: result in traders attempting to initiate or liquidate substantial positions in a market at or about the same time; alter historical trading patterns; obscure developing price trends; or affect the execution of trades.

**Technical Strategies.** While the trading strategies utilized by the Registrant on behalf of the Funds are primarily technical. Technical Strategies rely on the analysis of historical and current market data, positing that market prices represent the collective input of millions of market participants. Technical strategies are subject to the risk that unexpected fundamental or other factors may dominate the market during certain periods. Furthermore, a frequent premise of technical strategies is that past market conditions are indicative of future market prices. The influx of different market participants, structural changes in the markets (for example, the introduction of new financial products and other developments) could materially adversely affect the profitability of technical strategies.

**Trading System Risk.** The Registrant's strategies on behalf of the Funds require the use of its quantitative analytical systems. As market dynamics (for example, due to changed market conditions and participants) shift over time, a previously highly successful system often becomes outdated or inaccurate, perhaps without the Registrant recognizing that fact before substantial losses are incurred. There can be no assurance that the Registrant will be successful in developing and maintaining effective systems, and the necessity of continuously updating these systems demonstrates that past results may not be representative of the Funds' future performance.

**Strategy Risk.** The Funds are subject to strategy risk. Strategy risk is associated with the failure or deterioration of an entire strategy. Strategy specific losses can result from excessive concentration in the same investment or broad market events that adversely affect particular strategies (e.g., illiquidity within a given market). The strategies employed by the Registrant are speculative and involve substantial risk of loss.

In addition, trend-following futures and forward trading systems generally anticipate that most of their positions will be unprofitable; they are dependent on major gains in a limited number of positions for overall success. Accordingly, the Registrant cannot trade profitably unless there are major price trends in at least some of the markets it trades. Market conditions may result in which prices move rapidly in one direction, then reverse and then reverse again. In such cases the Registrant, on behalf of the Funds, may establish positions on the basis of incorrectly identifying the rapid movement or reversal as a trend, resulting in substantial losses. In trendless markets, there is less chance that the Funds will be profitable. The trading decisions are based on technical systems and not on an analysis of economic factors and therefore may be less responsive to continuously changing markets. The success of the Funds may be substantially dependent on general market conditions, not necessarily the same market conditions which would already affect the stock and bond markets but, for example, trendless periods in the futures markets over which the Registrant has no control. There also has been an increase in interest in technical trading systems, particularly trend-following systems. As the assets under the management of trading systems based on the same general principles increase, an increasing number of traders may attempt to initiate or liquidate substantial positions at or about the same time as the Funds, or otherwise alter historical trading patterns or affect the execution of trades, to the detriment of the Funds. In 2007, a number of trend-following programs incurred material losses.

**An Investor May Lose Its Entire Investment.** The Funds are speculative and involve a high degree of risk. None of the Registrant's strategies on behalf of the Funds are assured of being profitable (unlike many traditional investment approaches which seek to participate in the growth of the economy over time, the Registrant's strategies are trading strategies which, if incorrect in the positions they acquire, can lose money under any circumstances). The Funds attempt to recognize and capitalize on price trends, taking substantial positions which will incur major losses if the price trends are incorrectly identified or unexpectedly reverse. Similarly, the underlying funds in which the Funds invest, each implement strategies subject to different orders of market risk, including price movements, changes in volatility and interest-rate fluctuations. Investors must be prepared to lose all or substantially all of their investment in the Funds.

**The Danger to the Funds of "Whipsaw" Markets.** The most unprofitable markets for the Funds are likely to be those in which prices "whipsaw," moving quickly upward, then reversing, then moving upward again, then reversing again. In such conditions, the



Registrant, on behalf of the Funds, is likely to establish a series of losing positions based on incorrectly identifying both the brief upward or downward price movements as trends.

**Investing in the Funds Might Not Diversify an Overall Portfolio.** One of the objectives of the Registrant is to add an element of diversification to a traditional securities portfolio on behalf of the Funds. While the Registrant on behalf of the Funds may perform in a manner largely independent from the general stock and bond markets, there is no assurance that it will do so. An investment in the Funds could increase rather than reduce overall portfolio losses during periods when the Funds as well as stocks and bonds decline in value. There is no way of predicting whether the Funds will lose more or less than stocks and bonds in declining markets. Investors must not consider the Funds to be a hedge against losses in their core securities portfolios. Prospective investors should consider whether diversification in itself is worthwhile even if the Fund is unprofitable.

**At Times, Portfolio of a Fund May Be Concentrated in a Small Number of Instruments or Markets.** The Funds' portfolio may hold a few positions which are large in relation to the Funds' total assets or may hold positions in only a small number of markets. The portfolio's risk of volatility increases as the number of positions decreases. A loss in a large position in a concentrated portfolio would result in a proportionately higher reduction in the Funds' assets than would a loss in a position in such instrument in a portfolio that is more diversified. Similarly, a portfolio which is diversified among several different markets potentially is less vulnerable to dramatic fluctuation, although such diversification could reduce the portfolio's potential for profits.

**Concentration.** The Registrant is not required to limit the Funds' exposure to a particular class of assets, a particular counterparty or a particular currency, and trading risks, interest rate risks and foreign exchange rate risks will be increased where there is a high degree of exposure on a concentrated basis.

**Trading Is Highly Leveraged.** The low margin deposits normally required in futures trading permit an extremely high degree of leverage. A relatively small movement in the price of a futures contract may result in immediate and substantial loss or gain to a trader holding a position in such contract. For example, if at the time of purchase 10% of the price of a futures contract is deposited as margin, a 10% decrease in the price of the futures contract would, if the contract were then closed out, result in a total loss of the margin deposit before any deduction for brokerage commissions. Consequently, like other leveraged investments, a futures trade may result in losses in excess of the amount invested. Forward contracts involve similar leverage and also may require deposits of margin as collateral. Swaps and OTC derivative instruments are also highly leveraged transactions.

**The Funds Could Lose Assets and Have its Trading Disrupted Due to the Bankruptcy of a Broker or Others.** The Funds are subject to the risk of broker, exchange or clearinghouse insolvency. The Funds' assets could be lost or impounded during lengthy bankruptcy proceedings. Were a substantial portion of the Funds' capital tied up in a bankruptcy, the Registrant might suspend or limit trading, perhaps causing the Funds to miss significant profit opportunities.

The bankruptcies of Refco, Inc., Lehman Brothers and certain of their respective affiliates have made clear the enormously adverse ramifications of the bankruptcy of a major broker or futures commission merchants, including the impact of the differing regimes under which

customer assets are, or may be, maintained in the United States and other jurisdictions, as in the case of Lehman Brothers and its U.K. affiliate. Even if the Registrant is to be able to recover the assets of the Funds on deposit with a bankrupt counterparty, the Funds could sustain major losses due to its inability to execute trades while the details of the bankruptcy are being resolved.

**Reliance on the Integrity of Financial and Economic Reporting.** The trading strategies employed by the Registrant on behalf of the Funds rely on the financial, economic and economic policy data made available by companies, governmental agencies, rating agencies, exchanges, professional services firms and central banks. Data on past market prices can have a material effect on the investment positions which the Registrant will take on behalf of the Funds. However, the Registrant generally has no ability independently to verify such financial, economic and/or economic policy data. The Registrant will be dependent upon the integrity of both the individuals and the processes by which such data is generated. The Funds could incur material losses as a result of the misconduct or incompetence of such individuals and/or a failure of or substantial inaccuracy in the generation of such information.

**Competition; Potential Strategy Saturation.** The Registrant will compete with numerous other private investment funds as well as other investors, many of which have resources substantially greater than the Funds. The amount of capital committed to futures trading strategies can be expected to increase dramatically in the near term due to the relative out performance of futures, as opposed to securities-based, strategies during 2008. The profit potential of the Funds may be materially reduced as a result of the "saturation" of this alternative investment field.

**Changing Market Conditions.** Certain changes in general market conditions — for example, persistent price stagnation with material and recurring price trends — could materially reduce the Funds' profit potential.

**Markets or Positions May Be Correlated.** Different markets traded or individual positions held by the Partnership may be highly correlated to one another at times. Accordingly, a significant change in one such market or position may affect other such markets or positions. The Registrant cannot always predict correlation. Correlation may expose the Funds both to significant risk of loss and significant potential for profit.

**Possible Positive Correlation with Stocks and Bonds.** One of the goals of incorporating a non-traditional investment such as the Funds into a portfolio is to provide a potentially valuable element of diversification. However, there can be no assurance, particularly during periods of market disruption and stress when the risk control benefits of diversification may be most important, that the Fund will, in fact, experience a low level of correlation with a traditional portfolio of stocks and bonds.

**Volatility.** The prices of the instruments to be traded by the Registrant on behalf of the Funds have been subject to periods of excessive volatility — particularly in the recent past, during which the prices of a number of commodities have declined by 50% or more in the course of a single month — and such periods can be expected to recur. Price movements are influenced by many unpredictable factors, such as market sentiment, inflation rates, interest-rate movements and general economic and political conditions.

While volatility can create profit opportunities for the Funds, it can also create the specific risk, in the case of the Funds, that historical or theoretical pricing relationships will be disrupted, causing what should otherwise be comparatively low risk positions to incur material losses. On the other hand, the lack of volatility can also result in losses for certain of the Registrant's strategies that profit from price movements.

**Stagnant Markets.** Although volatility is one indication of market risk in periods of trendless, stagnant markets and/or deflation, alternative investment strategies have materially diminished prospects for profitability.

**Exchange Rates.** The Registrant on behalf of the Funds will invest in instruments denominated in non-U.S. currencies. Such investments are subject to the risk that the value of a particular currency will change in relation to the dollar. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in the relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments. The Registrant may seek to hedge these risks by investing directly in non-U.S. currencies and buying and selling options, futures or forward contracts thereon. The Registrant will not, however, attempt to hedge all, or even most, of the Funds' exchange-rate risk, and even if the Registrant does implement certain hedging strategies, there can be no assurance that any such strategies, if implemented, will be effective.

**Cash Flow.** Futures contract gains and losses are marked-to-market daily for purposes of determining margin requirements. Option positions generally are not, although short option positions will require additional margin if the market moves against the position. Due to these differences in margin treatment between futures and options, there may be periods in which positions on both sides must be closed down prematurely due to short term cash flow needs. Were this to occur during an adverse move in a spread or straddle relationship, a substantial loss could occur.

**Market Disruptions; Governmental Intervention.** The Funds may incur major losses in the event of disrupted markets, and extraordinary events may cause actual market prices to deviate materially from historical pricing relationships (on which the Registrant bases a number of its trading positions). The risk of loss from a disconnect from historical prices is compounded by the fact that in disrupted markets many positions become illiquid, making it difficult or impossible to close out positions against which the markets are moving. The global financial markets have recently undergone pervasive and fundamental disruptions which have led to extensive and unprecedented governmental intervention.

The U.S. government's 2008 "bailout" of a range of financial institutions was the largest governmental intervention in the history of the U.S. financial markets. Since 2008, the U.S. government has imposed new requirements and restrictions and is likely to require that additional restrictions be applied to the U.S. financial markets, restrictions which may have a material adverse impact on both the future competitiveness of these markets as well as the profit potential of the Funds. The government is focused on increased financial regulation involving both the securities markets and futures markets.

It is impossible to predict what additional interim or permanent governmental restrictions may be imposed on the markets and/or the effect of such restrictions on the Registrant's strategies for the Funds. However, the Registrant believes that there is a high likelihood of

significantly increased regulation of the financial markets, and that such increased regulation could be materially detrimental to the Funds.

**Changes in Strategy.** The Registrant has the power to expand, revise or alter its trading strategies without prior approval by, or notice to, the Funds. Any such change could result in exposure of the Funds' assets to additional risks which may be substantial.

**Hedging.** The Registrant will not hedge the Funds futures and forward trading. While the Registrant will generally follow certain risk control policies in such trading and may take certain "spread" or relative value positions, this trading is not hedged in any traditional sense.

**Trade Execution Risk.** Many of the trading techniques to be used by the Registrant on behalf of the Funds will require the rapid and efficient execution of transactions. Inefficient executions can negatively impact, possibly materially, the profitability of the Funds' positions, and in certain cases cause the Funds to miss a limited life market opportunity entirely.

**Possible Ineffectiveness of Risk Reduction Techniques.** The Registrant may employ various risk reduction strategies designed to minimize the risk of the Funds' trading positions. A substantial risk remains, nonetheless, that such strategies will not always be possible to implement, and when possible will not always be effective in limiting losses. If the Registrant analyzes market conditions incorrectly, or employs a risk reduction strategy that does not correlate well with the Funds' investments, such risk reduction techniques could increase rather than mitigate losses. These risk reduction techniques may also increase the volatility of the Funds and/or result in a loss if the counterparty to the transaction does not perform as promised. Moreover, even though the Registrant may employ "stop loss" orders on individual positions, there is no assurance that any such order will be executed at or near the desired "stop loss" level.

**Start-Up Periods.** The Registrant on behalf of the Funds may encounter start-up periods during which it may incur certain risks relating to the initial investment of newly contributed assets. Moreover, the start-up periods also represent a special risk in that the level of diversification of the portfolio may be lower than in a fully-committed portfolio. The Registrant may employ different procedures for moving to a fully committed portfolio. These procedures will be based in part on market judgment. No assurance can be given that these procedures will be successful.

**Developing Strategies.** The Registrant is continually developing and refining new strategies. The Registrant will allocate a portion of the Funds' capital to developing strategies. These strategies may lose all or most of the capital allocated to them. The Registrant is not restricted from using the Funds' capital in developing and incubating new strategies, even if the Registrant has limited or no experience in such strategies. There can be no assurance that the Registrant will be successful in implementing these strategies or such other strategies as the Registrant may from time to time develop and implement for the Funds or that the Funds will not suffer losses during the development stage.

**Speculative Trading Strategies** – The Funds use high-risk strategies, such as selling securities short and futures trading. Short selling exposes the seller to unlimited risk due to the lack of an upper limit on the price to which a security may rise. Commodity futures prices can be highly volatile. Because of the low margin deposits normally required in futures

trading, an extremely high degree of leverage is typical of a futures trading account. As a result, a relatively small price movement in a futures contract may result in substantial losses to the investor. Like other leveraged investments, a futures transaction may result in substantial losses to the investor. No guarantee or representation is made that any Fund will be successful.

**Portfolio Turnover.** The turnover rate of the Funds' positions may be significant. Frequent trading may result in the Funds being "whipsawed" — trading out of positions starting to be profitable and into positions starting to be unprofitable.

**Counterparty Risks.** 'Over-the-counter' or 'interdealer' market participants are generally not subject to credit evaluation and regulatory oversight as are members of 'exchange-based' markets. This exposes the Funds to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a credit or liquidity problem with the counterparty. Delays in settlement may also result from disputes over the terms of a contract since such markets may lack the established rules and procedures for swift settlement of disputes among market participants found in 'exchange-based' markets, which may result in losses due to adverse market conditions while replacement transactions are executed. Such counterparty risk is present in all forwards, and is accentuated in the case of contracts with longer durations as the longer the duration the greater the chance of events intervening to prevent settlement, as well as in the case of transactions concentrated with a single or small group of counterparties.

**Litigation Could Result in Substantial Additional Expenses.** The Funds could be named as a defendant in a lawsuit or regulatory action arising out of the activities of the General Partner. If this happens, the Funds will bear the costs of defending such suit or action and will be at further risk if its defense is unsuccessful.

**Litigation and Enforcement Risk** – There may be violations by the Funds or the Registrant of the laws of the jurisdictions in which the Funds operate. Such violations may result in substantial liabilities for damages caused to others, for the disgorgement of profits realized and for penalties. It is possible that Funds themselves, as well as their investment managers, may be charged with involvement in any such violations.

**Energy Markets.** The energy markets are susceptible to significant short-term price volatility as a result of a variety of factors, which may include the following: the malfunctioning of facilities necessary to produce, transport, store and deliver physical energy; the inability to store electricity; the condition of efficient operation of power distribution networks; rate and tariff regulation; government ownership or operation of certain trading counterparties; consumer advocacy; weather-related events; governmental intervention; changes in law; international political events; acts of war; terrorist attacks; force majeure or other unforeseen events; high trading volumes; unexpected congestion at certain delivery points; dislocation in nodal pricing resulting from unexpected market conditions, such as outages and spikes in fuel prices; or other factors such as market illiquidity or disruption, the inability or refusal of a counterparty to perform or the insolvency or bankruptcy of a significant market participant. Furthermore, certain energy markets — in particular, those related to petroleum — are particularly subject to the risk of sudden and dramatic price changes as a result of international political events, acts of war and terrorism and the anticipation of such events. These events are, by their nature, unpredictable, and can cause extreme and sudden price reversals and market disruptions.

In its energy trading, the Registrant on behalf of the Funds will compete with "asset-based" traders (such as exploration and production companies) that have the competitive advantage of being able to produce all or a portion of the energy they trade, thus reducing their exposure to fluctuating market prices. Unless it invests in energy-producing assets, the Registrant on behalf of the Funds will not be able to produce energy and may be required to acquire energy at market prices, resulting in substantial losses, in order to discharge its contractual obligations.

**“Risk of Ruin.”** While volatility is a widely accepted measure of the risk of a traditional debt or equity investment, it is also widely accepted that volatility does not fully reflect the risk of trading-based (as opposed to traditional “buy and hold”) strategies in that these strategies are subject — due to market disruption, illiquidity, “credit squeezes” and a variety of other factors — to incurring sudden and unprecedented losses. One of the best-known alternative investment strategy funds had virtually no downside volatility until it lost all of its equity in the course of two months. The Funds, in addition to being likely to have volatile performance, may also be subject to this “risk of ruin.”

**Principal Protection Risks and Effect of Changes in Interest Rates** – Because certain Funds receive the principal protection feature, approximately 60% of the net principal invested will not be used for investment in the underlying investments. In the unlikely event that investments by the Registrant on behalf of such Funds in the government securities pledged to JPMorgan Chase Bank, N.A. are insufficient at maturity to return the net principal invested in the Funds (i.e., members' initial net investments) with respect to those units then outstanding (and the Funds' interest in the trading company has insufficient value to cover any difference), the paying and transfer agent will draw on JPMorgan Chase Bank, N.A.'s letter of credit, to the extent of the amount available for drawing thereunder, for an amount sufficient to return the net principal invested in the Funds with respect to such units. The letter of credit is subject to JPMorgan Chase Bank, N.A.'s credit risk, and members will depend on JPMorgan Chase Bank, N.A.'s creditworthiness for the principal protection feature supported by the letter of credit in the event that the value of the trading company and government securities is insufficient to return the net principal invested in the Funds in respect of the units outstanding at maturity. JPMorgan Chase Bank, N.A. will not segregate assets to support the principal protection feature in the event that the government securities collateralizing the letter of credit along with any value in the trading company are insufficient for a return of net principal at maturity. In an insolvency or similar event with respect to JPMorgan Chase Bank, N.A., JPMorgan Chase Bank, N.A. may be unable to meet its obligations to the paying and transfer agent under the letter of credit.

Because interest rates in the United States are currently low by historic standards, structuring principal protection products in the current interest-rate environment entails: (i) setting the maturity date, only at the end of an extended length of time and, accordingly, increasing the duration (interest-rate sensitivity) of the government securities that will be held to secure the letter of credit; and (ii) prior to maturity, the risk of a substantial decline in the value of such government securities if interest rates rise, with a corresponding effect on the net asset value per unit (subject to any offsetting gains from the trading company, including interest rate hedging). Prior to maturity, the liquidation value of any government securities, and the current overall value of the Funds, will vary according to changes in interest rates. The Funds' maturity has been set at approximately thirteen years and eight months from the issuance of the units in order for the Funds to have sufficient assets to provide the principal

protection feature of the Funds and still maintain viable profit potential. Changes in interest rates also may affect the economy and, in turn, the value of the underlying investments.

In addition, the following are certain specific factors prospective investors should consider relating to the principal protection feature of the Funds: The letter of credit issued by JPMorgan Chase Bank, N.A. is not a guarantee of profit. If units are worth no more upon maturity than the net principal invested by members in the Funds represented by units then outstanding, members will have lost the entire use of the capital invested for the duration of the Funds. The amount available to be drawn under the letter of credit at maturity may be reduced under certain circumstances. Due to the cost of the government securities pledged to support the letter of credit and the letter of credit fee, the Registrant on behalf of the Funds will use only approximately 40% of the net principal invested in the Funds to invest in the trading company, thereby requiring the Registrant on behalf of the Funds to use substantial leverage in order to obtain its targeted market exposure. In addition, under certain circumstances, the Registrant on behalf of the Funds may be required to acquire additional government securities to collateralize the letter of credit fee, which would correspondingly reduce the trading company's assets.

If the Funds are successful, their performance would have been better without the principal protection feature. The principal protection feature does not protect against the effects of inflation. The principal protection feature does not take into consideration the tax consequences of investing in the Funds. The principal protection feature applies only to units outstanding at maturity. The letter of credit is an unsecured obligation of JPMorgan Chase Bank, N.A. If members could invest directly in the underlying investments, they could achieve protection of principal comparable to that provided by the Registrant on behalf of the Funds without being subject to the Funds' cost structure or redemption restrictions.

Despite the principal protection feature's cost to the Funds, the Registrant's acquisition of the government securities that are pledged to support the letter of credit significantly reduces the likelihood that the Funds will have a net asset value at maturity less than the net principal invested by members in the units then outstanding, which correspondingly reduces the likelihood of a member ever benefiting from the principal protection feature. The principal protection feature has opportunity costs.

**Investments in Other Funds.** The below risk factors only apply to the Funds that invest in other investment vehicles ("Hedge Funds"). There can be no assurance that the Hedge Funds will be sufficiently profitable to offset the opportunity and actual costs of their non-correlation or their layering of fees.

- A Fund will have little or no means of independently verifying valuations received from Hedge Funds. If such valuations were to prove inaccurate or be subject to correction, such changes could result in reductions in the value of interests in the Fund, which would affect the value of the Fund's interests and thereby affect the Fund.
- The Hedge Funds are not contractually or otherwise obligated to inform their investors of details of their proprietary investment strategies or positions.
- There is a risk of misconduct by Hedge Fund investment managers. There is always the risk that a Hedge Fund investment manager could divert or abscond with assets, inaccurately or fraudulently report a Hedge Fund's value, fail to follow agreed-upon

investment strategies, provide false reports of operations or engage in other misconduct. Hedge Fund investment managers are generally private and have not registered their investment advisory operations under federal or state securities laws. This lack of registration, with the attendant lack of regulatory oversight, may enhance the risk of misconduct by the Hedge Fund investment managers. There also is a risk that regulatory actions may be taken by governmental or other authorities against Hedge Fund investment managers, which may expose investors in Hedge Funds to losses.

- In the event that governmental or other regulatory bodies allege misconduct by a Hedge Fund investment manager or a Hedge Fund, such authorities may initiate regulatory or enforcement actions, including civil or criminal proceedings. The effect of any regulatory action against a Hedge Fund investment manager or a Hedge Fund, while impossible to predict, could result in a substantial and adverse impact including a reduction in the value or total loss of any investment in the Hedge Fund due to the imposition on such Hedge Fund of fines, penalties and/or other sanctions, including asset freezes.
- If an investor meets the eligibility conditions imposed by the Hedge Funds in which the Fund invests, including minimum investment requirements that may be substantially higher than those imposed by a Fund, such investor could invest directly in those Hedge Funds. By investing in a Fund, an investor's returns are subject to a proportionate part of the asset-based fees and performance fee, if any, paid by the Fund to its investment manager, a member of the Man Group, and the other expenses incurred by the Fund, and also indirectly subject to a portion of the asset-based fees, incentive fees and other expenses borne by the Hedge Funds in the Fund.
- Each Hedge Fund generally will pay its investment manager both an asset-based fee and an incentive fee. Such asset-based fees are generally expected to range from 0% to 2% annually of each Hedge Fund's net assets, with performance or incentive allocations to the investment managers generally expected to range from 10% to 25% of net profits annually. Certain Hedge Funds may charge higher percentage incentive fees. In some cases, incentive fees may be payable only if increases in assets exceed a target or hurdle rate of return. The receipt of a performance or incentive allocation by an investment manager may create an incentive for an investment manager to make investments that are riskier or more speculative than those that might have been made in the absence of such an incentive. Also, incentive fees may be paid to investment managers who show net profits, even though the Fund, as a whole, may incur a net loss. In addition, because a performance or incentive allocation will generally be calculated on a basis that includes unrealized appreciation on a Hedge Fund's assets, these allocations may be greater than if they were based solely on realized gains.
- The Hedge Funds generally are directed by investment managers unaffiliated with the Registrant, and the Registrant will have no control over such investment managers and no ability to detect, prevent or protect a Fund from their misconduct or bad judgment. Such investment managers may be subject to conflicts of interest due to Hedge Fund incentive fees, which may cause an investment manager to favor certain Hedge Fund clients over other clients. In addition, such investment managers may use conflicting buying and selling strategies for different accounts under their management. Lack of disclosure relating to the payment of fees and the provision of services by prime brokers to Hedge Funds also may mask conflicts of interest.
- Investment decisions for each of the Hedge Funds are made independently. Consequently, at any particular time, one Hedge Fund may be purchasing interests in an issuer at the



same time that another Hedge Fund is selling such interests. Investing by Hedge Funds in this manner could cause the Fund to indirectly incur certain transaction costs without accomplishing any net investment result. Possible lack of transparency regarding the Hedge Funds' positions may lead to a lack of intended diversification in the Fund.

**Valuation of the Funds.** The Fund invests in underlying Hedge Funds, which are generally valued using estimates. The value of the Hedge Funds therefore in part depends on the estimated value of its holdings. Valuations based on estimates may be subject to error. The Fund may not have access to the information regarding the underlying hedge funds necessary to confirm their valuations.

### C. Risks Associated With Particular Types of Securities.

**Base and Precious Metals Markets.** Investments in metal-related futures and forward futures contracts may be volatile. The value of metal-related instruments may fluctuate due to overall market movements and other factors affecting the price of metal-related instruments, such as inflation fears and international political events.

**Futures Trading.** Futures contract prices, and the prices of the related contracts in which the Registrant on behalf of the Funds may trade, are highly volatile. Such prices are influenced by, among other things: changing supply and demand relationships; government trade, fiscal, monetary and exchange control programs and policies; national and international political and economic events; and changes in interest rates. In addition, governments from time to time intervene, directly and by regulation, in these markets, with the specific intention of influencing such prices. The effect of such intervention is often heightened by a group of governments acting in concert. For example, it is possible that an exchange or the Commodity Futures Trading Commission ("CFTC") may suspend trading in a particular futures contract, order immediate liquidation and settlement of a particular futures contract or order that trading in a particular contract be conducted for liquidation only. Similarly, trading in options on a particular futures contract may become restricted if trading in the underlying futures contract has become restricted.

United States commodity exchanges impose limits on the amount the price of some, but not all, futures contracts may change on a single day. Once a futures contract has reached its daily limit, it may be impossible for the Registrant on behalf of the Funds to liquidate a position in that contract, if the market has moved adversely to the Funds, until the limit is either raised by the exchange or the contract begins to trade away from the limit price.

**Forward Trading.** The Registrant will engage in trading forward contracts on behalf of the Funds. A forward contract is a contractual obligation to buy or sell a specified quantity of a commodity at or before a specified date in the future at a specified price and, therefore, is similar to a futures contract without the protection afforded by regulated exchanges and clearinghouses. Banks and dealers act as principals in such markets. Neither the CFTC nor any banking authority currently regulates trading in forward contracts.

In addition, there is no limitation on the daily price movements of forward contracts. The principals who deal in the forward contract market are not required to continue to make markets in such contracts. There have been periods during which certain participants in forward markets have refused to quote prices for forward contracts or have quoted prices with an unusually wide spread between the price at which they were prepared to buy and that at

which they were prepared to sell. The imposition of credit controls by governmental authorities may limit such forward trading to less than that which the Registrant would otherwise recommend, to the possible detriment of the Funds.

In its forward trading, the Registrant will be subject to the risk of the failure of, or the inability or refusal to perform with respect to its forward contracts by, the principals with which the Funds will trade. Fund assets on deposit with such principals will also generally not be protected by the same segregation requirements imposed on CFTC-regulated commodity brokers in respect of customer funds on deposit with them. The Registrant may also execute orders for the Funds in the forward markets through agents. The insolvency or bankruptcy of such agents could also subject the Funds to the risk of loss.

**Speculative Position Limits May Restrict Futures Trading.** Speculative position limits prescribe the maximum net long or short futures contract and options positions which any person or group may hold or control in particular futures contracts. All futures contracts and options on futures contracts traded on commodity exchanges located in the United States, with the exception of contracts on certain major non-U.S. currencies, are subject to speculative position limits established either by the CFTC or the relevant exchange.

All trading accounts owned or managed by the Registrant and its principals will be combined for the purposes of speculative position limits. Such limits could adversely affect the profitability of the trading company and, consequently, of the Funds. For example, the Registrant could be required to liquidate futures positions at an unfavorable time in order to comply with such limits. However, the Registrant does not believe that existing speculative position limits will materially adversely affect its ability to manage the trading company's account.

**Options on Futures Contracts Are More Volatile Than Futures Contracts.** The Registrant may trade options on futures on behalf of the Funds. Options are speculative in nature and are highly leveraged. The purchaser of an option risks losing the entire purchase price of the option. The seller (writer) of an option risks losing the difference between the premium received for the option and the price of the underlying futures contract that the writer must purchase upon exercise of the option. Additionally, the seller and writer of the options lose any commissions and fees associated with such transactions. This could subject the writer to unlimited risk in the event of an increase in the price of the contract to be purchased or delivered. Successful trading of options on futures contracts requires a trader to accurately determine near-term market volatility because it often has an immediate impact on the price of outstanding options. Accurate determination of near-term volatility is more important to successful options trading than it is to long-term futures contract trading strategies because such volatility generally does not have as significant an effect on the prices of futures contracts.

**Trading in Commodity Options.** The Registrant may trade options both on and off exchanges. Each option is a right, purchased for a certain price, to either buy or sell an underlying futures or forward contract or physical commodity during a certain period of time for a fixed price. Such trading involves risks substantially similar to those involved in trading futures and forward contracts as well as the additional risk that price volatility is a major component of option value. Even if the market moves in the direction of an option's "strike price," market volatility determines the value of such option.

The purchaser of an option is subject to the risk of losing the entire purchase price of the option. The writer of an option is subject to the risk of loss resulting from the difference between the premium received for the option, the strike price of the option and the price of the instrument underlying the option, or the relevant reference price used to settle the option which the writer must purchase or deliver upon exercise of the option.

**Trading in OTC Markets Will Expose the Funds to Risks Not Applicable to Trading on Organized Exchanges.** The Registrant on behalf of the Funds may engage in OTC derivative transactions, such as: currency forward contracts traded in the interbank market; options on currency forward contracts; and swap transactions. In general, there is much less governmental regulation and supervision of transactions in the OTC markets than of transactions entered into on organized exchanges. Most of the protections afforded to participants on U.S. and certain non-U.S. exchanges, such as daily price fluctuation limits and the performance guarantee of an exchange clearinghouse, will not be available in connection with OTC transactions.

Consequently, a Fund will be exposed to greater risk of loss through default than if it confined its trading to organized exchanges. A portion of the Funds' assets may be traded by the Registrant in forward contracts. Such forward contracts are not traded on exchanges and are executed directly through forward contract dealers. There is no limitation on the daily price moves of forward contracts, and a dealer is not required to continue to make markets in such contracts. There have been periods during which forward contract dealers have refused to quote prices for forward contracts or have quoted prices with an unusually wide spread between the bid and asked price. Arrangements to trade forward contracts may therefore experience liquidity problems. A Fund therefore will be subject to the risk of credit failure or the inability of or refusal of a forward contract dealer to perform with respect to its forward contracts. When trading currency forward contracts, the Funds may hedge the foreign currencies in order to limit the Fund's exposure to fluctuations in exchange rates. However, there is no guarantee that such hedging will be successful.

**Exchanges for Physicals/Swaps/Risk.** While not a regular practice for the Registrant, it may in rare instances, on behalf of the Funds, engage in transactions known as exchanges for physicals ('EFP'), exchanges for swaps ('EFS'), or exchanges for risk/over-the-counter derivatives ('EFR'). An EFP/EFS/EFR is a purchase or sale of a spot commodity/swap/derivative, as applicable, in conjunction with an offsetting sale or purchase of a corresponding futures contract involving the same or equivalent underlying commodity or instrument, without making an open and competitive trade for the futures contract on the exchange. EFPs, EFSs and EFRs are a permitted exception to the general requirement of the Commodity Exchange Act that all futures contracts must be competitively executed on an exchange. They are permitted pursuant to the rules of the relevant exchanges, which vary from exchange to exchange. If the EFP, EFS or EFR does not comply with specific exchange requirements, particularly regarding possessing documentation evidencing possession of the underlying commodity or instrument, then the CFTC or the exchange may deem the transaction to be an illegal off-exchange futures contract. In addition, every EFP, EFS or EFR involves the transfer of an underlying commodity or entry into a swap or derivative on a bilateral basis, as applicable, with a counterparty in exchange for a related cleared futures contract. There is, therefore, counterparty credit risk if the counterparty or its clearing member on the futures leg fails to perform. Unlike other futures contracts that are deemed cleared by the clearinghouse upon trade matching or at the end of the business day, futures

contracts arising out of EFPs, EFSs or EFRs may, under various clearinghouse rules, not be deemed accepted by the clearinghouse until the next business day.

**Financing risks.** The Registrant on behalf of the Funds uses complex derivative instruments to seek to replicate the investment performance of particular securities, commodities, currencies, interest rates, indices or markets on a leveraged or unleveraged basis. Such investments are subject to the performance risk of the assets to which they are referenced as well as to the additional risks that can result from the need to maintain the financing required to support the exposure to such assets.

**Use of Derivatives.** The Registrant may trade in various derivatives markets on behalf of the Funds (e.g., swaps and over-the-counter options and asset-backed securities), which are, in general, relatively new markets. There are uncertainties as to how these markets will perform during periods of unusual price volatility or instability, market illiquidity or credit distress. Substantial risks are also involved in borrowing and lending against derivative instruments. The prices of these instruments are volatile, market movements are difficult to predict and financing sources and related interest rates are subject to rapid change. Most of these instruments are not traded on exchanges but rather through an informal network of banks and dealers. These banks and dealers have no obligation to make markets in these instruments. As a result, a decision by a bank or a dealer not to continue to make a market in a particular instrument could in effect force the Registrant to close out the Funds' position in such instrument.

**Price Volatility of Futures and Derivatives.** The prices of futures contracts and derivative instruments are highly volatile. These prices are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies, and international political and economic events. The Funds may suffer sudden and substantial losses from time to time, and the occurrence of certain events may cause a large number of the leveraged positions held by the Funds to move in the same direction at or about the same time.

Governments from time to time intervene, directly and by regulation, in certain markets, particularly those in currencies and interest-rate related 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.

**ITEM 9**  
**DISCIPLINARY INFORMATION**

There are no legal or disciplinary events that are material to a Fund's or prospective client's evaluation of the Registrant's advisory business or the integrity of the Registrant's management.

## **ITEM 10**

### **OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

#### **A. Broker-Dealer Registration Status.**

The Registrant and its management persons are not registered as broker-dealers and do not have any application pending to register with the SEC as a broker-dealer or registered representative of a broker-dealer. The Registrant's affiliate, Man Investments Inc. ("MII") is a limited purpose broker-dealer registered with the SEC and a member of Financial Industry Regulatory Authority, Inc. ("FINRA"). Certain officers of the Registrant also serve as officers of MII. MII may act as solicitor, selling agent and/or investor servicing agent for certain Funds for which it is compensated by the Funds and/or Registrant.

#### **B. Futures Commission Merchant, Commodity Pool Operator or Commodity Trading Advisor Registration Status.**

The Registrant is a commodity pool operator and commodity trading advisor registered with the Commodity Futures Trading Commission ("CFTC") and a member of the National Futures Association ("NFA").

#### **C. Material Relationships or Arrangements with Industry Participants.**

Registrant is affiliated with and under common ownership with: (i) Man Investments (USA) LLC, an investment adviser registered with the SEC and a commodity pool operator and commodity trading advisor registered with the CFTC and a member of the NFA; (ii) GLG Inc., an investment adviser registered with the SEC; and (iii) GLG Ore Hill LLC an investment adviser registered with the SEC. In addition, Registrant is related to a number of other investment advisers that are regulated in their respective jurisdictions, including; Man Investments (UK) Limited, a company organized in the United Kingdom, and authorized and regulated by the Financial Services Authority and Man Investments Limited, a company organized in the United Kingdom, and authorized and regulated by the Financial Services Authority. Registrant utilizes these affiliates for certain operational and administrative activity related to its clients.

A related person of Registrant, Man-AHL (USA) Limited, a U.K. company, is registered with the Financial Services Authority in the United Kingdom and is registered with the CFTC as a commodity trading advisor and is a member of NFA in such capacity. Man-AHL acts as the Trading Advisor for certain of the Funds and may act as a trading advisor for other pooled vehicles in which the Funds may invest or which may invest in the Funds. Man-AHL receives compensation from such other pooled vehicles.

The abovementioned affiliates and related persons of Registrant (collectively "Affiliates") may act as investment adviser, and/or general partner or managing member to certain pooled investment vehicles in which assets of the Funds may be invested (such pooled vehicles may in turn invest in other pooled vehicles, or directly with investment managers, that may employ a variety of investment strategies and invest in a variety of instruments). The Affiliates may, on behalf of their clients and/or funds, invest in the Funds advised by Registrant or its affiliates. Nevertheless, the Affiliates undergo the same due diligence process for investments they consider in the Funds advised by Registrant as they would for

unaffiliated funds. The Affiliates may receive compensation from the pooled investment vehicles which they manage. Proprietary assets of affiliates of Registrant may be directly or indirectly invested in pooled investment vehicles managed by the Affiliates.

Registrant is affiliated with and under common ownership with MII which provides marketing and placement agent services. As indicated in Item 10.A above, MII may act as solicitor, selling agent and/or investor servicing agent for certain Funds for which it is compensated by the Funds and/or Registrant.

As a result of the foregoing, Funds managed by Registrant may invest in pooled investment vehicles managed or traded by related persons of Registrant, and/or for which a related person acts as general partner, managing member, investment manager or manager and in such cases the related persons will have a financial interest in such pooled investment vehicles.

Registrant, its affiliates and its personnel serve as investment advisers and investment managers to multiple pooled investment vehicles. Registrant, its affiliates and its personnel may take action or give advice with respect to certain Funds that differs from the advice given to other Funds. Registrant, its affiliates and its personnel will devote as much time to the activities of each Fund as they deem necessary and appropriate and the amount of time devoted to different Funds may vary.

D. Material Conflicts of Interest Relating to Other Investment Advisers.

Funds managed by Registrant may invest in pooled investment vehicles managed or traded by related persons of Registrant, and/or for which a related person acts as general partner or managing member and in such cases the related persons will have a financial interest (e.g., ownership interest, investment management fees, performance-based fees, other fees, etc.) in such pooled investment vehicles. A conflict of interest exists if the Registrant allocates assets of the client accounts to an affiliated investment adviser.

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

A. Code of Ethics.

Potential and actual conflicts of interest may arise from the activities described above. Registrant has established policies and procedures to monitor and to the extent possible resolve conflicts and will endeavor to resolve conflicts with respect to investment opportunities in a manner it deems equitable to the extent possible under the prevailing facts and circumstances.

Registrant strives to adhere to the highest industry standards of conduct based on principles of professionalism, integrity, honesty and trust. Accordingly, Registrant has adopted a Code of Ethics pursuant to the Advisers Act that is applicable to all of Registrant's employees. The Code of Ethics contains policies and procedures that, among other things:

- Require employees to observe fiduciary duties owed to clients;
- Prohibit employees from taking personal advantage of opportunities belonging to clients;
- Prohibit trading on the basis of material nonpublic information;
- Place limitations on personal trading by employees and impose pre-clearance and reporting obligations with respect to such trading (except for US open-ended mutual funds, US Treasury securities, or other investments listed in the Code of Ethics);
- Impose limitations on the giving or receiving of gifts and entertainment;
- Restrict employees' outside business activities;
- Require pre-clearance on political contributions; and
- Prohibit disclosure by employees of confidential information of Registrant and its clients.

Registrant's employees are subject to the prohibition on trading on the basis of material nonpublic information and to the limitations and pre-clearance requirements on personal trading. Employee personal trades in securities covered by the Code of Ethics are monitored by the Chief Compliance Officer, or designee and governed by the procedures set forth in the Code of Ethics. Such employees may from time to time have proprietary investments in which clients advised by Registrant also take a position, may trade and invest simultaneously with such clients, and may take investment positions that are different from or opposite to the positions taken by such clients. In general, all personal securities transactions (except for US open-ended mutual funds, US Treasury securities, or other permitted investments listed in the Code of Ethics) are subject to pre-clearance by the Chief



Compliance Officer, or designee. A copy of Registrant's Code of Ethics is available to clients and prospective clients upon request.

Furthermore, Registrant has adopted procedures to prevent and detect misuse of material nonpublic information. Specifically, the Registrant's procedures prohibit any employee from trading, either personally or on behalf of others (such as client accounts advised by the Registrant), while in possession of material, nonpublic information, and prohibit employees from communicating material, nonpublic information to others in violation of the law.

From time to time, as part of its business activities, the Registrant may come into possession of non-public information concerning specific issuers. Under applicable laws and Registrant's procedures, this may limit Registrant's flexibility to buy or sell securities of such issuers.

Related persons and personnel of the Registrant and its affiliates (the "Advisory Affiliates") may invest in or have a financial interest in the Funds and may not invest in all such Funds. It is expected that the size of these investments or the financial interest will change over time. Potential conflicts may arise due to the fact that the Advisory Affiliates may have investments or financial interests in some Funds but not in others or may have different levels of investments or financial interests in various Funds, and because the Funds may pay different levels of fees.

In addition, certain Advisory Affiliates may from time to time make personal investments in securities or financial instruments which may be appropriate for, may be held by, or may fall within client investment guidelines. Such Advisory Affiliates may buy, sell, or hold securities or other financial instruments for their own accounts while entering into different investment decisions for one or more clients. These activities may adversely affect the prices and availability of securities or financial instruments held by or potentially considered for one or more clients.

#### B. Securities that the Registrant or a Related Person Has a Material Financial Interest.

##### Cross Transactions and Principal Transactions

The Registrant may effect cross transactions on behalf of the Funds. The trading for the Programs in which the Funds may invest is systematic and the quantitative algorithm may produce opposing orders for different Funds. These opposing orders may be crossed in the market at the prevailing market price and in accordance with the relevant exchange's rules. Commissions may or may not be charged in cross trades.

##### Allocation of Investment Opportunities

Registrant may provide discretionary advisory investment advice and/or management services to multiple Funds that may seek to invest in the same investment opportunities. This will create potential conflicts and potential differences among Funds, particularly where there is limited availability or limited liquidity for those investments. Registrant has developed policies and procedures that provide that investment opportunities will be allocated and purchase and sale decisions will be made among these Funds in a manner that is considered to be reasonable and equitable over time and in a manner that is consistent with each Fund's investment objectives and guidelines.

Because of price volatility, occasional variations in liquidity, and differences in order execution, it is impossible for the Registrant to obtain identical trade execution for all its Funds. When block orders are filled at different prices, the Registrant will assign the executed trades on a systematic basis among all Funds. Trades for any proprietary accounts of the Registrant that parallel those of the Registrant's Funds will be subject to the same allocation procedures. In addition, because the Registrant may receive differing compensation from some Funds it may have a financial incentive to favor the Funds where its compensation is greater. The Registrant will not knowingly or deliberately favor one Fund over another on an overall basis.

Registrant may determine that an investment opportunity or particular purchases or sales are appropriate for one or more client accounts, but not for other clients, or are appropriate for or available to certain clients but in different sizes, terms, or timing than is appropriate for others. There may be circumstances under which the Registrant or a Trading Advisor will cause one or more of the Funds to commit a larger percentage of their assets to an investment opportunity than the percentage of another Fund's assets they commit to such investment. There also may be circumstances under which the Registrant or a Trading Advisor purchases or sells an investment for one Fund and does not purchase or sell the same investment for another Fund, or purchases or sells an investment for one Fund and does not purchase or sell the same investment for another Fund. However, it is the policy of the Adviser, and generally also the policy of the Trading Advisors, that: investment decisions for a Fund be made based on a consideration of their respective investment objectives and policies, and other needs and requirements affecting each Fund; and investment transactions and opportunities be fairly allocated among the Funds. Therefore, there may be situations where the Registrant does not invest a Fund's assets in certain investments in which other accounts may invest in which another Fund may otherwise invest.

The Registrant, the Trading Advisors, Advisory Affiliates, their principals and their employees may trade securities and commodity interests for their own accounts. Such proprietary trading may be in competition with a Fund and may be conducted at brokerage commission rates substantially lower than rates charged a Fund. Investors in a Fund will not be permitted to inspect the proprietary trading records of the Registrant, the Trading Advisors, their principals or their employees. From time to time, the Trading Advisor may maintain one or more test trading accounts which may be willing to accept more risk than it believes is acceptable for the Funds and positions in the test trading accounts may be inconsistent or opposite to those of the Funds. The test trading accounts are used to test new trading methodologies, strategies and markets and seek to identify any cost or illiquidity issues prior to considering the implementation of such strategy or processes to the Funds. As a result, the performance of the Trading Advisor's test trading accounts may differ from the performance of the Funds.

#### Investing in Securities that the Registrant or a Related Person Recommends to Clients.

The Code of Ethics places restrictions on personal trades by employees, including that they disclose their personal securities holdings and transactions to the Registrant on a periodic basis, and requires that employees pre-clear certain types of personal securities transactions. Generally, and subject to certain exceptions, the Registrant's employees may not engage in personal securities trading without pre-clearance. Accordingly,

under certain circumstances, Registrant, its affiliates and its employees may invest on behalf of themselves in securities and other instruments that would be appropriate for, held by, or may fall within the investment guidelines of the Funds.

The Registrant, its affiliates and its employees may give advice or take action for their own accounts that may differ from, conflict with or be adverse to advice given or action taken for the Funds. These activities may adversely affect the prices and availability of other securities or instruments held by or potentially considered for one or more Funds. Potential conflicts also may arise due to the fact that the Registrant and its personnel may have investments in some Funds but not in others or may have different levels of investments in the various Funds.

The Registrant has established policies and procedures to monitor and resolve conflicts with respect to investment opportunities in a manner it deems fair and equitable, including the restrictions placed on personal trading in the Code of Ethics, as described above, and regular monitoring of employee transactions and trading patterns for actual or perceived conflicts of interest, including those conflicts that may arise as a result of personal trades in the same or similar securities made at or about the same time as a Fund trades.

The Registrant may invest on behalf of its Funds in the securities of Man Group, the owner of the Registrant and its affiliates.

C. Conflicts of Interest Created by Contemporaneous Trading.

The Registrant manages investments on behalf of a number of Funds. Certain Funds have investment programs that are similar to or overlap and may, therefore, participate with each other in investments. It is the policy of the Registrant to allocate investment opportunities among all Funds fairly, to the extent practical and in accordance with each Fund's applicable investment strategies, over a period of time. The Registrant will have no obligation to purchase or sell a security for, enter into a transaction on behalf of, or provide an investment opportunity to any Fund solely because the Registrant purchases or sells the same security for, enters into a transaction on behalf of, or provides an opportunity to any Fund if, in its reasonable opinion, such security, transaction or investment opportunity does not appear to be suitable, practical or desirable for the Fund.

## **ITEM 12**

### **BROKERAGE PRACTICES**

#### **A. Factors Considered in Selecting or Recommending Broker-Dealers for Client Transactions.**

Registrant has the authority to determine, without obtaining specific client consent, the securities to be bought or sold and the amount of securities to be bought or sold for a Fund. The Trading Advisors selected by Registrant are delegated the authority to determine the investments to be bought or sold and the amount of investments to be bought or sold. Although Registrant may be deemed to retain the discretion (under its general discretionary powers) to determine the broker to be used and negotiates the amount of such broker's commission, the Trading Advisors selected by Registrant are delegated the authority to determine the broker to be used and the commission paid, including negotiating the amount of such broker's commission. For pooled investment vehicles in which a Fund may invest, the manager, trading advisor, general partner or managing member determines the broker to be used for investments made by such pooled investment vehicles.

##### **1. Research and Other Soft Dollar Benefits.**

As applicable, brokers will generally be selected on the basis of such brokers' reputation, financial strength, stability and responsibly, reliability, range and quality of services, responsiveness, execution capability and commission rates. Registrant and the Trading Advisor seek best execution taking into account factors such as price, size, difficulty of execution and operational facilities of a brokerage firm, and the scope and quality of brokerage services provided. Furthermore, in selecting brokers, Registrant and the Trading Advisor may consider products and services, which include products and services such as special execution capabilities, clearance, settlement, commission rates (and other transaction charges), net price, online pricing, block trading and block positioning capabilities, willingness to execute related or unrelated difficult transactions in the future, order of call, on-line access to computerized trading, exchange fees for real-time market quotations, technical data, recommendations, general reports, efficiency of execution and error resolution, quotation services and similar services.

Generally, neither the Registrant nor the Trading Advisor enter into soft dollar arrangements in which soft dollar credits are generated.

Limitations on Registrant's authority (and generally the authority of the Trading Advisors) are guided by (i) its responsibility to act as a fiduciary when handling the accounts of the Funds, (ii) a Fund's offering memorandum and (iii) the obligation (subject to conditions herein specified) to seek best execution for the Fund trades.

##### **2. Brokerage for Client's Referrals.**

Registrant and the Trading Advisors also may receive incidental economic benefits from the brokers they use, including free attendance at conferences or seminars sponsored by such brokers and related travel and meal accommodations. Although the commission rates charged by such brokers are generally represented as not reflecting any such additional benefits, the commission rates charged by such brokers may be higher or lower than other brokers. Registrant and the Trading Advisors may have a potential conflict

of interest between their obligations to the Funds and their interest in receiving such benefits in the future.

### **3. Directed Brokerage.**

Registrant may recommend brokers to be used by the Funds. In making these recommendations, Registrant will generally take into account the factors and considerations discussed above. In addition, Registrant may select brokers in accordance with a Fund's instructions (e.g., approved brokers list or directed brokerage arrangements). In these circumstances, it shall be the Fund's responsibility for evaluating such brokers. Registrant will seek to obtain best execution while complying with the Fund's instructions to the extent possible.

#### **B. Order Aggregation.**

Registrant and the Trading Advisors may aggregate sale and purchase orders with similar orders being made simultaneously for other Funds if, in their reasonable judgment, such aggregation is reasonably likely to result in an overall economic benefit to the Funds based on an evaluation that the Funds will benefit from relatively better purchase or sale prices, lower commission expenses or beneficial timing of transactions, or a combination of these and other factors. The purchase or sale of securities for the Funds will be effected simultaneously with the purchase or sale of like securities for other Funds. Such transactions may be made at slightly different prices due to the volume of securities purchased or sold. Computer algorithms are generally used to allocate split orders among the Funds in a fair and equitable manner. There can be no assurance that on a trade-by-trade or overall basis that any particular Fund will not be treated more or less favorably than another Fund, including a Fund.

#### **C. Trade Error Policy**

In the event that the Registrant experiences an error with respect to trades made on behalf of clients, the Registrant will correct such error in accordance with its policies and procedures. Registrant will generally reimburse losses suffered by a client that result from the gross negligence or willful misconduct of Registrant. If the Registrant, in its sole discretion determines that a client should be reimbursed as a result of a trade error caused by the Registrant, interest will generally not be paid on such losses. Advisers, Affiliated Advisers and Trading Advisors have their own policies and procedures in handling trade errors which may differ from Registrant's policies and procedures.

## **ITEM 13**

### **REVIEW OF ACCOUNTS**

#### **A. Frequency and Nature of Review of Client Accounts or Financial Plans.**

Each Fund's portfolio is generally reviewed daily, weekly, monthly, quarterly and/or periodically. Such reviews are generally conducted by investment and/or research staff.

#### **B. Factors Prompting Review of Client Accounts Other than a Periodic Review.**

Although the Fund's portfolios are reviewed and signed-off by the risk team daily, the need for ad-hoc reviews arises only very occasionally. An ad-hoc review of a Fund's portfolio may be triggered by a number of factors, including changes in investment objectives or policies.

#### **C. Content and Frequency of Account Reports to Clients.**

The requirements for frequency and content of reports will be set forth in the offering documents for each Fund.

Registrant selects affiliated or non-affiliated trading advisors for the Funds. On at least a quarterly basis, a review is conducted which may include trading advisor performance, consistency with investment objectives and other relevant account characteristics. From time to time, such reviews may be delegated to knowledgeable staff members.

Investors in the Funds which are pooled investment vehicles receive monthly or quarterly statements/reports reflecting performance, the value of their investments and/or other information. Investors also receive annual audited financial statements and other correspondence, as necessary, relative to the respective Fund in which they are invested.

While all Fund investors generally receive similar information, to the extent an investor receives additional information (that other investors have not received), which is in addition to information provided in a Fund's regular reports to investors, such information may provide such investor with greater insight into the Fund's activities. This may enhance such investor's ability to make investment decisions with respect to a Fund and possibly affect such investor's decision to request a redemption from such Fund.

**ITEM 14**  
**CLIENT REFERRALS AND OTHER COMPENSATION**

A. Economic Benefits for Providing Services to Clients.

Registrant does not receive economic benefits from non-clients for providing investment advice and other advisory services.

B. Compensation to Non-Supervised Persons for Client Referrals.

From time to time, Registrant or its affiliates may engage affiliated and non-affiliated entities, including SEC-registered broker-dealers, to solicit investors or act as selling agent, marketing consultant or investor services agent for a Fund, for which such parties receive compensation. Such compensation generally may be an upfront selling commission, a percentage of the management fees and/or performance-based compensation earned by Registrant or a Trading Advisor or its affiliates based on investments by such investors, ongoing services compensation, a fixed amount or other agreed upon compensation. The Registrant or its affiliates may benefit from the arrangements where clients are referred directly to it and/or investors are referred directly to a Fund, since the management fees are generally based upon a percentage of such client's assets under management. Thus the more assets Registrant or its affiliates has under management, the higher the management fee income. If applicable, any such arrangement with a third-party placement agent will comply with Rule 206(4)-3 under the Advisers Act.

MII, an affiliate of Registrant, acts as the selling agent and/or investor servicing agent for certain Funds. Registrant or a Trading Advisor may pay a portion of its fees to MII for its services. MII may also receive compensation directly from a Fund. In addition, MII has entered into agreements with other broker-dealers and certain financial advisers to solicit interests in Funds and/or to provide ongoing investor services and account maintenance services to investors. Each such broker-dealer and financial adviser generally receives compensation based on the aggregate value of outstanding interests held by investors that receive services from such persons, fixed amounts or other agreed upon compensation. Such compensation generally will be paid by MII from the fees that it receives from a Fund, Registrant or a Trading Advisor.

## **ITEM 15**

### **CUSTODY**

The Registrant is subject to Rule 206(4)-2 under the Advisers Act (the "Custody Rule"). However, it is not required to comply (or is deemed to have complied) with certain requirements of the Custody Rule with respect to each Fund because it complies with the provisions of the so-called "Pooled Vehicle Annual Audit Exception", which, among other things, requires that each Fund be subject to audit at least annually by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, and requires that each Fund distribute its audited financial statements to all investors within 120 or 180 days of the end of its fiscal year depending on the type of fund.



**ITEM 16**  
**INVESTMENT DISCRETION**

In general, Registrant provides discretionary advisory investment advice and/or management services to the Funds. As such, Registrant has discretion regarding all decisions and is authorized to determine and direct execution of portfolio transactions within each Fund's specified investment objectives, restrictions and policies. However, Registrant's discretion is subject to limits imposed on the Registrant as described in the applicable offering document in the case of the Funds, as applicable, and investment management agreements or other relevant documents with respect to each Fund.

## **ITEM 17**

### **VOTING CLIENT SECURITIES**

Registrant has adopted proxy voting policies and procedures to ensure that any proxy voted on behalf of the Funds is voted in a manner which is in the best interests of such Funds pursuant to Advisers Act Rule 206(4)-6. Registrant generally will not vote proxies on behalf of the Funds unless specifically instructed in writing by such Funds to vote or otherwise required.

The managed futures trading program that the Funds invest normally follow a disciplined, systematic approach to trading (and invests in instruments which may include futures, options and forward contracts, swaps and other financial derivatives.) and generally do not vote proxies although they reserve the right to do so in the future.

With regards to the fund of hedge funds strategy that certain of the Funds invest, Advisers to the underlying funds have trading discretion for those funds and are responsible for voting proxies in accordance with their policies. In certain instances the Registrant may need to vote proxies. Registrant's senior management oversee and manage the process by which it votes the securities of the Funds.

Generally, Registrant will make all decisions about how to vote a proxy with respect to a Fund's account on a case-by-case basis in accordance with the best economic interests of the Fund, including stated investment objectives, applicable statutory and regulatory requirements, client agreements, and the related factors that Registrant believes to be appropriate and consistent with its fiduciary duties to the Funds. Registrant generally will vote proxies as recommended by an issuer's management, unless it determines that voting in accordance with management's recommendation would adversely affect the investment merits of owning the securities or if a proposal does not otherwise appear to be in the best interests of the Fund. There may be times when refraining from voting a proxy is in the Fund's best interest, such as when the cost of voting exceeds the expected benefit to the Fund. Registrant's proxy voting policy also addresses material conflicts of interest that may arise between Registrant and the Funds with respect to voting of the securities of the Funds.

With respect to any Funds that are subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA") for which Registrant is an investment manager, Registrant will act prudently and solely in the interest of the participants and beneficiaries of such ERISA Fund. Registrant will only vote proxies on securities currently held by Funds. Proxies received for securities that are loaned will generally not be voted.

Registrant will endeavor to identify material conflicts of interest, if any, which may arise between Registrant and companies with respect to voting proxies to ensure that all proxies are voted in the overall best interest of the Funds.

Upon request, the Funds may receive a copy of Registrant's proxy voting policy and/or information regarding the manner in which securities held in their account were voted by contacting Registrant at (646) 452-9700.

**ITEM 18**  
**FINANCIAL INFORMATION**

Registrant is not required to include a balance sheet for its most recent fiscal year, is not aware of any financial condition reasonably likely to impair its ability to meet contractual commitments to the Funds, and has not been the subject of a bankruptcy petition at any time during the past ten years.