
PART 2A OF FORM ADV: FIRM BROCHURE

QFS ASSET MANAGEMENT, L.P.

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This Brochure provides information about the qualifications and business practices of QFS Asset Management, L.P. If you have any questions about the contents of this brochure, please contact QFS Investor Relations at (203) 983-5600 or qfs@qfsfunds.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.

Additional information about QFS Asset Management, L.P. also is available on the SEC's website at www.adviserinfo.sec.gov.

Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.

ITEM 2

MATERIAL CHANGES

QFS Asset Management, L.P. (“**QFS**”) is required to identify and discuss any material changes made to its Brochure since the filing of its most recent annual update to its Brochure on March 31, 2011. Please note the following:

- On April 8, 2011, QFS acquired Cenario Capital Management, a New York-based asset management firm focused on providing innovative risk management solutions. In connection with the acquisition, Karlheinz Muhr, one of the founders of Cenario, was appointed Chief Executive Officer of QFS, and MVANS Partners Holdings, LLC, the former owner of Cenario, became a limited partner of QFS.
- Effective October 1, 2011, QFS became investment advisor to certain funds previously managed by Cenario, and effective January 1, 2012 QFS assumed the risk advisory and overlay business previously conducted by Cenario.

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ITEM 4 ADVISORY BUSINESS

A. General Description of Advisory Firm.

QFS is an institutional alternative asset management firm that, with its affiliates, has been in business since 1988. The principal owners of QFS are Dr. Sanford J. Grossman and his family (via Grossman Family Partners, L.P. and other family entities), the University of Chicago (via its subsidiary Maroon Investments, LLC), and MVANS Partners Holdings, LLC. QFS has offices in Greenwich, Connecticut.

B. Description of Advisory Services.

1. Advisory Services

QFS specializes in systematic investment strategies and in risk management and overlay advisory services.

Systematic Investment Strategies. QFS operates four core systematic investment strategies: the QFS Currency Program, the QFS Global Macro Program, the QFS Fixed Income Program and the QFS Volatility Program. Another strategy, the QFS Portable Alpha Program, invests in three of those core strategies. Each of those programs is offered via private funds (the “**Funds**”) and, to larger institutional investors, as managed accounts.

Accounts in the QFS Currency Program invest in spot, forward and option contracts on foreign currencies. Accounts in the QFS Global Macro Program invest in exchange traded futures and spot, forward and option contracts on foreign currencies. Accounts in the QFS Fixed Income Program invest primarily in exchange-traded futures, and also in certain forward contracts on foreign currencies for hedging purposes. Accounts in the QFS Portable Alpha Program invest in the other three QFS programs and also replicate one or more indices (such as the S&P 500 Index).

QFS is currently working to transform the QFS Volatility Program, originally developed by Cenario, into one that incorporates the same technologies and research processes as QFS uses for its flagship strategies. The QFS Volatility Program is expected ultimately to become a systematic, global-macro based volatility strategy trading multiple asset classes (not limited to equity volatility), including both currencies and commodities. However, QFS is not currently accepting new investors into the Volatility Program. (See Item 8A. for a more detailed discussion of each Program.)

The Funds are typically organized in a master-feeder structure; QFS serves as general partner or managing member of the domestic feeder funds, and as investment manager or trading advisor to the offshore feeder funds and master funds.

In addition, QFS serves as the investment adviser with discretionary trading authority and also provides discretionary advisory services to separately managed accounts (the “**Managed Accounts**”).

As used herein, the term “client” generally refers to each Fund and each beneficial owner of a Managed Account.

Risk Management and Overlay Advisory Services. For its Risk Management clients, QFS performs various risk analyses on portfolios specified by the clients. Those analyses may include stress testing portfolios during specific market conditions or historical periods; perform correlation analyses under historical and turbulent environments; simulating probability of loss and value at risk; performing Risk Budgeting and Cash Flow Simulations; generating projections of future portfolio value; and measuring the effects of inflation and periodic contributions or withdrawals. For its Overlay clients, QFS constructs and manages portfolios of securities (including index and ETF options) to manage portfolio volatility and risk. Overlay portfolios are typically managed on a non-discretionary basis.

This Brochure generally includes information about QFS and its relationships with its clients and affiliates. While much of this Brochure applies to all such clients and affiliates, certain information included herein applies to specific clients 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, and other exemptions of similar import under U.S. state laws and the laws of other jurisdictions where any offering may be made. Investors in the Funds generally must be both "accredited investors", as defined in Regulation D, and "qualified purchasers", as defined in the Investment Company Act of 1940, as amended. 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.

2. Investment Strategies and Types of Investments

Please see Item 8 below.

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

C. Availability of Customized Services for Individual Clients.

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

On occasion, QFS may offer customized services to institutional clients through Managed Accounts, although the minimum investment for a Managed Account will typically be somewhat higher than the minimum investment in a QFS Fund. Managed Accounts will typically follow one or more of the core QFS strategies, but clients at times impose customized restrictions on them (such as limits on volatility or instruments traded). Any such restrictions must be negotiated with QFS at the inception of a Managed Account, and QFS may decline to accept a Managed Account client if QFS is unwilling to implement the account in accordance with those restrictions. The strategies followed by each overlay account is dependent on the holdings of the client's underlying portfolio and its risk characteristics. QFS's investment decisions and advice with respect to each Managed Account are subject to each client's investment objectives and guidelines, as set forth in the client's investment management agreement, as well as any written instructions provided by the client to QFS.

D. Wrap Fee Programs.

QFS does not participate in any "Wrap Fee" programs.

E. Assets Under Management.

As of February 1, 2012, QFS manage approximately \$2,100,000,000. Of that amount, approximately \$1.55 billion is managed by QFS on a discretionary basis, and approximately \$602 million is managed on a non-discretionary basis.

Approximately \$562 million of the foregoing are assets with respect to which QFS provides non-discretionary risk management advisory services. Thus, as of February 1, 2012 QFS's "Regulatory Assets Under Management" (as calculated in accordance with the SEC's Instructions to Part 1A of Form ADV) are approximately \$1.55 billion.

All of the foregoing numbers include both fully-funded and notionally fund client accounts.

ITEM 5

FEES AND COMPENSATION

A. Advisory Fees and Compensation.

The fees applicable to each QFS Fund are set forth in detail in each QFS Fund's offering document. The fees applicable to each Managed Account are set forth in detail in each Managed Account's investment management agreement. A brief summary of such fees is provided below.

QFS is compensated for its investment advisory services through a combination of management fees, performance fees and performance allocations. The nature of the fees and the percentages applied will vary by Fund and by Managed Account.

Investors in the Funds typically pay (i) an annual management fee of 1%, 2% or 3% of assets invested and (ii) a quarterly or annual performance allocation of 17% or 20% of profits. Fund management fees are typically paid monthly in advance while performance allocations are typically charged at the end of each calendar quarter or year. Fees for investors in a Fund are not typically negotiable, but QFS may lower or waive certain fees for particular investors from time to time (including, for example, employees of QFS).

Investors in certain classes of shares or interests in the Funds may be subject to a redemption amount if they redeem from the Fund during the lock-up period equal to 5% or 6% of the amount redeemed.

Investors in the Funds within the QFS Portable Alpha Program also may be charged a benchmark replication fee for the services QFS provides in connection with investments in replication vehicles.

Managed Account clients typically pay (i) an annual management fee of between 1% and 2% of assets invested and (ii) a performance fee of 17% or 20% of profits. Some Managed Account clients may pay only management fees, others may pay only performance fees. Fees for Managed Account clients are negotiable but will normally remain within the ranges above.

Clients of QFS's risk management services typically pay a fixed fee per quarter for such services. Clients of QFS's overlay services typically pay a quarterly fee calculated as a percentage of the notional assets under advisement during such quarter.

All performance fees allocations are charged or allocated in accordance with Rule 205-3 of the Investment Advisers Act of 1940, if applicable.

B. Payment of Fees.

Fees owed indirectly by Fund investors are deducted by the Funds from the investors' capital accounts or shares and paid or allocated to QFS. Management fees are deducted monthly, and performance allocations are earned quarterly.

QFS does not deduct fees from clients' Managed Accounts. QFS typically invoices Managed Account clients monthly for management fees and quarterly for incentive fees.

C. Additional Fees and Expenses.

Fund investors will incur various other fees and expenses via their investment in a Fund. These will include operating expenses actually incurred, including periodic legal, accounting, bookkeeping and auditing fees, and other similar fees and expenses, as well as any extraordinary expenses and the administrator's fees. These will also include brokerage commissions and other transaction costs. *(See Item 12 for a discussion of QFS's brokerage practices.)*

Managed Account clients will incur a similar set of fees and expenses for the trading and administration of their accounts. However, they will bear those fees and expenses directly, rather than via a Fund. All of these fees and expenses are paid to third parties, not to QFS.

D. Prepayment of Fees.

Fund investors pay management fees (but not performance fees or allocations) in advance. Those management fees are typically charged at the beginning of a month for that month only. Given that Fund investors can only redeem their investments effective at the end of a month, there is rarely a circumstance where an investor in a Fund has paid a fee for a billing period after the termination of their Fund investment.

Managed Account clients are typically charged management fees in advance, but submit payment at the end of the month or quarter. However, if a Managed Account client pays a management fee in advance and its Managed Account agreement with QFS is terminated prior to the end of the applicable billing period, QFS will refund a portion of such fee to the extent provided by the Managed Account agreement.

E. Additional Compensation and Conflicts of Interest.

Neither QFS nor any of its employees, partners or 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

As described in Item 5.A above, QFS typically receives performance-based compensation from both its Funds and its Managed Account clients. However, on occasion QFS has had Managed Account clients that did not pay any performance-based compensation, but instead paid only management fees or other forms of fixed fees. In addition, even among accounts that all pay performance-based fees or allocations, some accounts will have higher rates than others.

When QFS is managing accounts at the same time that have different fee structures, it may face a potential conflict of interest. For example, QFS may have an incentive to favor accounts that pay performance-based fees over those that do not, or favor accounts with higher performance-based fee rates over those with lower rates.

However, QFS believes that the nature of its systematic investment process mitigates these conflicts significantly, if not completely. Regardless of which fee structure is in place with a particular account, that account will be managed using the investment program the particular client has selected (or, in the case of a Fund, the investment program described in the Fund's offering memorandum). Each program is implemented using computer models that direct what instruments to trade and when. QFS's procedures for trade allocation are designed to ensure a fair allocation of aggregated orders among all of the accounts involved; and QFS traders generally do not have the discretion to deviate from the instruments they are directed by the models to trade. Therefore, QFS believes the risk is low that QFS personnel could, when following model-directed instructions to trade particular instruments for one or more accounts, in some manner favor certain of those accounts over others.

The accounts of QFS's overlay clients do not typically trade the same instruments as those traded for QFS's investment programs. In addition, all trading for such accounts is done on a non-discretionary basis. Therefore, QFS believes the risk is low that those accounts could be disadvantaged by the trading done for other QFS accounts.

QFS is committed to allocating investment opportunities on a fair and equitable basis and has established policies and procedures to address the conflicts of interest described above. Please see Item 11.D below.

ITEM 7

TYPES OF CLIENTS

QFS provides its investment advisory services to Funds and Managed Accounts, as described above. Fund investors include various institutional investors, funds of funds and other collective investment vehicles, pension plans, and high net worth individuals and families.

Beneficial owners of Managed Accounts include funds of funds, sovereign wealth funds, pension plans, distribution platforms, index providers and other institutional investors. QFS generally seeks to open Managed Accounts that have an expected account size (either initially or over time) of at least \$100,000,000, although QFS has accepted smaller Managed Accounts. The regulatory requirements applicable to a Managed Account client vary based on the nature of the client.

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

Investment Strategies. QFS specializes in systematic investment strategies. It operates four core strategies: the QFS Currency Program, the QFS Global Macro Program, the QFS Fixed Income Program and the QFS Volatility Program. It also operates the QFS Portable Alpha Program, through which clients can invest in the other QFS Programs and replicate certain indices.

The QFS Currency Program:

- Seeks to generate long-run returns from analyzing and forecasting macroeconomic conditions in each country.
- Trades 12 currency markets: the U.S. dollar, Canadian dollar, British pound, euro, Swiss franc, Japanese yen, Australian dollar, New Zealand dollar, Mexican peso, South African rand, Indian rupee and Chinese yuan.
- Employs a quantitative model that computes expected returns for each currency pair using fundamental analysis to forecast growth, interest rate and monetary policy differentials.
- Generates returns by synthetically borrowing in currencies where investment opportunities are scarce (short forward position) and lending in currencies where investment demand is high (long forward position).
- Follows a long-term investment approach that is carefully risk managed and seeks to avoid rapid/large drawdowns.

The QFS Currency Program may also be customized for currency overlay.

The QFS Global Macro Program:

- Is a real-time dynamic asset allocation program taking long and short exposures to global currency, equity index, fixed income and commodity markets:
 - Takes a long-run, fundamental approach to major currency markets (using QFS Currency Program models).

- Employs fundamental/technical trading in global yield curves in major economies (using QFS Fixed Income Program models).
 - Employs technical/fundamental trading of global equity index futures.
 - Expresses fundamental/trend positions in crude oil.
- Employs primarily systematic, model-driven trading strategies using both fundamental and technical analysis to seek to capture misvaluations across asset classes and countries.
- Creates cross-hedged exposures by using hedging opportunities across asset classes (e.g., a bond may hedge a currency position; an equity index may hedge crude oil exposure).
- Seeks to optimize returns over multiple time frames by incorporating QFS's breakthrough Dynamic Programming Optimization methodology, described below:
 - This methodology considers future trading opportunities and market conditions to help the models make better trading decisions today. The process begins with the calculation of a continuous time series of expected returns for each asset traded (e.g., What is the forecasted return of the S&P today? Tomorrow? 30 days from now?). QFS's Dynamic Programming Optimization methodology then uses the forecasts to devise a trading plan designed to achieve its objective: to maximize long-run, risk-adjusted returns.
 - The trading plan attempts to:
 - Identify optimal entry/exit points for future trades,
 - Avoid taking fundamental positions before the market is ready to express them,
 - Take more short-term/tactical trades than more simplified approaches, and
 - Lower the cost basis of trading by spreading execution costs across multiple trades.
 - This methodology, which identifies and continually refines the optimal trading plan (as opposed to performing a one-time optimization to find a buy-and-hold portfolio), represents the next generation of portfolio optimization techniques.

The QFS Fixed Income Program:

- Utilizes model-driven analyses of fundamental and technical factors to identify misvaluations along the yield curves in the U.S., Europe, Japan, Australia, Canada, Great Britain and Korea.

- Takes long and short positions in futures on short-term interest rates (e.g., eurodollar) and sovereign bonds (highly liquid markets, which enhances QFS's ability to manage risk effectively across varying market conditions).
- Aims to generate attractive annual returns with lower volatility than equity markets while providing significant diversification from the major stock and bond indices.
- Is designed to replace traditional fixed income allocations as a standalone alpha source or in conjunction with beta replication.

The QFS Volatility Program:

- QFS is currently working to transform the QFS Volatility Program, originally developed by Cenario, into one that incorporates the same technologies and research processes as QFS uses for its flagship strategies. The QFS Volatility Program is expected ultimately to become a systematic, global-macro based volatility strategy trading multiple asset classes (not limited to equity volatility), including both currencies and commodities. However, QFS is not currently accepting new investors into the Volatility Program.

The QFS Portable Alpha Program:

- Replicates one or more indices (such as the S&P 500 index).
- Invests in the QFS Global Macro Master Fund, Ltd., the QFS Currency Master Fund, Ltd. and/or the QFS Fixed Income Master Fund, Ltd.

Methods of Analysis. QFS uses its research on the informational role of prices and statistical models of relative price movements and yields among asset classes to identify investment opportunities based on non-informational price moves. QFS's investment strategies tend to select portfolios that incorporate spread trades and positions that mutually cross-hedge each other. The strategies tend to be intermediate to long term in nature, although some short-term, technical trading occurs in certain asset classes. A quantitative statistical model is used to allocate risk to a global portfolio of all instruments traded in each Program. These strategies apply innovative proprietary research in global portfolio optimization and Drawdown Control Technology in an attempt to effectively manage the opportunities created by shifting global capital flows.

Risk Management and Overlay Advisory Services. For its Risk Management clients, QFS performs various risk analyses on portfolios specified by the clients. Those analyses may include stress testing portfolios during specific market conditions or historical periods; perform correlation analyses under historical and turbulent environments; simulating probability of loss and value at risk; performing Risk Budgeting and Cash Flow Simulations; generating projections of future portfolio value; and measuring the effects of inflation and periodic contributions or withdrawals. For its Overlay clients, QFS constructs and manages portfolios of securities (including index and ETF options) to manage portfolio volatility and risk. Overlay portfolios are typically managed on a non-discretionary basis.

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

The following risk factors do not purport to be a complete list or explanation of the risks involved in an investment in the Funds advised by QFS. These risk factors include only those risks QFS believes to be material, significant or unusual and relate to particular significant investment strategies or methods of analysis employed by QFS.

Systems Risks

QFS's clients depend on QFS to develop and implement appropriate systems for their trading activities. QFS relies extensively on computer programs and systems to trade, clear and settle transactions, to evaluate certain financial instruments based on real-time trading information, to monitor their portfolios and net capital, and to generate risk management and other reports that are critical to the oversight of client trading. In addition, certain of QFS's operations interface with or depend on systems operated by third parties, including futures commissions merchants, prime brokers and market counterparties and their sub-custodians and other service providers, and QFS may not be in a position to verify the risks or reliability of such third-party systems. These programs or systems may be subject to certain defects, failures or interruptions, including, but not limited to, those caused by computer "worms," viruses and power failures. Any such defect or failure could have a material adverse effect on a client. For example, such failures could cause settlement of trades to fail, lead to inaccurate accounting, recording or processing of trades, and cause inaccurate reports, which may affect QFS's ability to monitor client investment portfolios and their risks.

Operational Risk

QFS's clients depend on QFS to develop the appropriate systems and procedures to control operational risk. Operational risks arising from mistakes made in the confirmation or settlement of transactions, from transactions not being properly booked, evaluated or accounted for or other similar disruption in QFS's operations may cause clients to suffer financial loss, the disruption of their businesses, liability to clients or third parties, regulatory intervention or reputational damage. QFS's client trading is highly dependent on QFS's ability to process, on a daily basis, a large number of transactions across numerous and diverse markets. Consequently, QFS relies heavily on its financial, accounting and other data processing systems. The ability of QFS's systems to accommodate an increasing volume of transactions could also constrain QFS's ability to properly manage client portfolios.

Failure of Dealers and Other Counterparties

A significant portion of QFS's trading is in the over-the-counter markets. These are principals' markets. Consequently, QFS's clients are subject to the risk of dealer failure or the inability of or refusal by a dealer to perform with respect to contracts traded by it with the client. The client could be subject to substantial losses of both margin and unrealized profits in the event of the bankruptcy of one of the dealers with which QFS is trading on its behalf.

It is expected that QFS will monitor on an ongoing basis the creditworthiness of firms with which it will enter into currency forwards or other over-the-counter derivatives. If there is a default by the counterparty to such a transaction, under most normal circumstances, the QFS client will have contractual remedies pursuant to the agreements related to the transaction. However, exercising such contractual rights may involve delays or costs which could result in the net asset value of the client being less than if the client had not entered into the transaction. Furthermore, there is a risk that any of such counterparties could become insolvent. If one or more of a client's counterparties were to become insolvent or the subject of liquidation proceedings in the United States, there exists the risk that the recovery of the client's securities and other assets from such counterparty will be delayed or be of a value less than the value of the securities or assets originally entrusted to such

counterparty. In addition, QFS may use counterparties located in various jurisdictions outside the United States. Such local counterparties are subject to various laws and regulations in various jurisdictions that are designed to protect their customers in the event of their insolvency. However, the practical effect of these laws and their application to the client's assets are subject to substantial limitations and uncertainties. Because of the large number of entities and jurisdictions involved and the range of possible factual scenarios involving the insolvency of a counterparty, it is impossible to generalize about the effect of their insolvency on QFS clients and their assets. Clients should assume that the insolvency of any counterparty would result in a loss to its account, which could be material.

Clients are also subject to similar risks of failure of any issuer of money market instruments (such as commercial paper or certificates of deposit) in which QFS invests their capital.

Leverage and Margin Requirements

QFS's trading for clients can be highly leveraged, and market price levels are volatile and materially affected by unpredictable factors such as governmental intervention. QFS may utilize substantial leverage in its investment programs, thereby maximizing its investment positions by borrowing funds to the fullest possible extent permitted by applicable regulations. As a result, the possibilities of profit and loss will be increased. Borrowing money to take positions provides a client with the advantages of leverage, but will expose it to greater market risks and higher current expenses. Any gain in the value of positions taken with borrowed money or income earned from these positions that exceeds interest paid on the amount borrowed would cause the client's net asset value to increase faster than would otherwise be the case. Conversely, any decline in the value of the positions taken would cause the client's net asset value to decrease faster than would otherwise be the case.

Leverage may take the form of trading on margin, investing in derivative instruments that are inherently leveraged, and entering into other forms of direct or indirect borrowings. The amount of leverage or borrowings which a client may have outstanding at any time may therefore be large in relation to its assets. Consequently, the level of interest rates generally, and the rates at which the a client can borrow in particular, will affect the operating results of the client.

Use of certain instruments, including futures, that require margin deposits may result in additional risks to a client. For example, should the financial instruments pledged to brokers to secure a client's margin accounts decline in value, the client could be subject to a "margin call," pursuant to which the client must either deposit additional funds with the broker, or suffer mandatory liquidation of the pledged financial instruments to compensate for the decline in value. In the event of a sudden precipitous drop in the value of the client's assets, the client might not be able to liquidate assets quickly enough to pay off its margin debt.

Whether any margin deposit will be required for OTC options and other OTC instruments, such as currency forwards, swaps and certain other derivative instruments, will depend on the credit determinations and specific agreements of the parties to the transaction, which are individually negotiated.

Currency trading in particular can be highly leveraged, given the general absence of high margins on currency contracts and the low cost of carrying cash positions. A relatively small price movement, therefore, in a currency contract could result in immediate and substantial losses to the client. Like other leveraged investments, any purchase or sale of currency contracts may result in losses in excess of the amount invested in those contracts. The client may lose more than its initial margin deposit on a trade.

Collateral

QFS's clients have significant credit and operational risk exposure to their counterparties, which will require clients to post collateral to support their obligations in connection with transactions involving forwards, swaps, futures, options and other derivative instruments. Generally, counterparties will have the right to sell, pledge, rehypothecate, assign, use or otherwise dispose of the collateral posted by clients in connection with such transactions. This could increase the client's exposure to the risk of a counterparty default since, under such circumstances, such collateral of the client could be lost or the client may be unable to recover such collateral promptly. Also, counterparties have an interest in maximizing the return from such collateral. This interest could conflict with the interests of the client in preserving and protecting its portfolio.

Replication Risk

The clients that are part of the QFS Portable Alpha Program may invest in replication vehicles. The actual performance of these vehicles, including any additional carry generated on cash and margin balances with respect to such investment, will differ from the performance of the indices selected for replication. For example, the performance will be subject to "roll risk." This risk arises because of the pricing differences between the closing out of a futures contract position and the establishment of an analogous position in a futures contract with the next settlement date. Additional reasons for such differences include, but are not limited to, instruments selected to replicate the chosen index, bid-offer spreads and certain differences associated with dividends and financing costs. The actual returns will also differ from the performance of its corresponding index because of the transactions and other costs, such as commissions, associated with trading in futures contracts. In addition, the return on the cash balances of the series of the replication vehicles (which, in any case, may not equal the notional value of the futures contract with respect to the index) will not be the same as those of the financing cost embedded in the futures contract. For these and other reasons, the returns will not match the actual performance of its corresponding index.

Concentrated Portfolio

The Currency Program is limited to trading currencies, and the Fixed Income Program generally is limited to trading interest rate futures. The currency and interest rate markets each may be affected by similar factors at or about the same time. Trading a concentrated portfolio may involve greater risks than more broadly diversified trading.

No Material Limitation on Strategies or Markets

Certain of the QFS Funds have been formed specifically so as to provide QFS with an investment vehicle through which it can opportunistically implement whatever strategies or discretionary approaches it believes from time to time may be best suited to prevailing market conditions. There can be no assurance whatsoever that QFS will be successful in applying any strategy or discretionary approach to those Funds' trading (or, on the other hand, that QFS will, in fact, implement strategies on behalf of those Funds other than the applicable program that is set forth in the Fund documents).

Discretionary Trading

Some of the client's trading may incorporate a substantial degree of discretion and subjective market analysis. QFS may purchase such money market instruments for the investment of the client's capital as it may determine in its discretion, including without limitation certificates of deposit and commercial paper.

New Markets

Certain Funds may trade in markets in which QFS has not previously traded – in particular, the securities markets.

C. Risks Associated with Particular Types of Securities.

The following is a discussion of the risks associated with a variety of types of securities that QFS may trade on behalf of its clients. Currently QFS only trades futures and currency forwards (including options on currency forwards); it also invests in certain money market instruments. QFS has the discretion to trade other instruments included below in one or more of its strategies, even if QFS has not done so or does not do so at the moment.

Currency Trading

A client may purchase currencies other than the U.S. dollar for speculative purposes, for hedging, and/or to the extent necessary to post margin on certain futures contracts. Currency trading is volatile, highly leveraged and may be illiquid. Currency spot and forward prices 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 specific intention of influencing such prices. The inability to liquidate currency positions creates the possibility of a client being unable to control its losses in this area.

A client may trade currencies in the interbank market, a network of commercial banking institutions in the United States, France, Britain, Germany, Japan, Switzerland and other nations. Such institutions make markets in foreign currencies on a continuous basis during the banking day. The interbank market is not directly regulated by any United States or other government agency and trading therein may involve certain risks not applicable to trading on U.S. and non-U.S. exchanges. There is no limitation on daily price moves of contracts traded through banks. Banks and dealers may require a client to deposit margin with respect to such trading. Banks and dealers are not required to continue to make markets in currencies. There have been periods during which certain banks have refused to quote prices for currency contracts or have quoted prices with an unusually wide spread between the price at which the bank is prepared to buy and that at which it is prepared to sell. The imposition of credit controls by government authorities might limit such trading to less than that which QFS would otherwise recommend, to the possible detriment of a client. In respect of such trading, the client will be subject to the risk of bank failure or the inability of, or refusal by, a bank to perform with respect to such contracts. Most, if not all, of these contracts are directly affected by changes in interest rates. The effects of governmental intervention also may be particularly significant at certain times in the interbank market.

The general absence of high margins on currency contracts and the low cost of carrying cash positions can result in an extremely high degree of leverage. Therefore, a relatively small price movement in a currency contract could result in immediate and substantial losses to the investor. Like other leveraged investments, any purchase or sale of currency contracts may result in losses in excess of the amount invested in those contracts. The client may lose more than its initial margin deposit on a trade.

Forward Trading

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

Futures Contracts

The value of futures depends upon the price of the financial instruments, such as commodities, underlying them. The prices of futures are highly volatile, and price movements of futures contracts can be influenced by, among other things, interest rates; changing supply and demand relationships; trade, fiscal, monetary and exchange control programs and policies of governments; and national and international political and economic events and policies. In addition, investments in futures are also subject to the risk of the failure of any of the exchanges on which a client's positions trade or of its clearing houses or counterparties.

Futures positions may be illiquid because certain commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits." Under such daily limits, during a single trading day no trades may be executed at prices beyond the daily limits. Once the price of a particular futures contract has increased or decreased by an amount equal to the daily limit, positions in that contract can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. This could prevent a client from promptly liquidating unfavorable positions and subject the client to substantial losses or prevent it from entering into desired trades. In extraordinary circumstances, a futures exchange or the Commodities Futures Trading Commission could suspend trading in a particular futures contract, or order liquidation or settlement of all open positions in such contract.

Stock Index Futures

The price of stock index futures contracts may not correlate perfectly with the movement in the underlying stock index because of certain market distortions. First, all participants in the futures market are subject to margin deposit and maintenance requirements. Rather than meeting additional margin deposit requirements, shareholders may close futures contracts through offsetting transactions that would distort the normal relationship between the index and futures markets. Secondly, from the point of view of speculators, the deposit requirements in the futures market are less onerous than margin requirements in the securities market. Therefore, increased participation by speculators in the futures market also may cause price distortions. Successful use of stock index futures contracts by a client also is subject to QFS's ability to correctly predict movements in the direction of the market.

Debt Securities Generally

QFS expects to invest in derivatives based on government debt securities on behalf of its clients. QFS clients may invest in debt instruments that are unrated, and whether or not rated, the debt instruments may have speculative characteristics. The issuers of such instruments (including sovereign issuers) may face significant ongoing uncertainties and exposure to adverse conditions that may undermine the issuer's ability to make timely payment of interest and principal. Such instruments are regarded as predominantly speculative with respect to the issuer's capacity to pay interest and repay principal in accordance with the terms of the obligations and involve major risk exposure to adverse conditions.

The value of debt securities in which a client invests will change in response to fluctuations in interest rates. In addition, the value of certain debt securities can fluctuate in response to perceptions of creditworthiness, political stability or soundness of economic policies. Debt securities are subject to the risk of the issuer's inability to meet principal and interest payments on its obligations (i.e., credit risk) and are subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity (i.e., market risk).

Stock Index Options

QFS may purchase and sell call and put options on stock indices listed on securities exchanges or traded in the OTC market on behalf of its clients. A stock index fluctuates with changes in the market values of the stocks included in the index. Because the value of an index option depends upon movements in the level of the index rather than the price of a particular stock, whether the client will realize gains or losses from the purchase or writing of options on indices depends upon movements in the level of stock prices in the stock market generally or, in the case of certain indices, in an industry or market segment, rather than movements in the price of particular stocks. Accordingly, successful use by QFS of options on stock indices will be subject to QFS's ability to correctly predict movements in the direction of the stock market generally or of particular industries or market segments. This requires different skills and techniques than predicting changes in the price of individual stocks.

Fixed Income Securities

QFS may invest on behalf of a client in bonds or other fixed income securities of U.S. and non-U.S. companies, including commodity-related fixed income securities. Fixed income securities pay fixed, variable or floating rates of interest. The value of fixed income securities in which QFS invests will change in response to fluctuations in interest rates. In addition, the value of certain fixed income securities can fluctuate in response to perceptions of credit worthiness, political stability or soundness of economic policies. Fixed income securities are subject to the risk of the issuer's inability to meet principal and interest payments on its obligations (i.e., credit risk) and are subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity (i.e., market risk).

Other Risks of Trading in Equity Indices and Energy Futures Markets

QFS may invest on behalf of clients in the equity indices and global energy markets, which are sensitive to, among other things, fluctuations in fuel supply and demand, interest rates, seasonal fluctuations, special risks of constructing and operating facilities, lack of control over pricing, merger and acquisition activity and regulation. Regarding the global energy markets, oil and gas prices have been, and are likely to continue to be, volatile and subject to wide fluctuations. As a result of the foregoing, the net asset value of a client's portfolio may be affected by such factors.

Volatility Risk

The price of energy products may be volatile and may cause large fluctuations in the value of a client's assets. Among the factors that can cause volatility in the price of certain energy products are: (a) worldwide or regional demand for energy, which is affected by economic conditions; (b) the domestic and foreign supply, availability of storage capacity and inventories of oil and gas; (c) weather conditions, including abnormally mild winter or summer weather, and abnormally harsh winter or summer weather; (d) availability and adequacy of pipeline and other transportation facilities; (e) domestic and foreign governmental regulations, tariffs and taxes; (f) geopolitical conditions in gas or oil producing regions and countries, including the risk of nationalization of the natural gas and related sectors; (g) the ability of members of the organization of petroleum exporting countries ("OPEC") to agree upon and maintain oil prices and production levels; (h) the price and availability of alternative fuels; (i) international and regional trade contracts, (j) labor contracts; and (k) the impact of energy conservation efforts.

Call Options

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

Put Options

There are risks associated with the sale and purchase of put options. The seller (writer) of a put option which is covered (e.g., the writer has a short position in the underlying financial instrument) assumes the risk of an increase in the market price of the underlying financial instrument above the sales price (in establishing the short position) of the underlying financial instrument plus the premium received on the option, and gives up the opportunity for gain on the underlying financial instrument below the exercise price of the option. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying financial instrument below the exercise price of the option. The buyer of a put option assumes the risk of losing its entire investment in the put option. If the buyer of the put holds the underlying financial instrument, the loss on the put will be offset in whole or in part by any gain on the underlying financial instrument.

Other Derivative Instruments

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

invested in by the client. Certain swaps, options, hybrid instruments and other derivative instruments may be subject to various types of risks, including market risk, liquidity risk, the risk of non-performance by the counterparty, including risks relating to the financial soundness and creditworthiness of the counterparty, legal risk and operations risk.

Highly Volatile Markets

Price movements of forwards, futures, derivative contracts and other financial instruments can be highly volatile and are influenced by, among other things, interest rates; changing supply and demand relationships; trade, fiscal, monetary and exchange control programs and policies of governments; and national and international political and economic events and policies. In addition, governments from time to time intervene in certain markets, directly and by regulation, particularly in currencies, futures and options. Such intervention is often intended to directly influence prices and may, together with other factors, cause some or all of these markets to move rapidly in the same direction. The effect of such intervention is often heightened by a group of governments acting in concert. QFS may make certain speculative investments on behalf of a client in currencies which QFS believes to be undervalued; however, there are no assurances that the currencies purchased will in fact be undervalued. In addition, a client may be required to hold such currencies for a substantial period of time before realizing their anticipated value. During this period, a portion of the client's assets will be committed to the currencies purchased, thus possibly preventing the client from investing in other opportunities.

Currency Exchange Exposure

QFS may invest client assets in financial instruments denominated in non-U.S. currencies, the prices of which are determined with reference to currencies other than the U.S. dollar. However, some clients value their financial instruments in U.S. dollars. QFS may or may not seek to hedge such clients' non-U.S. currency exposure by entering into currency hedging transactions, such as treasury locks, forward contracts, futures contracts and cross-currency swaps. There can be no guarantee that financial instruments suitable for hedging currency or market shifts will be available at the time when a client or QFS wishes to use them, or that hedging techniques employed by QFS will be effective. Furthermore, certain currency market risks may not be fully hedged or hedged at all.

To the extent unhedged, the value of a client's positions in non-U.S. investments will fluctuate with U.S. dollar exchange rates as well as with the price changes of the investments in the various local markets and currencies. In such cases, an increase in the value of the U.S. dollar compared to the other currencies in which such client makes investments will reduce the effect of any increases and magnify the effect of any decreases in the prices of the client's financial instruments in their local markets and may result in a loss to the client. Conversely, a decrease in the value of the U.S. dollar will have the opposite effect on the client's non-U.S. dollar investments.

ITEM 9
DISCIPLINARY INFORMATION

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

ITEM 10
OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

A. Broker-Dealer Registration Status.

Neither QFS nor any of its affiliates are registered as a broker-dealer, and there are no such applications pending.

B. Futures Commission Merchant, Commodity Pool Operator or Commodity Trading Adviser Registration Status.

QFS is registered as a Commodity Pool Operator and a Commodity Trading Advisor.

The following QFS personnel are registered as Associated Persons of QFS: Karlheinz Muhr, Robert Shustak, William McGirr, Sanford Grossman, Chris Connolly, Michael Salerno, Stephen Van Besien, Jonathan Dunn and Robert O'Donnell.

C. Material Relationships or Arrangements with Industry Participants.

QFS has a subsidiary, Cenario Capital Management, that is a Registered Investment Adviser.

Two of QFS's other affiliates, QFS Asset Management, Inc. and Quantitative Financial Strategies, Inc. ("**Quant**") are Registered Investment Advisors, Commodity Pool Operators and Commodity Trading Advisors. QFS has service and license agreements with both entities, under which QFS provides them with administrative services and a license to certain intellectual property. QFS also has a consulting agreement with Quant under which Dr. Grossman provides certain services to QFS.

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

QFS does not recommend or select other investment advisers for its clients or receive any related compensation.

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

A. Code of Ethics.

QFS has adopted a Code of Ethics (the "COE") that requires all of its employees to act in accordance with the highest ethical standards and to comply fully with all applicable laws, rules and regulations. QFS expects that its officers and employees will place the interests of QFS's clients first, maintain clients' (and QFS's) confidences, will be honest in their business dealings, and will avoid actual (or even the appearance of) conflicts of interest.

The COE also sets out limitations on personal trading by employees. In particular, the COE:

- Requires employees to maintain their personal accounts at certain approved brokers that make their account information available to QFS electronically (subject to certain exceptions granted by the CCO);
- Prohibits trading in futures contracts, currency forwards and options, currency-based ETFs and equity options;
- Requires employees to seek preclearance for trading in permitted instruments; and
- Requires employees to certify periodically as to the accuracy of information regarding their personal accounts and the activity in them.

A copy of QFS's COE will be provided to any client or prospective client at no charge upon request.

B. Securities in Which QFS or a Related Person Has a Material Financial Interest.

QFS does not buy securities from, or sell securities to, clients or client accounts, nor does QFS or any related person of QFS act as an investment adviser to any mutual fund that QFS recommends to its client.

However, QFS does serve as the general partner or managing member of, or investment manager or trading advisor to, various private investment Funds for which QFS also solicits client investments. QFS addresses any related conflicts of interest by clearly disclosing, to all clients that it solicits, the role it plays in managing or advising the funds in question and the fees that QFS receives from such Funds.

QFS may determine that it would be in the best interests of certain clients to transfer a security from one client to another (each such transfer, a "Cross Transaction") for a variety of reasons, including, without limitation, tax purposes, liquidity purposes, to rebalance the portfolios of the clients, or to reduce transaction costs that may arise in an open market transaction. A Cross Transaction may be effected if QFS determines the transaction to be in the best interests (and consistent with the investment program, risk management and other relevant considerations) of both clients. Generally, a financial instrument will be transferred at a price equal to the price of the financial instrument on the transfer date, which will be provided by the administrator or QFS. QFS and its affiliates will not charge any fees to effect

a Cross Transaction. Similarly, if a transaction is cancelled, any costs incurred will be allocated equitably in the sole discretion of QFS between the transferee and the transferor.

To the extent that Cross Transactions may be viewed as principal transactions due to the ownership interest in a client by QFS or its personnel, QFS will comply with the requirements of Section 206(3) of the Advisers Act, including that any such transactions will be considered on behalf of investors in such client and approved or disapproved by (i) an advisory board comprised of representatives of such investors or (ii) a committee consisting of one or more persons selected by QFS (or its affiliates), and any valuation approved by such a committee will be determined by an independent third party that has appropriate experience in providing such valuations.

C. Investing in Securities That QFS or a Related Person Recommends to Clients.

The COE places restrictions on personal trades by employees, including that they disclose their personal securities holdings and transactions to QFS on a periodic basis, and requires that employees pre-clear certain types of personal securities transactions.

QFS does not trade for its own account any securities or instruments that it trades for clients. However, related persons of QFS may from time to time buy or sell certain futures contracts that are also traded for client accounts. This could create a conflict of interest for QFS as it attempts to prioritize trading between a client account and that of a related person. To address this conflict, QFS has implemented a procedure that provides that, if at any time there are open orders to trade the same futures contract for one or more client accounts and the account of a QFS related person, the trades for the related person's account will not be executed until all open orders for client accounts have been filled.

QFS, 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 clients. These activities may adversely affect the prices and availability of other securities or instruments held by or potentially considered for one or more clients. Potential conflicts also may arise due to the fact that QFS and its personnel may have investments in some Funds but not in others or may have different levels of investments in the various Funds.

QFS 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 COE, 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 client trades.

D. Conflicts of Interest Created by Contemporaneous Trading.

QFS manages investments on behalf of a number of clients. Certain clients have investment programs that are similar to or overlap and may, therefore, participate with each other in investments. It is the policy of QFS to allocate investment opportunities among all clients fairly, to the extent practical and in accordance with each client's applicable investment strategies, over a period of time. QFS 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 client solely because QFS purchases or sells the same security for, enters into a transaction on behalf of, or provides an opportunity to any client if, in its reasonable opinion, such security,

transaction or investment opportunity does not appear to be suitable, practical or desirable for the client.

If it is determined by QFS or its affiliates that it would be appropriate for a client and one or more other investment accounts managed by QFS to participate in an investment opportunity, QFS may seek to execute orders for all of the participating investment accounts on a basis believed by QFS to be equitable, taking into account such factors as the relative amounts of capital available for new investments and the investment programs and portfolio positions of the clients for which participation is appropriate. Orders may be combined for all such accounts, and if any order is not filled at the same price, they may be allocated on an average price basis or on another basis which QFS or its affiliates consider equitable. Similarly, if an order on behalf of more than one account cannot be fully executed under prevailing market conditions, securities may be allocated among the different accounts on a basis which QFS or its affiliates consider equitable.

ITEM 12

BROKERAGE PRACTICES

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

When selecting a futures commission merchant (an "FCM") or other futures and foreign exchange counterparty for a client transaction, QFS considers the full range and quality of such FCM or counterparty's services including, among other things, its execution capability, financial stability, quality of service and commission rates. QFS may also suggest FCMs or over-the-counter foreign exchange counterparties to Managed Account clients, using the same criteria. While FCMs may provide research data (or other services) to QFS, the provision of such data or services is not a factor in FCM selection.

QFS periodically reviews commission rates charged by the FCMs it trades with, to ensure that the rates are competitive with prevailing market commissions for the futures contracts in question.

1. *Research and Other Soft Dollar Benefits.*

QFS does not engage in any trading that gives rise to "soft dollar" commission credits. However, FCMs with which QFS and its affiliates trade on behalf of client accounts may from time to time provide QFS with services other than trade execution (such as research data) without additional charge.

2. *Brokerage for Client Referrals.*

When selecting or recommending FCMs for client accounts, QFS currently does not consider whether QFS receives client referrals from such FCM.

3. *Directed Brokerage.*

QFS does not routinely recommend, request or require that its clients direct QFS to execute transactions through a specified FCM. For its Funds, QFS selects the FCMs and other counterparties with which the Fund will trade. Managed Account clients typically work closely with QFS to determine the FCMs and counterparties that will trade with their accounts; those counterparties and FCMs are chosen based on a variety of factors, including the extent to which either QFS or the Managed Account client already has an established trading relationship with them. When a Managed Account client directs QFS to use one or more particular counterparties for reasons other than commission rates or execution capability (such as, for example, the existence of previous trading relationships between them), that client may pay higher commission rates than QFS could obtain otherwise, and QFS may be unable to achieve the most favorable execution of such client's transactions.

QFS is not affiliated with any counterparty that it trades with on behalf of, or recommends to, clients.

B. Order Aggregation.

QFS may from time to time combine orders that are for more than one client's account ("**Block Orders**"). For example, clients whose accounts are being traded pursuant to the

same trading strategy will have orders placed for their accounts at or about the same time, at least where those clients are trading through the same broker. Orders for accounts that are being traded pursuant to different strategies similarly may be combined assuming that they are the same in all respects other than quantity. This could occur, for example, where two different strategies call for the execution of market-on-close orders in the same contract.

QFS employs a predetermined and non-preferential mechanism for allocating any resulting “fills” (i.e., executed orders) among the accounts in the Block Order. Such a procedure is necessary in order to address the potential for unfairness that can result if the order is not filled completely or if the broker reports back a “split fill” (i.e., the execution of the order at more than one price). Except where another procedure is specified by a Client’s broker, the procedure employed by QFS will be based upon an account listing prepared by QFS and revised when new Clients engage QFS or existing clients terminate their relationship with QFS.

One allocation procedure employed by QFS assigns the highest-price fill (whether a purchase or a sale) to the first account in that list, the next-highest price(s) to the account(s) that are next on the list (to the extent those accounts did not receive a complete fill at the lower price), and the lowest-price fill (again, whether a purchase or sale) to the last account on the list. QFS will provide information regarding its allocation procedure to any broker that is executing a block order in order to permit the broker appropriately to assign the resulting trades to client accounts. “Partial” fills will be allocated proportionally to the accounts in the list, based on the full order allocation.

As an alternative, QFS may employ a procedure that allocates fills based on an average price, when the particular exchanges in question support such a method with respect to particular futures contracts.

It is generally the policy of QFS that client accounts will keep all gains (and bear any losses) that result from a trade error, unless the trade error is caused by an act or omission that was (i) not performed or omitted in good faith in the reasonable belief that such act or omission was in, or was not opposed to, the best interests of the client, or (ii) performed or omitted as a result of gross negligence or intentional misconduct. Investment advisory agreements with particular Managed Account clients may vary this policy.

ITEM 13

REVIEW OF ACCOUNTS

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

Reviews of client accounts are performed at least daily by different departments within QFS's organization. Accounting and operations personnel review all accounts daily and reconcile transactions and investment positions. The trading group reviews accounts daily to ensure proper implementation of trading strategies, with further daily supervisory review. Research and risk management personnel review accounts in order to obtain optimum expected returns in relation to various risk factors and criteria. Work related to research and risk management is reviewed on an ongoing basis by the Managing Director of Research and the Chairman. Reviews are based upon existing written policies and procedures designed to facilitate the timely and accurate performance of job functions within QFS's organization.

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

A review of a client account may be triggered by any unusual activity or special circumstances.

C. Content and Frequency of Account Reports to Clients.

QFS generally provides reports to clients on a monthly basis, or more frequently upon request. For Fund investors, those reports may include a statement of the investor's net asset value or capital account balance and the particular Fund's performance for the relevant period. Investors in the Funds receive annual audited financial statements in respect of the applicable Funds within 90 days of the applicable Fund's fiscal year end. Fund investors also receive monthly and quarterly market summaries, with certain performance attribution information, and a quarterly narrative of QFS's view of markets and the Fund's performance.

For a Managed Account client, such reports may also include position and performance attribution reports.

QFS may provide certain investors with information on a more frequent and detailed basis if agreed to by QFS. While all 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 the Fund and possibly affect such investor's decision to request a redemption from the Fund.

ITEM 14
CLIENT REFERRALS AND OTHER COMPENSATION

A. Economic Benefits for Providing Services to Clients.

QFS does not receive any economic benefit from non-clients for providing investment advice or other advisory services to QFS's clients.

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

QFS has entered into a number of client solicitation agreements with third parties, pursuant to which QFS pays such parties certain compensation for the referral of Managed Account clients and/or investors in a Fund. Such compensation includes a portion of the management and incentive fees received by QFS in respect of the clients referred pursuant to the agreements.

ITEM 15

CUSTODY

With respect to the Funds, QFS is deemed to have custody of client funds and securities because it has the authority to obtain client funds or securities, for example, by deducting advisory fees from a client's account or otherwise withdrawing funds from a client's account. Account statements related to the Funds are sent by qualified custodians to QFS.

QFS 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 days of the end of its fiscal year.

ITEM 16

INVESTMENT DISCRETION

QFS accepts discretionary authority to manage accounts on behalf of clients (other than its risk advisory and overlay clients). For the Funds, any limits placed on that discretion are disclosed in the Funds' offering memoranda and other governing documents; they are not subject to negotiation with individual Fund investors. Those limits typically include restricting the Fund to a particular QFS investment program, and limiting the Fund to certain types of financial instruments.

Managed Account clients may negotiate such limits individually with QFS. Those clients may impose the same restrictions as apply to the Funds, and they may impose other limits (such as portfolio risk levels, leverage or exposure to particular counterparties).

All such discretionary authority (and any related limitations) will be reflected in writing; in the case of a Fund, it is reflected in the Funds' own governing documents; in the case of a Managed Account client, it will be reflected in an investment management agreement negotiated with the client and signed by both the client and QFS before trading begins, as well as any written instructions provided by the client to QFS.

QFS or an affiliate of QFS entered into an investment management agreement, or similar agreement, with each Fund or beneficial owner of each Managed Account, pursuant to which QFS or an affiliate of QFS was granted discretionary trading authority.

ITEM 17
VOTING CLIENT SECURITIES

A. Policies and Procedures Relating to Voting Client Securities.

The instruments traded by QFS generally do not give rise to QFS exercising proxy voting authority over securities.

B. No Authority to Vote Client Securities and Client Receipt of Proxies.

Not applicable

ITEM 18
FINANCIAL INFORMATION

QFS 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 clients, and has not been the subject of a bankruptcy petition at any time during the past ten years.