

**ITEM 1**  
**COVER PAGE**

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

**GLG Ore Hill LLC**

March 30, 2012

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This brochure (this “Brochure”) provides information about the qualifications and business practices of GLG Ore Hill LLC (“the Registrant”). If you have any questions about the contents of this Brochure, please contact us at (212) 389-2333 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 (“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 is also available on the SEC’s website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **ITEM 2**

### **MATERIAL CHANGES**

The Registrant's last update to its Brochure was dated August 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

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## **ITEM 4**

### **ADVISORY BUSINESS**

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

GLG Ore Hill LLC, a Delaware corporation with its main office in New York City ("Registrant"), was established in April 2002 by Benjamin Nickoll and Fredrick Wahl, and provides advisory or sub-advisory services to U.S. or non-U.S. separately managed accounts ("SMAs"), or pooled investment vehicles ("Funds") on a discretionary basis (collectively, "Clients"). The principal owner of the Registrant is Man Litchfield, Inc. which 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 plc, 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.

##### **1. Funds**

One or more of the Registrant's Clients are hedge funds included in master-feeder structures. Within such a structure, so-called "feeder funds" ("Feeder Funds") and/or "mini-master funds" ("Mini-Master Funds"), as applicable, accept investments directly from qualified investors and invest on an equity basis substantially all of their respective assets (subject to certain exceptions), either directly or (through a Mini-Master Fund) indirectly, as applicable, in a "master fund" ("Master Fund"). The Master Funds are wholly owned by the relevant Feeder Funds and (if any) Mini-Master Funds. Through such a structure, substantially all of the trading and investing activities of the Feeder Funds and Mini-Master Funds (collectively, "Investor-Facing Funds") are consolidated at the Master Fund level, thereby achieving administrative and cost efficiencies as well as allocation equities for the Investor-Facing Funds. A Master Fund generally does not offer or sell shares or other equity interests directly to third-party investors. Eligible investors can gain access to a Master Fund's trading and performance only through investment in an Investor-Facing Fund.

The shares or limited partnership interests of the Registrant's Funds are not registered under the Securities Act of 1933, as amended (the "Securities Act"), nor are any such Funds registered under the Investment Company Act of 1940, as amended (the "Company Act"). Accordingly, interests or shares in the Investor-Facing Funds are offered and sold exclusively to investors satisfying applicable eligibility and suitability requirements, either in private transactions within the United States, in "offshore transactions" outside the United States, and/or in other transactions exempt from the registration requirements of the Securities Act.

Investor-Facing Funds may issue several classes or series of interests or shares, of which each class or series may be subject to different fee terms, "lock-up" periods and/or

ongoing redemption restrictions (among other terms and conditions). Upon written notice, an investor may redeem shares or make withdrawals of capital accounts subject to any applicable restrictions, which are generally described in the relevant Investor-Facing Fund's private placement or offering memoranda (each, a "PPM").

Each Fund's investment management agreement with the Registrant is expected to remain in effect throughout the life of such Fund. However, in certain cases the Registrant and a Fund have the right to terminate their investment management agreement at any time upon the giving of certain specified minimum advance notice to the other party or parties thereto. GLG Ore Hill Capital Management LLC (the "Sponsor"), in its capacity as either general partner or managing member of certain of the domestic Feeder Funds managed by the Registrant, may have certain additional rights to terminate an investment management agreement in the event of bankruptcy or insolvency, material breach by the other party or parties, or the inability of the other party or parties to perform services for regulatory reasons.

## **2. Separately Managed Accounts**

The investment objectives and terms of management of each SMA is generally outlined in the investment management agreement between the Registrant and such SMA, which agreements are separately negotiated and entered into with each SMA owner or adviser. These agreements are generally terminable by the SMA's owner(s) or adviser(s), subject to prior notification.

## **3. Side Letters**

From time to time the Sponsor and/or the Registrant may enter into side letter agreements with certain Fund investors. Such side letters generally provide for one or more terms of investment that may differ from those described in the relevant Funds' PPMs, including the following: granting "most favored nation" status; providing notification of certain material events; modifying liquidity terms; granting reduced fees; granting enhanced transparency; and granting special reporting rights.

The Registrant may utilize the operational, risk management, proxy voting, information technology and other capabilities of its affiliate GLG Partners LP in providing services to its clients. GLG Partners LP is an Exempt Reporting Adviser with the SEC and is authorized and regulated by the Financial Services Authority in the United Kingdom.

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

Please see Item 8 herein.

*This Brochure generally includes information about the Registrant 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 and other exemptions of similar import under U.S. state laws and the laws of other jurisdictions where any offering may be made. Shares in Funds organized in non US jurisdictions (the "non-US Funds") are offered on a private placement basis to U.S. tax-exempt entities, and in accordance with Regulation S of the Securities Act with respect to non-U.S. persons, and subject to certain other conditions, which are fully set forth in the PPM for the non-US Funds. The interests in the Funds that are organized in a US jurisdiction (the "US Funds") are offered on a private placement basis, pursuant to Section 3(c)(7) of 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 PPMs for the US 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 Clients**

The Registrant's investment decisions and advice with respect to each Fund are subject to the Fund's investment objectives and guidelines, as set forth in its PPMs. Similarly, the Registrant's investment decisions and advice with respect to each SMA are subject to each SMA's investment objectives and guidelines, as set forth in the SMA's investment management agreement, as well as any written instructions provided by the beneficial owner to the Registrant.

A Fund may issue classes, sub-classes, tranches, sub-tranches and/or series (or sub-series) of shares or interests, as applicable, in the future (or enter into "side letter" agreements with certain investor(s) that alter, modify or change the terms of the shares or interests, as applicable, held by the investor(s)), which may differ from the shares or interests, as applicable, currently offered by the Fund in terms of, among other things, the performance compensation, the management fees, redemption rights (including redemption dates and notice periods), minimum and additional subscription amounts, informational rights and other rights. New classes, sub-classes, tranches, sub-tranches and/or series (or sub-series) of shares or interests, as applicable, may be issued (or "side letter" agreements may be entered into) by a Fund's board of directors, in its sole discretion, on behalf of the Fund, in consultation with the Registrant, in the case of a non US Fund, or by the Registrant and/or Sponsor, in the case of a US Fund, without providing prior notice to, or receiving consent from, existing investors. The terms of such classes, sub-classes, tranches, sub-tranches and/or series (or sub-series) or "side letter" agreements will be determined by the board of directors, in its sole discretion, in consultation with the Registrant, in the case of a non-US Fund, or by the Registrant and/or sponsor, in the case of a US Fund. In general, a Fund will not be required to notify investors of any such "side letter" agreements or any of the rights and/or terms or provisions thereof, nor will a Fund be required to offer such additional and/or different rights and/or terms to any or all of the other investors.

**D.     Wrap Fee Programs**

The Registrant does not participate in wrap fee programs.

**E.     Assets Under Management**

The Registrant manages approximately \$1.894 billion in regulatory assets under management on a discretionary basis as of December 31, 2011.



## ITEM 5

### FEES AND COMPENSATION

The Registrant does not maintain a basic fee schedule. Fees for each Client are determined on a case-by-case basis. The following is a description of the types of fees the Registrant generally charges its Clients:

#### A. Advisory Fees and Compensation

##### 1. Funds

Compensation received by the Registrant and/or the Sponsor generally comprises fees based on a percentage of assets under management and performance-based amounts. Investor-Facing Funds may issue one or more classes or series of interests or shares, which may be subject to different management fee rates and/or performance-based fee (or allocation) rates. Details concerning such fee terms are generally described in the relevant Investor-Facing Fund's PPM.

Specific fees may be charged at the Master Fund, or Mini-Master Fund (if any) or Feeder Fund level. In any case, investors are not charged additional fees payable to the Registrant or the Sponsor for the investments made by their Feeder Fund into a Master Fund or Mini-Master Fund. However, to the extent that a Master Fund may invest in an unaffiliated pooled investment vehicle or separately managed account, investors may indirectly bear the additional management and/or incentive fees charged to the Master Fund.

The Registrant currently charges its Investor-Facing Funds management fees ranging from 0.75% to 1.50% (depending on the specific Fund or class or series of interests or shares owned by the investor) per annum based on the value of the investor's capital account or shares, as applicable ("Management Fees"). Management Fees are paid calendar quarterly and are generally pro-rated for any investments made during the middle of a calendar quarter. For certain Investor-Facing Funds, Management Fees are not refunded if the investor withdraws capital from the account or redeems shares, as applicable, prior to the end of a calendar quarter (which generally can occur only with the consent of the Sponsor or the Fund's Directors, as applicable) or if the relevant Fund terminates prior to the end of a calendar quarter. The Registrant may in the future determine to offer interests, shares or other units of investment in new or existing Funds subject to greater or lesser Management Fees.

In addition to Management Fees, the Registrant or the Sponsor is generally entitled to receive performance-based fees or incentive equity allocations and/or carried interest distributions ("Incentive Fees") based upon a percentage of the total positive investment return (realized and/or unrealized) over a fixed or floating measurement period, and as of the date of an investor's withdrawal or redemption of its investment. Incentive Fees for the Funds range from 10% to 20% (depending on the specific Fund or class or series of interests or shares owned by the investor) of such return. In the case of certain investments, the Manager receives no

Incentive Fee if the investor's annual rate of return (after deducting expenses and Management Fees and Incentive Fees) is less than or equal to a certain percentage "hurdle rate."

All arrangements whereby the Registrant or the Sponsor receives compensation based on a share of capital gains or capital appreciation comply with the requirements of Rule 205-3 under the Investment Advisers Act of 1940, as amended (the "Advisers Act"). Performance-based compensation may create an incentive for the Registrant to make investments that are riskier or more speculative than would be the case in the absence of a right to performance-based compensation. Refer to Item 6 below.

The Registrant and the Sponsor may from time to time in their discretion waive and/or rebate any or all of the Management Fees or Incentive Fees for any investor or series or class of investments without entitling any other investor or series or class to a similar waiver or rebate.

## **2. Separately Managed Accounts**

The fees and expenses charged to the Registrant's SMAs vary depending on the negotiated terms of the investment management agreement with the SMA owner or adviser. Generally, the SMA is charged management fees, performance-based fees and expenses of the types and in the amounts and manner as described above for the Registrant's Funds.

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

Fees and compensation paid to the Registrant or Sponsor by the Funds or to the Registrant by the SMAs that it manages are generally paid by the client from its assets. Management fees are generally paid on a quarterly basis in either arrears or in advance and the performance compensation is generally paid annually or at the time of a redemption or withdrawal, as applicable.

### **C. Additional Fees and Expenses**

In addition to Management Fees and Incentive Fees, investors are responsible for their pro rata portion of the operating and administrative fees and expenses charged to the relevant Fund as specified in its PPM. The types and amounts of these fees and expenses may vary, but typically include: legal/compliance expenses; audit, accounting and tax preparation fees and expenses; insurance costs and expenses; interest expense; administrative, custodial, and transaction fees, costs and commissions paid to custodians, brokers and other third parties; directors fees; and third party fees and expenses relating to investment research.

The Registrant may also invest Fund assets in investments that charge additional fees or are subject to additional allocations. 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. If the Fund invests in any affiliated fund, the performance compensation and management fee, but not the administrative fee (if any), will generally be waived by such affiliated fund.

A Fund may also pay certain other costs and expenses incurred in its operation, including without limitation, withholding taxes that may arise on financial instruments, securities, registration fees and other expenses due to regulatory, supervisory or fiscal authorities in various jurisdictions, insurance, promotional and marketing expenses and all professional and other fees and expenses in connection therewith and the cost of publication of the net asset value of the Fund's shares, if applicable.

The Registrant's employees may invest in one or more Funds. The Registrant's employees may or may not be charged a management fee and may or may not be subject to performance based compensation by the Funds. In addition, the Registrant may charge employees a discounted fee or allocation in its sole discretion.

Each SMA may bear certain of the fees and expenses described above. The expenses borne by an SMA are set forth in the SMA's investment management agreement.

## **ITEM 6**

### **PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

As stated in the “Fees and Compensation” section above, the Registrant and/or the Sponsor charges performance-based fees that are generally based on the capital gains on or capital appreciation of its Client’s assets. The fact that the Registrant or the Sponsor is compensated based on trading profits may create an incentive for the Registrant to make investments on behalf of Clients that are riskier or more speculative than would be the case in the absence of such compensation. In addition, for certain Clients the performance-based fees are based on both realized and unrealized gains and losses. As a result, the performance-based fees earned by the Registrant or the Sponsor could be based on unrealized gains that Clients or their investors may never realize.

## **ITEM 7**

### **TYPES OF CLIENTS**

The Registrant provides investment advice to separately managed accounts and several collective investment vehicles, including private investment partnerships and foreign investment companies.

Investors wishing to purchase an interest in a Fund must meet its suitability criteria as set forth in its PPM and/or subscription documents. A Fund investor is generally required to be a “qualified purchaser” as defined in the Company Act or a “non-U.S. person” as defined in Regulation S under the Securities Act. SMA owners/investors are generally required to be “accredited investors” and/or “qualified institutional buyers” as defined under the Securities Act. 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.

## 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 Clients, and investment strategies pursued and investments made by the Registrant on behalf of its Clients, 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 Client's investment objectives and guidelines. The investment strategies the Registrant 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.*

The Registrant's portfolio managers and investment team specialize in researching, analyzing and trading securities and other obligations issued by highly leveraged companies. Their focus lies in identifying under- and over-valued securities and other obligations, and directional and hedged investment and trading opportunities, in all parts of the capital structure of these companies.

The Registrant's focus has historically been credit-focused and event-driven, although on behalf of its Clients the Registrant may engage in a wide range of investment strategies. Depending on the specific investment strategies pursued, on behalf of its Clients the Registrant may invest in one or more of the following: high yield bonds; below-par/distressed bank loans; par/near-par bank loans; debtor-in-possession loans; trade claims/receivables; convertible and municipal bonds; credit default swaps; credit default indexes; preferred and common stock; exchange trade funds; warrants and other rights to purchase shares; equity "stubs"; private investments in public equities transactions; collateralized debt, bond and loan obligations; futures, options, swaps and other derivatives contracts; bridge loans; mezzanine loans; private equity; and real estate and real estate-related securities. On behalf of certain Clients the Registrant may also to a limited extent invest in accounts and funds managed by other investment managers that pursue strategies permitted for that Client.

The Registrant's investment process incorporates proactive information gathering through its information gathering network, which includes a wide range of corporate management teams, portfolio managers, research analysts, investment and commercial bankers, industry and turnaround specialists, bankruptcy attorneys, broker-dealers, other institutional investors, and issuers' suppliers, customers and competitors. In addition, the Registrant conducts extensive primary fundamental research incorporating information derived from these network

sources in an effort to identify and execute investment opportunities. The Registrant may also analyze information obtained directly from inspections of corporate facilities and meetings with corporate management.

The Registrant also employs internally developed proprietary financial models that include projections, discounted cash flow analyses, covenant compliance stress tests, risk/reward analyses, probability weighted return targets and time-horizon analysis. Approximate correlation estimates to major markets are also utilized. The Registrant utilizes these proprietary models and other non-proprietary tools as part of an overall investment process designed to help to ensure that each Client's portfolio is consistent with its targets, overall investment and strategy limits and other risk parameters. The Registrant's investment programs are speculative and entail investment and market-related risks. There can be no assurance that Client's investment objectives will be achieved. The Client's activities could result in substantial losses under certain circumstances. Investing in securities involves risk of loss that Clients should be prepared to bear.

## **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 a Fund or SMA. The term "Accounts" refers to SMAs and the Funds.

*The following risk factors may not be applicable to all Accounts. Investments are speculative and involve a substantial degree of risk, including the risk that an investor could lose some or all of its principal. 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 PPM. 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 clients managed or advised by the Registrant.*

### **Risks of Investments in Securities Generally**

Investing in securities involves risks, including the risk that the entire amount invested may be lost. On behalf of its Accounts, the Registrant invests in and actively trades securities and other financial instruments using investment techniques with certain risk characteristics, including, without limitation, risks arising from the volatility of the debt and equity markets, risks particular to emerging markets, the risks of borrowings, the potential illiquidity of securities and other financial instruments and the risk of loss from counterparty defaults. No guarantee or representation is made that an Account's investment objective will be achieved. The Registrant may utilize such investment techniques as leverage and margin transactions, limited diversification and options and derivatives trading, which practices can, in certain circumstances, increase the adverse impact to which the Accounts may be subject.

### **General Market Risks**

The success of any investment activity is affected by general economic and market conditions, including interest rates, which may affect the level and volatility of financial instruments and the extent and timing of investor participation in the fixed-income and securities markets. Unexpected volatility or illiquidity in the markets in which the Accounts hold positions could impair the Registrant's ability to carry out the Accounts' business or cause the Accounts to incur losses.

### **Current Volatile Markets**

The market for various contracts and instruments to be traded by the Registrant has been extremely volatile in recent years. During parts of that period, prices and spreads for certain such contracts and instruments moved to historic levels, and many markets had very limited liquidity. The Registrant believes that these market conditions present attractive opportunities, but they also present the risk of large losses, illiquidity of positions and difficulty in marking positions.

### **Market Disruptions; Governmental Intervention; Short Selling Ban**

The global financial markets are currently undergoing pervasive and fundamental disruptions, which have led to extensive and unprecedented governmental intervention. Such intervention has in certain cases been implemented on an "emergency" basis, suddenly and substantially eliminating market participants' ability to continue to implement certain strategies or manage the risk of their outstanding positions. In addition, these interventions have been difficult to interpret and are unclear in scope and application, resulting in confusion and uncertainty that in itself has been materially detrimental to the efficient functioning of financial markets as well as previously successful investment strategies.

The massive assistance given to financial institutions since 2008 is the largest governmental intervention in the history of the U.S. financial markets. In connection with this "bailout," the U.S. Congress (as well as other governments) has already adopted significant new restrictions and likely will require that further new restrictions be applied to the U.S. financial markets, including to private investment funds. Such restrictions may have a material adverse impact on both the future competitiveness of the markets as well as the profit potential of the Accounts.

The interim global prohibition on short-selling financial sector stocks imposed during the current financial crisis resulted in certain strategies becoming non-viable literally overnight. Short-selling is an integral component of many relative value alternative investment strategies that have little or no effect on the absolute price level of the underlying equities and should, accordingly, not be subject to the short-selling ban. However, such strategies were generally not exempted from the ban, causing dramatic losses for certain groups of investors.

A number of countries have imposed bans on short-selling, typically on an "emergency" basis, making it impossible for numerous market participants either to continue to implement their strategies or to control the risk of their open positions. Any ongoing regulatory limitations on short-selling resulting from the current market disruptions could materially



adversely affect the Registrant's ability to implement its strategies for the benefit of the Accounts.

The Accounts may incur major losses in the event of disrupted markets and other extraordinary events in which historical pricing relationships become materially distorted. The risk of loss from pricing distortions 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 financing available to the Accounts from their banks, broker-dealers and other counterparties would be expected to be reduced in disrupted markets, and such a reduction could result in substantial losses to the Accounts. Market disruptions could from time to time cause dramatic losses for the Accounts, and such events could result in otherwise historically low-risk strategies performing with unprecedented volatility and risk.

It is impossible to predict what additional interim or permanent governmental restrictions may be imposed on financial markets and/or the effect of such restrictions on the Accounts' strategies. However, the Registrant believes that there is a high likelihood of significantly increased regulation of financial markets, and that such increased regulation could be materially detrimental to the Accounts.

### **Additional Government or Market Regulation**

Market disruptions and the dramatic increase in the capital allocated to alternative investment strategies during the past decade have led to increased governmental as well as self-regulatory scrutiny of the "hedge fund" and financial services industry in general. Certain legislation proposing greater regulation of the industry, such as the recently enacted Dodd-Frank Reform Act, is considered periodically by the U.S. Congress, as well as governing or regulatory bodies of non-U.S. jurisdictions. It is impossible to predict what, if any, changes in the regulations applicable to the Accounts, the Registrant, the markets in which they trade and invest or the counterparties with which they do business may be instituted in the future. Any such laws or regulations could have a material adverse impact on the profit potential of the Accounts, as well as require increased transparency as to the identity of the shareholders.

### **Securities Issued Outside the U.S.**

The Registrant, on behalf of the Accounts, may trade and invest in securities of companies domiciled or operating outside of the U.S. Investing in these securities involves considerations and possible risks not typically involved in investing in securities of companies domiciled and operating in the U.S., including instability of some governments, the possibility of expropriation, limitations on the use or removal of funds or other assets, changes in governmental administration or economic or monetary policy (in the U.S. or abroad) or changed circumstances in dealings between nations. The application of tax laws applicable outside the U.S. (e.g., the imposition of withholding taxes on interest payments, income taxes and excise taxes) or confiscatory taxation may also affect the Accounts' investments. The Accounts may incur higher expenses with respect to investments made outside the U.S. compared to investing in U.S. securities because of the costs incurred in connection with conversions between various currencies and the fact that brokerage commissions outside the U.S. may be higher than

commissions in the U.S. Non-U.S. markets also may be less liquid, more volatile and less subject to governmental supervision than in the U.S.

In investing and trading in securities of non-U.S. companies, the Accounts may be subject to a number of other risks, including inadequate investor protection, contradictory legislation, incomplete, unclear and changing laws, unknowing breaches of regulations on the part of other market participants, lack of established or effective avenues for legal redress, lack of standard practices and confidentiality customs, and lack of enforcement of existing regulations. This difficulty in protecting and enforcing rights may have a material adverse effect on the Accounts and their performance. Furthermore, it may be difficult to obtain and enforce a judgment in a court outside of the U.S. Regulatory controls and corporate governance of companies may confer little protection on investors. For example, anti-fraud and anti-insider trading legislation, and the concept of fiduciary duty, may be less developed or limited.

### **Suspensions of Trading**

Securities exchanges typically have the right to suspend or limit trading in any instrument traded on the exchanges. Any such suspension could result in similar disruptions in other capital markets and may render it difficult or impossible for the Registrant to liquidate positions, which could expose the Accounts to losses.

### **Counterparty and Institutional Risk**

The financial institutions, including banks and brokerage firms, with which the Registrant will trade and invest may encounter financial difficulties that impair the operational capabilities or the capital position of the Accounts. Capital owed by or deposited with certain non-U.S. broker-dealers may not be subject to client money protection rules, and in the event of a counterparty insolvency the Accounts may be an unsecured creditor with respect to such capital. In addition to the risk of a counterparty default, there also is the risk that major institutional investors in the Accounts could be compelled to redeem their funds from the Accounts, or that the Accounts' counterparties may be required to restrict the amount of credit granted to the Accounts due to their own financial difficulties, which could result in forced liquidation of substantial portions of the Accounts' portfolio. The financial problems at Bear Stearns, Lehman Brothers, AIG and other well-known financial institutions illustrate these risks.

### **OTC Contracts, Counterparty Risk and Contract Terms**

The swaption, option and other derivative contracts that are expected to make up some of the Accounts' investment assets will generally be over-the-counter ("OTC") bilateral agreements entered into by the Registrant, on behalf of the Accounts, with counterparty financial institutions, such as banks and brokerage firms. Such contracts are not guaranteed by an exchange or clearinghouse. Therefore, a default by the contract counterparty may result in a loss to the Accounts equal to the value of unrealized profits on the contract. In addition, while the markets for such contracts are not currently regulated, they may in the future become subject to regulation under the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Reform Act"), a development which may entail increased costs and result in burdensome reporting requirements.

The notional amounts of risk to which the Accounts may gain exposure under OTC contracts may be quite substantial relative to the Accounts' investments therein (*i.e.*, the contract premiums paid). Consequently, the potential investment gain that may be achieved if negative macro credit conditions occur within the Accounts' investment time horizon has the potential to exceed the capital invested by the Registrant, on behalf of the Accounts, in entering these positions. Any such investment appreciation would generally be realized by the Accounts through cash settlement, or the payment of the appreciated amount by the counterparty(ies). In order to manage and limit the risk to the Accounts of counterparty default in respect of these contracts, the Registrant intends to utilize multiple banks and/or broker-dealers as counterparties to its portfolio investment contracts. However, there can be no assurance that the Accounts will be successful in establishing contractual and trading relationships with a sufficient number of financial institutions of sufficient credit quality to avoid or mitigate this risk.

OTC contracts will generally be governed by International Swaps and Derivatives Association, Inc. ("ISDA") master agreements entered into by the Accounts with counterparty financial institutions. These ISDA master agreements typically permit the counterparty to unilaterally terminate early, unwind and liquidate the derivative contracts (*i.e.*, trades and investments) entered into thereunder upon the occurrence of certain defined events. Those events oftentimes include declines in a fund's net asset value, due to performance and/or redemptions, above certain levels over an annual, quarterly and/or monthly period. The risk of the occurrence of such a "termination event" is heightened for an investment product, such as the Accounts, whose investment portfolio comprises contracts and instruments whose prices may be particularly volatile. In the event of such an occurrence and a counterparty's exercise of its early termination rights, the Accounts' open contract positions with such counterparty could be liquidated against the Registrant's wishes, at a price or prices that may be discounted from their net asset value as determined in accordance with the valuation policies, and/or at a time when further appreciation or profit may have been realizable but for such termination. The Registrant will seek to mitigate the consequences of such termination events; however, there can be no assurances in this regard.

### **Interest Rate Risk**

The value of any short positions with respect to the fixed-rate securities as to which the Accounts may obtain exposure will generally have a direct relationship to interest rates. Accordingly, if interest rates fall the value of such short positions will generally also fall. Although rising interest rates would generally result in increased values of such short positions, any long fixed-rate securities positions would be negatively impacted by rising rates. In addition, to the extent any specific long-exposure fixed-rate securities are pre-payable without penalty or premium, the value of such securities may be further negatively affected by increasing prepayments, which generally occur when interest rates decline.

### **Currency Exchange Exposure and Currency Hedging**

Because the Registrant, on behalf of the Accounts, will invest in contracts or instruments that will be denominated or quoted in or relate to non-U.S. currencies, whereas the functional currency of the Accounts are denominated in U.S. Dollars, performance may be significantly affected, either positively or negatively, by fluctuations in the relative currency

exchange rates and by exchange control regulations. To the extent the Registrant seeks to hedge the Accounts' currency exposure, it may not always be practicable to do so. Moreover, hedging may not alleviate all currency risks. Furthermore, the Accounts may incur costs in connection with conversions between various currencies. Currency exchange dealers realize a profit based on the difference between the prices at which they can buy and sell their currencies. Thus, a dealer normally will offer to sell currency to the Accounts at one rate, while offering a lesser rate of exchange should the Registrant desire immediately to resell that currency to the dealer. The Registrant may conduct its currency exchange transactions either on a spot (*i.e.*, cash) basis at the spot rate prevailing in the currency exchange market, or through entering into a number of different types of hedging transactions including, without limitation, forward, futures or commodity options contracts to purchase or sell currencies, and entering into foreign currency borrowings. Such contracts involve a risk of loss if the Registrant fails to predict accurately the direction of currency exchange rates.

There can be no assurance that contracts or instruments suitable for hedging currency shifts will be available at the time(s) the Registrant may wish to use them or that such positions will be able to be liquidated when the Registrant may wish to do so. The Registrant may choose not to enter into hedging transactions with respect to some or all of its positions that are exposed to currency exchange risk.

### **Spread Trading and Hedging Risks**

The Registrant may engage in arbitrage strategies that involve taking advantage of the relative price disparities between two or more instruments or exposures. To the extent the price relationships between such positions remain constant, no gain or loss on the positions will occur. Such positions do, however, entail a substantial risk that the price differential could change unfavorably.

### **Hedging**

Hedging techniques involve one or more of the following risks: (i) imperfect correlation between the performance and value of the hedging positions and the value of the hedged Accounts positions or other objective of the Registrant; (ii) possible lack of a secondary market for closing out the hedging position; (iii) losses resulting from interest rate, spread or other market movements not anticipated by the Registrant; (iv) the possible obligation to meet additional margin or other payment requirements in connection with the hedging positions, all of which could worsen the Accounts' performance; and (v) default or refusal to perform on the part of the hedging position counterparty. Furthermore, to the extent that any hedging strategy involves the use of OTC derivatives transactions, such a strategy would be affected by implementation of the various regulations adopted pursuant to the Dodd-Frank Reform Act.

The Registrant will not, in general, attempt to hedge all market or other risks inherent in the Accounts' positions, and will hedge certain risks, if at all, only partially. Specifically, the Registrant may choose not, or may determine that it is economically unattractive, to hedge certain risks, either in respect of particular portfolio positions or the Accounts' overall portfolio. The Accounts' portfolio composition will typically result in various directional market risks that are purposely unhedged. The Registrant may rely on diversification

to control such risks to the extent that the Registrant believes it is desirable to do so; however, the Accounts are not subject to formal diversification policies.

The ability of the Accounts to hedge successfully will depend on the ability of the Registrant to predict pertinent market movements, which cannot be assured. The Registrant is not required to hedge and there can be no assurance that hedging transactions will be available or, even if undertaken, will be effective. In addition, it is not possible to hedge fully or perfectly against certain risks, such as currency fluctuations and counterparty credit risk. Furthermore, by hedging a particular position, any potential gain from an increase in the value of such position may be limited.

### **Leverage**

Aside from the leverage that is embedded in a portfolio of options contracts, the Registrant, on behalf of the Accounts, may obtain leverage through other sources, such as total return swaps, margin accounts and repurchase agreements. Leverage increases the magnitude of both profits and losses. The more the Registrant leverages the Accounts, the more likely a substantial change will occur, either up or down, in the value of the shares. Furthermore, the credit extended to the Accounts by dealers to permit it to maintain its leveraged positions can generally be terminated by such dealers largely in their discretion, forcing liquidation of such positions at potentially material losses. Financing arrangements often contain mark-to-market provisions that can result in margin calls, which under certain circumstances could materially and adversely affect the Accounts.

### **Swaps and Swaptions**

The Registrant, on behalf of the Accounts, may from time to time enter into various swaption, option and/or other derivative contracts, relating to interest rates, currencies, indices, credit risks, commodities, securities, prices, investment fund interests or other items. A swap transaction is an individually negotiated, non-standardized agreement between two parties to exchange cash flows (and sometimes principal amounts) measured by different interest rates, commodity prices, exchange rates, indices or prices, with payments generally calculated by reference to a principal (or "notional") amount or quantity. A swaption is a contractual option to enter into a swap contract where the seller (or "writer") of the option grants the right to exercise the option to the buyer, who pays a premium for such right. It is a similarly bilaterally negotiated contract. Swap and swaptions contracts and similar derivative contracts are not currently traded on exchanges; rather, banks and dealers act as principals in these markets and they are thus considered "OTC." As a result, the Accounts are subject to the risk of the inability or refusal to perform with respect to such contracts on the part of the counterparties with which the Registrant may trade. Speculative position limits are not currently applicable to swap or swaptions transactions, although the counterparties with which the Registrant may trade may limit the size or duration of positions available to the Accounts as a consequence of credit considerations. Participants in the swap and swaption markets are not required to make continuous markets in the contracts they trade. The recently enacted Dodd-Frank Reform Act includes provisions that comprehensively regulate the OTC derivatives markets for the first time. While the Dodd-Frank Reform Act is intended in part to reduce certain of the risks described

above, its success in this respect may not be evident for some time after the Dodd-Frank Reform Act is fully implemented, a process that may take several years.

## **Options**

Trading options is highly speculative and may entail risks that are greater than investing in other securities. Prices of options are generally more volatile than prices of other securities. In trading options, the Registrant may speculate on market fluctuations of securities and securities exchange indices while investing only a small percentage of the value of the securities underlying such option. A change in the market price of the underlying securities or underlying market index will cause a much greater change in the price of the option contract. In addition, to the extent that the Registrant purchases options that it does not sell or exercise, the Accounts will suffer the loss of the premium paid in such purchase. To the extent the Registrant sells options and must deliver the underlying securities at the option price, the Accounts have a theoretically unlimited risk of loss if the price of such underlying securities increases. If the Registrant must buy those underlying securities, the Accounts risk the loss of the difference between the market price of the underlying securities and the option price. Any gain or loss derived from the sale or exercise of an option will be reduced or increased, respectively, by the amount of the premium paid. The expenses of option investing include commissions payable on the purchase and on the exercise or sale of an option. Furthermore, the risk of nonperformance by the obligor on an option may be greater and the ease with which the Registrant can dispose of such an option may be less than in the case of an exchange traded option.

With respect to OTC options (*i.e.*, those with respect to securities or other items that are not traded on a securities exchange and are not issued or cleared by an internationally recognized clearing corporation), the risk of nonperformance by the obligor on such an option may be greater, and the ease with which the Registrant can dispose of such an option may be less, than in the case of an exchange traded option issued by an internationally recognized clearing corporation.

## **Insufficient Investment Opportunities**

If and to the extent that negative macro credit conditions begin to become realized, the Registrant may not be able to identify and obtain a sufficient number of investment opportunities to invest the full amount of the Accounts' capital on sufficiently attractive terms. If the Registrant determines that the Accounts' strategies are no longer viable, the Registrant may liquidate the Accounts or change the Accounts' strategies, but may change the strategies only after providing investors with notice and an opportunity to redeem from the Accounts.

## **Importance of Market Judgment**

The discretionary market judgment of the Registrant's investment professionals is integral to the implementation of its strategies. Discretionary action by the Registrant's investment professionals is subject to the risk of bad judgment and emotionalism.

### **No Rigid Diversification Policies**

Although diversification is an integral part of the Registrant's overall portfolio risk management process, the Accounts are not restricted as to the percentage of its assets that may be invested in any particular issuer, industry, instrument, market or strategy.

### **Strategic Investor**

A very significant portion of certain Accounts capital has been provided by the special limited partner. The special limited partner has the right to withdraw capital on more favorable terms than other limited partners in the event of the departure of one of two key principals of the Registrant or the occurrence of certain legal events affecting the Accounts, Registrant or its principals. Further, even a regular withdrawal by the special limited partner on the same terms as other limited partners could require asset liquidations at disadvantageous times and prices, impair the ability of the Registrant, on behalf of the Accounts, to implement its investment program or even lead to the termination of the Accounts. The special limited partner also has the right to receive certain enhanced information rights, which could give the special limited partner an advantage in determining whether to make subscriptions to or withdrawals from the Accounts.

### **Designated Investments**

Certain Accounts committed a portion of their capital to designated investments ("DI", in which only DI Investors participate through their series S LP Interests. These designated investments are highly illiquid, and DI Investors will not receive any proceeds from designated investments until the occurrence of a realization event with respect thereto. Thus, DI Investors are likely to encounter substantial delays in receiving any withdrawal proceeds in respect of their series S LP Interests. The risk of loss associated with such designated investments will remain solely with such DI Investors.

### **Custody Risk**

Institutions, such as brokerage firms or banks, will have custody of a portion of the Accounts' assets. These assets are often registered in "street name," not in the Accounts' name. Bankruptcy or fraud at one of these institutions could impair the operational capabilities or the capital position of the Accounts. The Registrant, on behalf of the Accounts, will attempt to limit its investment transactions to well-capitalized and established banks and brokerage firms in an effort to mitigate such risks.

### **OTC Transactions**

The Dodd-Frank Reform Act includes provisions that comprehensively regulate the OTC derivatives markets for the first time. The Dodd-Frank Reform Act will require that a

substantial portion of OTC derivatives be executed in regulated markets and submitted for clearing to regulated clearinghouses. OTC trades submitted for clearing will be subject to minimum initial and variation margin requirements set by the relevant clearinghouse, as well as possible SEC- or the Commodity Futures Trading Commission ("CFTC") mandated margin requirements. The regulators also have broad discretion to impose margin requirements on non-cleared OTC derivatives. Although the Dodd-Frank Reform Act includes limited exemptions from the clearing and margin requirements for so-called "end-users," the Registrant does not expect to be able to rely on such exemptions. In addition, the OTC derivative dealers with which the Registrant, on behalf of the Accounts, may execute the majority of its OTC derivatives will not be able to rely on the end-user exemptions under the Dodd-Frank Reform Act and therefore such dealers will be subject to clearing and margin requirements notwithstanding whether the Accounts are subject to such requirements. OTC derivative dealers also will be required to post margin to the clearinghouses through which they clear their customers' trades instead of using such margin in their operations, as they currently are allowed to do. This will further increase the dealers' costs, which costs are expected to be passed through to other market participants in the form of higher fees and less favorable dealer marks.

The SEC and CFTC may also require a substantial portion of derivative transactions that are currently executed on a bilateral basis in the OTC markets to be executed through a regulated securities, futures or swap exchange or execution facility. Such requirements may make it more difficult and costly for investment funds, including the Accounts, to enter into highly tailored or customized contracts and transactions. They may also render certain strategies in which the Accounts might otherwise engage impossible or so costly that they will no longer be economical to implement.

OTC derivative dealers and major OTC derivatives market participants will be required to register with the SEC and/or CFTC. The Accounts or the Registrant may be required to register as major participants in the OTC derivatives markets. Dealers and major participants will be subject to minimum capital and margin requirements. These requirements may apply irrespective of whether the OTC derivatives in question are exchange-traded or cleared. OTC derivatives dealers will also be subject to new business conduct standards, disclosure requirements, reporting and recordkeeping requirements, transparency requirements, position limits, limitations on conflicts of interest and other regulatory burdens. These requirements may increase the overall costs for OTC derivative dealers, which are likely to be passed along, at least partially, to market participants in the form of higher fees or less advantageous dealer marks. The overall impact of the Dodd-Frank Reform Act on the Accounts is highly uncertain and it is unclear how the OTC derivatives markets will adapt to this new regulatory regime.

Although the Dodd-Frank Reform Act will require many OTC derivative transactions previously entered into on a principal-to-principal basis to be submitted for clearing by a regulated clearinghouse, certain of the derivatives that may be traded by the Accounts may remain principal-to-principal or OTC contracts between the Accounts and third parties entered into privately. The risk of counterparty nonperformance can be significant in the case of these OTC instruments, and "bid-ask" spreads may be unusually wide in these heretofore substantially unregulated markets. While the Dodd-Frank Reform Act is intended in part to reduce these risks, its success in this respect may not be evident for some time after the Dodd-Frank Reform



Act is fully implemented, a process that may take several years. To the extent not mitigated by implementation of the Dodd-Frank Reform Act, if at all, the risks posed by such instruments and techniques, which can be extremely complex and may involve leveraging of the Accounts' assets, include: (1) credit risks (the exposure to the possibility of loss resulting from a counterparty's failure to meet its financial obligations); (2) market risk (adverse movements in the price of a financial asset or commodity); (3) legal risks (the characterization of a transaction or a party's legal capacity to enter into it could render the financial contract unenforceable, and the insolvency or bankruptcy of a counterparty could preempt otherwise enforceable contract rights); (4) operational risk (inadequate controls, deficient procedures, human error, system failure or fraud); (5) documentation risk (exposure to losses resulting from inadequate documentation); (6) liquidity risk (exposure to losses created by inability to prematurely terminate the derivative); (7) system risk (the risk that financial difficulties in one institution or a major market disruption will cause uncontrollable financial harm to the financial system); (8) concentration risk (exposure to losses from the concentration of closely related risks such as exposure to a particular industry or exposure linked to a particular entity); and (9) settlement risk (the risk faced when one party to a transaction has performed its obligations under a contract but has not yet received value from its counterparty).

### **Trading and Investment Risks**

The Financial Instruments markets are speculative; prices are volatile; and market movements are difficult to predict. Supply and demand for Financial Instruments change rapidly and are affected by a variety of factors, including interest rates and general trends in the overall economy or particular industrial or other economic sectors. Government actions, especially those of the U.S. Federal Reserve Board, have a profound effect on interest rates, which, in turn, affect the price of Financial Instruments. In addition, a variety of other factors that are inherently difficult to predict, such as domestic and international political developments, governmental trade and fiscal policies, patterns of trade and war or other military conflict, can also have significant effects on such markets. The Registrant may have only limited ability to vary the Accounts' investment portfolio in response to changing economic, financial and investment conditions. No assurance can be given as to when or whether adverse events might occur that could cause significant and immediate loss in the value of the Accounts' portfolio. Even in the absence of such events, investing in and trading Financial Instruments can quickly lead to large losses.

### **Competition**

The investment industry is extremely competitive. In pursuing its investment and trading methods and strategies, the Accounts will compete with commodities and securities firms, including many of the larger investment advisory and private investment firms, as well as institutional investors and, in certain circumstances, market-makers, banks and broker-dealers. In relative terms, the Accounts may have little capital and may have difficulty in competing in markets in which its competitors have substantially greater financial resources, larger research staffs, and more investment professionals than the Accounts have or expect to have in the future. In any given transaction, investment and trading activity by other firms will tend to narrow the

spread between the price at which a Financial Instrument may be purchased by the Registrant, on behalf of the Accounts, and the price it expects to receive upon consummation of the transaction.

### **Brokerage Firms and Custodians May Fail**

The institutions, including the prime brokers and custodians with which the Registrant, on behalf of the Accounts, does business or at which the Accounts' assets are held, may encounter financial difficulties that impair the operational capabilities or the capital position of the Accounts. Recent events in the financial markets have challenged the financial stability of a number of established financial institutions, and have led to the bankruptcy of several such institutions, including Lehman Brothers Inc. and its affiliates. In the event that one of the Accounts' prime brokers becomes bankrupt and/or fails to segregate the Accounts' assets on deposit as required, the Accounts may be subject to a risk of loss. In addition, there can be no guarantee in the event of a prime broker's insolvency that the pool of customer property held by the prime broker pursuant to applicable law will be sufficient to satisfy all customer claims, including those of the Accounts. Further, even if the Accounts do not lose the assets on deposit with one or more prime brokers (or other financial institutions with which the Accounts may deal), the Accounts could incur market losses as a result of financial difficulties at such institutions (including, but not limited to, in situations where the Registrant may be unable to access the assets of the Accounts and/or execute transactions through the prime brokers or other financial institutions in a timely manner). Although the Registrant will attempt to minimize their risk in this area, there is no action that they can take that is completely risk-free. Accounts maintained at a prime broker as margin to collateralize forward and other over-the-counter derivative positions are not segregated and therefore are subject to the claims of the general creditors of the prime broker in the event of its bankruptcy.

### **Regional (Japan) versus Broad International Investing**

Because the Registrant concentrates certain Accounts' investment strategy on a single market, Japan, the Accounts may have a higher volatility than a broadly diversified international fund (which, by investing in many different non-U.S. markets, may offset losses from one region with gains from another at any given time).

### **Japan's Dependence on External Trade**

Although it is expected that Japan's working population will decline each year and, as a result, domestic demand-driven economic growth and consumption will likely, in the opinion of the Registrant, be modest, especially in light of the Japanese government's budget deficit, there can be no assurances that such expectations will be met. Nonetheless, the modest pace of domestic growth may make Japan heavily dependent upon external demand. In such case, the Japanese markets may be more heavily impacted by cyclical movements in the global economy than many other markets.

### **Directional Trading**

Certain of the Accounts' initial core portfolio provide short exposure to the Japanese economy. There can be no assurance that any negative Japanese macro credit conditions will prevail at all or at any time within the Registrant's investment time horizon. In that case or, worse, if Japanese interest rates and JPY prices rally, some Accounts may suffer substantial or complete losses. Directional trading strategies are designed to profit from forecasting absolute price movements in a particular area. Predicting future prices is inherently uncertain, and the losses incurred, if the market moves against a position, will often not be fully hedged. The speculative aspect of attempting to predict absolute price movements is generally perceived to exceed that involved in attempting to predict relative price fluctuations or mispricings.

### **Concentrated Strategy; Dependence on Negative Japanese Macro Credit Conditions**

Certain of the Accounts' portfolio provide short exposure to the Japanese economy primarily through swaptions on JPY Libor and options on the USD/JPY exchange rate. The duration of the contracts that the Registrant initially purchased will be approximately three years; however, the Registrant, in its absolute discretion, may cause the Accounts to utilize different or staggered maturities. Outside of the Accounts' core portfolio, the Registrant may make additional directional investments intended to enhance the Accounts' net short Japanese exposure or to hedge risks associated with the core portfolio. Structural economic and regulatory changes could adversely affect the prospects for such strategy, as could certain general market conditions. The concentrated focus of the Accounts' portfolio may cause their performance to be more volatile and result in its incurring greater losses during unprofitable periods as compared to a more diversified approach.

Over recent years (especially the past two decades), the Japanese government has increasingly relied on fiscal austerity measures and domestically financed borrowings to fund an increasing level of deficit spending. The fundamental thesis underlying the Accounts' investment strategy is that these sources of finance will cease to be available at sustainable levels, that the Japanese government will therefore be required to borrow from external sources in order to finance its budget to unprecedented degrees and that this will lead to increases in Japanese interest rates and JPY depreciation relative to the U.S. dollar and other hard currencies. However, there can be no assurances that events will conform with this thesis, or that any of the mentioned financial consequences or other negative Japanese macro credit conditions will actually ensue, particularly within the Accounts' investment time horizon. If negative Japanese macro credit conditions do not occur within the Accounts' investment time horizon, the Accounts are likely to sustain substantial if not total losses.

If the Registrant determines that the Accounts' strategy is not viable, the Registrant may liquidate the Accounts or change the Accounts' strategy, but may change the strategy only after providing investors with notice and an opportunity to redeem from the Accounts.

### **Japanese Financial Disclosure Standards**

The Registrant, on behalf of certain Accounts, may invest in Japanese companies to gain Japanese exposure. Japanese companies are subject to accounting, auditing and financial reporting requirements that differ, in some cases materially, from those applicable to U.S. companies. In particular, the assets and profits appearing on the financial statements of a Japanese company may not reflect its financial position or results of operations in the way they would be reflected had its financial statements been prepared in accordance with generally accepted accounting principles in the United States. There is generally substantially less publicly available information about Japanese companies than there are reports and ratings published about U.S. companies, and Japanese companies are often less willing to provide investors the types of financial and other disclosures customary for U.S. issuers. Accordingly, there can be no assurance that information discovered subsequent to an investment will not negatively affect the value of such investment.

### **Japanese Regulatory Constraints**

In general, the acquisition of shares of a Japanese company listed on any stock exchange in Japan or registered on the Japanese OTC market from a resident of Japan (including a corporation) by a non-resident of Japan (including a corporation) may require that the transaction be reported to the Japanese Ministry of Finance (the "MOF"). If a foreign investor acquires shares of a Japanese corporation and as a result of such acquisition the foreign investor directly or indirectly holds 10% or more of the total outstanding shares of that corporation, such foreign investor must report the transaction to the MOF and any other ministry with proper jurisdiction. Under certain circumstances, depending on the type of foreign investor and the industry of the subject Japanese corporation, a report may be needed to be filed with the MOF and other ministries with proper jurisdiction prior to the acquisition of the shares.

### **Cross-Shareholding among Japanese Companies**

The extensive cross-shareholding among companies in Japan has significant effects on Japanese securities markets. Typically, ten to twenty (or even more) companies will each have small holdings (about 1% to 5%) in each other. These individual holdings alone are too small to be significant in the governance of the issuing corporation but taken together the group corporations' holdings often provide a significant amount of control. It is generally understood at the time each of the holdings is acquired that they will not be sold but maintained and voted in support of management. The ties produce a bonding effect as well as a security against takeovers. There is, however, a recent trend emerging for some companies to begin to liquidate some cross-shareholdings.

Cross-shareholding often results in the exclusion of large quantities of listed stock from trading, which means the float that is actually traded is very thin and thus there is potentially higher volatility. Another effect of massive cross-shareholding is that it deprives ordinary individual investors of meaningful opportunity to influence corporate governance because the outcome of board elections, accounting approvals and other shareholder actions to monitor management are often largely predetermined by the cross-shareholding agreements.

Moreover, the laws in Japan regulating ownership, control and corporate governance of companies are still evolving. Although procedural and other changes have been

made that are intended to facilitate an increased exercise of legal rights by minority investors, there can be no assurance that these changes will be sufficient to afford minority investors effective means for preventing or seeking compensation for transactions or conduct that is injurious to the interests of minority investors.

## **C. Risk Associated With Particular Types of Securities**

### **Equities**

The Registrant, on behalf of the Accounts, may invest the Accounts' capital in long and short positions in equities, deferred interest obligations and other investments which do not produce current income for the Accounts in order to obtain exposure. Equity prices are directly affected by issuer-specific events, as well as general market conditions. In addition, in many countries investing in equity is subject to heightened regulatory and self-regulatory scrutiny as compared to investing in debt or other financial instruments.

### **Long/Short Equity**

Because a long/short equity strategy involves identifying securities that are generally undervalued (or, in the case of short positions, overvalued) by the marketplace, success of this strategy necessarily depends upon the market eventually recognizing such value in the price of the security, which may not necessarily occur, or may occur over extended time frames which limit profitability. Positions may undergo significant short-term declines and experience considerable price volatility during these periods. In addition, long and short positions may or may not be correlated to each other. If the long and short positions are not correlated, it is possible to have investment losses in both the long and short sides of the portfolio.

### **Bank Loans**

The Registrant, on behalf of the Accounts, may invest in distressed, stressed and par/near par bank loans. Bank loans are not traded on regulated exchanges, are not registered with the SEC or other governmental authorities and are not subject to the rules of any self-regulatory organization. Investments in bank loans may be in the form of assignments, participations, risk participations, total return swaps (particularly when the Registrant employs leverage to finance a bank loan purchase) or other derivative contracts ("Bank Loan Derivatives"). To a limited extent, the Registrant, on behalf of the Accounts, may also participate in the origination of loans, under certain circumstances.

There are varying sources of statistical default rate data for term bank loans and numerous methods for measuring default rates. The historical performance of the bank loan market is not necessarily indicative of its future performance. Should increases in default rates occur with respect to the type of collateral securing the bank loans in which the Registrant invests, the actual default rates of the bank loans held by the Accounts may exceed the hypothetical default rates used by the Registrant in determining to purchase such bank loans.

Bank Loan Derivatives involve certain risks in addition to those associated with direct ownership of bank loans. The beneficial owner of the underlying bank loan (the "Bank Loan Derivative Investor") has no contractual relationship with the borrower. As a result, the Bank Loan Derivative Investor is generally dependent upon the counterparty to the Bank Loan Derivative to enforce its rights and obligations under the loan agreement in the event of a default. Bank Loan Derivative Investors oftentimes also have limited or no rights to object to amendments or modifications of the terms of loan agreements or to otherwise vote with other lenders under the terms of their Bank Loan Derivatives. In addition, a Bank Loan Derivative Investor is subject to the credit risk of the Bank Loan Derivative counterparty as well as the borrower, since a Bank Loan Derivative Investor is dependent upon such counterparty to pay over all or a portion of any payments of principal and interest received on the underlying loan.

### **Distressed Loans and Claims**

The Registrant purchases loans on behalf of the Accounts that may be in default or are from issuers in financial distress or involved in Chapter 11 bankruptcy proceedings. The Registrant also purchases trade receivables or other claims against such companies. These claims and receivables generally represent money owed by the company to a supplier of goods and/or services. Loans or claims purchased by the Registrant may not have any maturity date or required interest and may be unsecured or under-secured. As with other types of debt obligations, loans and trade claims involve the risk of loss in case of default or insolvency of the borrower. In addition, trade claims may be subject to other contract defenses and offsets, such as warranty claims or failure to provide the product or services.

### **Distressed/Stressed Company Investing**

The Registrant, on behalf of the Accounts, may invest in distressed and stressed companies. Distressed and stressed investment strategies generally involve investing in the securities of, loans made to or trade claims against companies that are in weak financial condition, perhaps having a negative net worth, experiencing poor operating results, needing substantial capital investment, facing special competitive or product obsolescence problems, or being involved in various stages of bankruptcy or reorganization proceedings. Investments of this type may involve substantial financial and business risks that can result in significant or even total losses. Among the risks inherent in investments in financially troubled companies is the fact that it is frequently difficult to obtain reliable information as to their true financial condition and prospects. The market prices of distressed and stressed securities and claims are subject to abrupt and erratic market movements and excessive price volatility, and the "bid-ask" spreads for such securities may be greater than normally expected. Defaulted loans or trade claims may not have any maturity date or required interest and may be unsecured or under-secured. In addition, trade claims may be subject to other contract defenses and offsets, such as warranty claims or failure to provide the product or services.

### **Bankruptcy Proceedings**

There are a number of significant risks presented when investing in companies involved in bankruptcy proceedings. For example: (i) many events in a bankruptcy are the product of contested matters and adversary proceedings that are beyond or not in the complete

control of the creditors; (ii) following a bankruptcy filing, a company may lose its market position and key employees and otherwise become incapable of restoring itself as a viable entity; (iii) in a liquidation, the liquidation value of the company may not equal the liquidation value that was believed to exist at the time of the investment; (iv) the duration of a bankruptcy proceeding is difficult to predict and a creditor's return on investment can be adversely affected by delays while a plan of reorganization is being negotiated, approved by the creditors and confirmed by the bankruptcy court; (v) the administrative costs in connection with a bankruptcy proceeding are frequently high and will be paid out of the debtor's estate prior to any return to creditors; (vi) creditors can lose their ranking and priority if they exercise "domination and control" over a debtor and other creditors can demonstrate that they have been harmed by such actions, especially in the case of investments made prior to the commencement of bankruptcy proceedings; and (vii) certain claims, such as claims for taxes, may have priority by law over the claims of certain creditors. In addition, from time to time the Accounts may seek representation on creditors' committees and, as a member of a creditors' committee, may owe certain fiduciary duties to creditors that the committee represents and may be subject to various trading or confidentiality restrictions. If the Registrant concludes that its or the Accounts' membership on a creditors' committee entails obligations or restrictions that conflict with the duties it owes to limited partners, or that otherwise outweigh the advantages of such membership, the Registrant or the Accounts (as the case may be) will resign from that committee. The Accounts are generally obligated to indemnify the Registrant or any person serving on a committee on behalf of the Accounts for claims arising from breaches of those duties. Any such indemnification payments could adversely affect the return on the Accounts' investment in a company undergoing reorganization.

### **CDO Investment-Related Risks**

The market value of CDOs will generally fluctuate with, among other things, the financial condition of the obligors on the underlying debt obligations or, with respect to synthetic securities, of the obligors on or issuers of the reference obligations, general economic conditions, the condition of certain financial markets, political events, developments or trends in any particular industry and changes in prevailing interest rates. Prospective investors must understand that certain securities (*e.g.*, bank loans, and high-yield and mezzanine debt securities) may constitute all or a significant portion of the underlying securities held by a CDO, synthetic security or other investment of the Accounts and that CDOs are therefore subject to risks particular to such securities.

CDOs are subject to credit, liquidity and interest rate risks. In particular, investment-grade CDOs will have greater liquidity risk than investment-grade governmental or corporate bonds. There is no established, liquid secondary market for many of the CDO securities the Accounts may purchase. The lack of such an established, liquid secondary market may have an adverse effect on the market value of such CDO securities and the Registrant, on behalf of the Accounts, ability to sell them. Further, CDOs will be subject to certain transfer restrictions that may further restrict liquidity. Therefore, no assurance can be given that if the Registrant wished to dispose of a particular CDO, it could dispose of such an investment at the previously prevailing market price.

The performance of CDOs will be adversely affected by macroeconomic factors, including: (i) general economic conditions affecting capital markets and participants therein; (ii) the economic downturns and uncertainties affecting economies and capital markets worldwide; (iii) the effects of, and disruptions and uncertainties resulting from, terrorist attacks; (iv) recent concern about financial performance, accounting and other issues relating to various publicly traded companies; and (v) recent and proposed changes in accounting and reporting standards and bankruptcy legislation.

### **Insolvency of Issuers of CDOs**

If a court in a lawsuit brought by an unpaid creditor or representative of creditors of a U.S. issuer of a CDO, such as a trustee in bankruptcy, were to find that the issuer did not receive fair consideration or reasonably equivalent value for incurring the indebtedness constituting the CDO and, after giving effect to such indebtedness, the issuer: (i) was insolvent; (ii) was engaged in a business for which the remaining assets of such issuer constituted unreasonably small capital; or (iii) intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they matured, such court could determine to invalidate, in whole or in part, such indebtedness as a fraudulent conveyance, to subordinate such indebtedness to existing or future creditors of the issuer or to recover amounts previously paid by the issuer in satisfaction of such indebtedness. The measure of insolvency for this purpose varies. Generally, an issuer would be considered insolvent at a particular time if the sum of its debts was then greater than all of its property at a fair valuation or if the present fair saleable value of its assets was then less than the amount that would be required to pay its probable liabilities on its existing debts as they became absolute and matured. There can be no assurance as to what standard a court would apply in order to determine whether the issuer was insolvent after giving effect to the incurrence of the indebtedness constituting the CDO or that, regardless of the method of valuation, a court would not determine that the issuer was insolvent upon giving effect to such incurrence. In addition, in the event of the insolvency of an issuer of a CDO, payments made on such CDO could be subject to avoidance as a preference if made within a certain period of time (which may be as long as one year) before insolvency. In general, if payments on a CDO are voidable, whether as fraudulent conveyances or preferences, such payments can be recaptured.

### **Synthetic Securities**

With respect to any synthetic securities that may be held in the Accounts' investment portfolio, the Registrant, on behalf of the Accounts, will usually have a contractual relationship only with the counterparty of such synthetic security and not the reference obligor. The Registrant generally will have no right to directly enforce compliance by the reference obligor with the terms of the reference obligation nor will it have any rights of setoff against the reference obligor or rights with respect to the reference obligation. The Accounts will not directly benefit from the collateral supporting the reference obligation and will not have the benefit of the remedies that would normally be available to a holder of such reference obligation.

### **Lender Liability Considerations; Equitable Subordination**

In recent years, a number of judicial decisions in the United States have upheld the right of borrowers to sue lenders or bondholders on the basis of various evolving legal



theories (commonly referred to as "lender liability"). Generally, lender liability is founded upon the premise that an institutional lender or bondholder has violated a duty (whether implied or contractual) of good faith and fair dealing owed to the borrower or issuer or has assumed a degree of control over the borrower or issuer resulting in the creation of a fiduciary duty owed to the borrower or issuer or its other creditors or stockholders.

In addition, under common law principles that in some cases form the basis for lender liability claims, if a lender or bondholder: (i) intentionally takes an action that results in the undercapitalization of an obligor to the detriment of other creditors of such obligor; (ii) engages in other inequitable conduct to the detriment of such other creditors; (iii) engages in fraud with respect to, or makes misrepresentations to, such other creditors; or (iv) uses its influence as a lender or bondholder to dominate or control an obligor to the detriment of such creditors, a court may elect to subordinate the claim of the offending lender or bondholder to the claims of the disadvantaged creditor or creditors, which remedial action is called "equitable subordination." Because of the nature of CDOs, the Accounts may be subject to claims from creditors of an obligor that debt obligations issued by such obligor that are held by the Accounts should be equitably subordinated.

### **Hedging/Derivative Instruments**

The Registrant may use derivative financial instruments, including without limitation, futures, swaps, options, credit default swaps and credit default indices, both for hedging and speculative purposes. The use of derivative instruments involves a variety of material risks, including the high degree of leverage often embedded in such instruments and the possibility of counterparty non-performance as well as of material and prolonged deviations between the actual and the theoretical value of a derivative (*i.e.*, non-conformance to anticipated or historical correlation patterns). In addition, the markets for certain derivatives are frequently characterized by limited liquidity, which can make it difficult as well as costly to the Accounts to close out positions in order either to realize gains or to limit losses.

Many of the derivatives which the Registrant, on behalf of the Accounts, trades will be principal-to-principal or "over-the-counter" contracts between the Accounts and third parties entered into privately, rather than on an exchange. As a result, the Accounts are not afforded the regulatory and financial protections of an exchange or its clearinghouse (or of the government regulator that oversees such exchange and clearinghouse). In privately negotiated transactions, the risk of the negotiated price deviating materially from fair value is substantial, particularly when there is no active market available from which to derive benchmark prices.

Many derivatives are valued on the basis of dealers' pricing of these instruments. However, the price at which dealers value a particular derivative and the price that the same dealers would actually be willing to pay for such derivative should the Registrant wish or be forced to sell may be materially different. Such differences can result in an overstatement of the Accounts' net assets and could materially adversely affect the Accounts in situations in which the Registrant, on behalf of the Accounts, is required to sell derivative instruments.

## **Derivatives Contracts in General**

The swaption, option and other derivative contracts that are expected to make up the majority of the Accounts' investment assets, including futures, forwards and credit default, total return and equity swaps, involve a variety of material risks, including the extremely high degree of leverage sometimes embedded in such instruments. The derivatives markets are frequently characterized by limited liquidity, which can make it difficult as well as costly to close out open positions in order either to realize gains or to limit losses. The pricing relationships between derivatives and the interest rates, currencies, indices and instruments ("exposures") underlying such derivatives may not correlate with historical patterns, resulting in unexpected losses.

The use of derivatives contracts and other techniques such as short sales for hedging purposes involves certain additional risks, including: (i) dependence on the ability to predict movements in the price of the exposures hedged; (ii) imperfect correlation between movements in the exposures on which the derivative are based and movements in the assets of the underlying portfolio; and (iii) possible impediments to effective portfolio management or the ability to meet short term obligations because of the percentage of a portfolio's assets segregated to cover its obligations. In addition, by hedging a particular position, any potential gain from an increase in the value of such position may be limited.

## **PIPEs**

The Registrant, on behalf of the Accounts, may from time to time invest in PIPE transactions and thereby purchase securities that are not freely saleable. Unlike the purchase of freely tradable common stock in the open market, PIPEs generally involve contractual obligations by the issuer of such securities requiring the issuer to take certain actions, such as registering the securities or, in the case of convertible securities, issuing the underlying securities upon exercise of convertible securities and registering the underlying securities with the appropriate federal and state authorities for resale. In order for the Accounts' investment strategy to be effective, the issuer of such securities must abide by its contractual obligations. If an issuer fails to meet its contractual obligations, in addition to the possibility of being involved in costly litigation, the Registrant may be unable to dispose of the Accounts' securities at appropriate prices if at all, or may experience substantial delays in doing so, and thus the Accounts may not be able to realize the anticipated profit with respect to such investment for a substantial period of time, if ever. There can be no assurances that any issuer will succeed in registering for public resale the securities held by the Accounts or that registration of securities pursuant to any such arrangement will create liquidity.

## **Real Estate Investments**

Investments in real estate and obligations secured by real estate are susceptible to various risks, including, without limitation, declines in property values; increases in property taxes, operating expenses; interest rates or competition; overbuilding; zoning changes; risks related to general and local economic conditions; eminent domain; fluctuations in rental income; changes in neighborhood values; the appeal of properties to tenants; losses from casualty or condemnation; environmental liabilities whereby an owner or operator of real property may

become liable for the costs of removal or remediation of certain hazardous substances released on, about, under or in its property; the ongoing need for capital improvements (particularly in older properties); adverse changes in governmental rules and fiscal policies; civil unrest; natural disasters (which may result in uninsured losses); acts of war; and other factors that are beyond the control of the Registrant.

### **Exchange Traded Funds**

The Registrant, on behalf of the Accounts, may invest through collective investment vehicles such as exchange traded funds ("ETFs") ETFs represent shares of ownership in either funds or unit investment trusts that hold portfolios of common stocks, bonds, commodities or other investments, which are designed to generally correspond to the price and yield performance of their underlying indexes or investments. ETF shareholders are subject to risks similar to those of holders of other diversified portfolios. A primary consideration is that the general level of stock, bond or commodities prices may decline, thus affecting the value of an equity, fixed income or commodities exchange traded fund, respectively. This is because an equity, bond or commodities ETF represents an interest in a portfolio of stocks, bonds or commodities. When interest rates rise, bond prices will generally decline, adversely affecting the value of fixed income ETFs. Moreover, the overall depth and liquidity of the secondary market may also fluctuate. An exchange traded sector fund may also be adversely affected by the performance of that specific sector or group of industries on which it is based. International investments may involve risk of capital loss from unfavorable fluctuations in currency values, differences in generally accepted accounting principles, or economic or political instability in other nations. Although ETFs are designed to provide investment results that generally correspond to the price and yield performance of their respective underlying investments, ETFs may not be able to exactly replicate the performance of the indexes or investments because of their expenses and other factors.

### **Illiquidity of Investments**

A significant portion of the Accounts' portfolio may consist of derivative contracts, instruments and other financial assets that are not actively or widely traded. Such portfolio investments generally trade on a bilateral basis in the OTC markets. Consequently, it may be relatively difficult for the Registrant to dispose of such investments rapidly and at favorable prices in connection with redemption requests, adverse market developments or other factors.

The Accounts' illiquid investments may have been illiquid when acquired or may have become illiquid as a result of subsequent events or circumstances. For the avoidance of doubt, illiquid investments in the Accounts' portfolio will be included in the calculation of Management Fees and Incentive Allocations. In determining the Accounts' net asset value for these purposes, subscription values and/or redemption values and proceeds, the Accounts will generally account for illiquid investments as if they were liquid and utilize their "fair values" (subject to any reserves). Valuing illiquid investments at fair value for redemption purposes exposes the redeeming shareholders to economic dilution if such fair value is less than the value ultimately realized from such investments, and exposes the remaining shareholders and those who subsequently subscribe for shares of the relevant Series to economic dilution if such realized

value is less. In the case of subscriptions, valuing illiquid investments at fair value subjects the subscribing shareholder to economic dilution if such value is more than the value ultimately realized from such investments, and subjects other shareholders to economic dilution if such realized value is more.

If investments held by the Accounts become illiquid or hard-to-value to an unexpected or unusual degree, it may be necessary for the Registrant, with the consent of the directors, to establish substantial reserves in an effort to contain the economic dilution otherwise potentially resulting from the combination of possible fair value/realization value discrepancies in such investments and ongoing Accounts subscriptions and redemptions.

### **Credit Default Swaps**

The Registrant, on behalf of the Accounts, may purchase and sell credit derivative contracts – primarily credit default swaps – both for hedging and other purposes. The typical credit default swap contract requires the seller to pay to the buyer, in the event that a particular reference entity experiences specified credit events, the difference between the notional amount of the contract and the value of securities issued by the reference entity that the buyer delivers to the seller. In return, the buyer agrees to make periodic payments equal to a fixed percentage of the notional amount of the contract. The Registrant may also buy or sell credit default swaps on a basket of reference entities as part of a synthetic CDO transaction.

As a buyer of credit default swaps, the Accounts will be exposed to the risk that deliverable securities will not be available in the market, or will be available only at unfavorable prices, as would be the case in a so-called "short squeeze." While customary credit default swap market auction protocols act to reduce this risk, it is still possible that a particular auction will not be organized or will not be successful. In certain instances of issuer defaults or restructurings (for those credit default swaps for which restructuring is specified as a credit event), it has been unclear under the standard industry documentation for credit default swaps whether or not a "credit event" triggering the seller's payment obligation had occurred. The creation of the new ISDA Credit Derivatives Determination Committee (the "ISDA Committee") is intended to reduce this uncertainty and create uniformity across the market, although it is possible that the ISDA Committee will not be able to reach a resolution or do so on a timely basis. In either of these cases, the Accounts would not be able to realize the full value of the credit default swap upon a default by the reference entity.

As a seller of credit default swaps, the Accounts will incur leveraged exposure to the credit of the reference entity and will be subject to many of the same risks it would incur if it were holding debt securities issued by the reference entity. However, the Accounts will not have any legal recourse against the reference entity and will not benefit from any collateral securing the reference entity's debt obligations. In addition, the credit default swap buyer will have broad discretion to select which of the reference entity's debt obligations to deliver to the Accounts following a credit event and, in order to maximize the payment obligations of the Accounts and thereby increase the buyer's recovery, would be expected to choose the obligations with the lowest market value.

Credit default swaps generally trade on the basis of theoretical pricing and valuation models, which may not accurately value such swap positions when established or when subsequently traded or unwound under actual market conditions. During 2008–2009 there was an increase in defaults under certain credit default swaps as a result of the credit market disruptions. The credit derivative market may become subject to increased regulation, which could increase costs or even prevent participation by the Accounts.

### **Futures Contracts and Futures Options**

The Registrant, on behalf of the Accounts, may trade futures and futures options for hedging or other purposes pursuant to an applicable exemption from registration of the Registrant under Rule 4.13(a)(4) of the Commodity Exchange Act. The prices of such contracts are highly volatile. Because of the low margin deposits normally required in futures trading, a 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. Commodity exchanges limit fluctuations in futures contract prices during a single day: trades may not be executed at prices beyond the applicable "daily limit." Once the price of a futures contract for a particular commodity has increased or decreased by an amount equal to the daily limit, positions in the commodity can be neither entered nor liquidated except at prices at or within the limit.

In January 2011, the CFTC proposed a separate position limits regime for 28 so-called "exempt" (i.e., metals and energy) and agricultural futures and options contracts and their economically equivalent swap contracts. Position limits in spot months are proposed to be 25% of the official estimated deliverable supply of the underlying commodity and in a non-spot month a percentage of the average aggregate 12-month rolling open interest in all months (swaps and futures) for each contract. The Registrant believes that the proposed limits are sufficiently large that if adopted, they should not restrict the Accounts' trading strategy. Futures trading is typically highly regulated, and such regulation could adversely affect the Accounts in certain circumstances.

### **Short Sales**

The Registrant, on behalf of the Accounts, may sell securities short in implementing its trading strategies. Since the borrowed securities sold short, if not replaced in exchange for securities held long by the Accounts, must be replaced by market purchases, any appreciation in the market price of these securities will result in a loss. Purchasing securities to close out the short position in sufficient volumes can itself cause their market price to rise further, increasing losses. Furthermore, the Registrant may be prematurely forced to close out a short position if a counterparty from which the Accounts have borrowed such security demands its return. Short selling may also be subject to regulatory restrictions, or even bans.

## **ITEM 9**

### **DISCIPLINARY INFORMATION**

Neither the Registrant nor any of its employees have been involved in any legal or disciplinary events in the past ten years that would be material to a Client's evaluation of the Registrant or its personnel.

## ITEM 10

### OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

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

The Registrant is not registered as a broker-dealer and does not have any application pending to register with the SEC as a broker-dealer. However, there are certain management persons of the Registrant who are also registered representatives 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"). MII may act as solicitor, selling agent and/or investor servicing agent for certain Funds for which it may or may not be compensated.

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

The Registrant and its management persons are not registered as, and do not have any application to register as, a futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of the foregoing entities.

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

The Registrant is affiliated with and under common ownership with: (i) Man Investments (USA) Corp., an investment adviser registered with the SEC and 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"); (ii) 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 and (iii) GLG Inc., an investment adviser registered with the SEC. The Registrant is also affiliated with GLG Partners LP, an investment adviser authorized and regulated by the Financial Services Authority in the United Kingdom.

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

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

The Registrant does not recommend or select other investment advisers for its Clients. From time to time Clients may be solicited to invest in Funds managed by the

Registrant to which the Registrant or an affiliate of the Registrant is the general partner and/or sponsor.



## 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. The 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.

The Registrant strives to adhere to the highest industry standards of conduct based on principles of professionalism, integrity, honesty and trust. Accordingly, the Registrant has adopted a Code of Ethics pursuant to the Advisers Act that is applicable to all of the 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 the Registrant and its Clients.

The Registrant's employees are also 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. Employees may from time to time have proprietary investments in which Clients advised by the 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 the Registrant's Code of Ethics is available to Clients and prospective clients upon request.

Furthermore, the 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 the Registrant's procedures, this may limit the 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.

The Registrant, the Sponsor and/or their principals or affiliates may from time to time have material investments in one or more Funds. Therefore, the Registrant may be considered to participate, indirectly, in transactions effected for those Clients. In addition, the Registrant, the Sponsor and/or their principals and affiliates may organize and act as the General Partner, sponsor, investment manager, collateral manager and/or investment adviser for other accounts and collective investment vehicles, which may give rise to a potential conflict of interest with regard to the allocation of investment opportunities due to differing incentive compensation rates or arrangements.

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.

From time to time, the Registrant or Advisory Affiliates may form and manage additional pooled investment vehicles and advise other Client accounts with similar or different investment strategies as the Funds or SMAs currently advised by the Registrant. It may be

appropriate for more than one Fund or SMA advised by the Registrant to trade in the same securities at the same time. The Registrant has policies and procedures regarding such trades.

**B. Securities that the Investment Adviser or a Related Person Has a Material Financial Interest.**

**1. Cross Transactions and Principal Transactions**

The Registrant may directly or indirectly effect cross transactions on behalf of Clients in connection with portfolio rebalancing or other situations such as cash flow events, among others. A cross trade may include any such transaction that may be effected between two Clients to which the Registrant may act as investment adviser, investment manager or collateral manager. Such cross transactions may be arranged through a broker or dealer and effected at an independently verifiable current price where such can be ascertained. For cross trades involving non-exchange listed securities, to the extent possible, quotes are obtained from different brokers or dealers. Commissions or spreads may or may not be charged in cross trades. A determination will be made as to whether a cross transaction is appropriate for a given Client or in a given transaction and in accordance with any Client or regulatory restrictions. Each cross transaction will be performed consistent with the Registrant's policies and procedures.

To the extent that such cross transactions may be viewed as principal transactions due to the ownership interest in a Client by the Registrant or its personnel, the Registrant will comply with the requirements of Section 206(3) of the Advisers Act, including that the Registrant will notify the applicable Client (or an independent representative of the Client) in writing of the transaction and obtain the Client's consent (or the consent of an independent representative of the Client).

**2. Allocation of Investment Opportunities**

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

The Registrant allocates investment opportunities among its Clients in a manner that it believes is fair and equitable. However, the Registrant may give advice, and take action, with respect to any particular Client that may differ from the advice given to, or the timing or nature of action taken for, other Clients. The Registrant, its affiliates, and their respective principals, officers, directors, managers, members, employees and agents may engage in transactions or investments on a personal or proprietary basis that may differ from the

transactions or investments engaged in by the Registrant for Client accounts. There can be no assurance that an investment opportunity that comes to the attention of the Registrant or any of its affiliates will be allocated to all or any of its Clients. A given Client could be disadvantaged because of activities conducted by the Registrant for other Clients. In addition, depending on the facts and circumstances, certain Clients may be unable to participate in a particular investment opportunity or may participate in an opportunity only on a limited basis.

The 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. The Registrant will make allocations for Client accounts of such investments with reference to numerous factors including, without limitation, the Registrant's perception of the appropriate risks/rewards parameters for each Client account including targeted or relative exposures to relevant issuers, industries, economic, financial or market cycles; capital available for investment; time horizon; investment objectives and guidelines of each Client account; size leverage of each Client account; the liquidity of the account at the time of the investment and on a going-forward basis; risk parameters for each Client account; regulatory restrictions affecting the Client; the size of each Client's allocation (absolutely and relative to its overall assets); Client-specific covenant, exposure, and collateralization requirements and limitations; prior allocations; preventing odd-lot allocations; and rounding requirements and such other factors as are relevant in the judgment of the Registrant. Although allocating orders among Client accounts may create potential conflicts of interest because of the interests of the Registrant or its employees or because the Registrant may receive greater fees or compensation from one Client account over another, the Registrant will not make allocation decisions based on such interests or greater fees or compensation. Allocation among Clients in any particular circumstance may be more or less advantageous to any one Client. In addition, transactions in investments by multiple Client accounts may have the effect of diluting or otherwise impairing the values, prices or investment strategies of an individual Client, particularly, but not limited to, less liquid strategies. Therefore, the amount, timing, structuring, or terms of an investment by some Clients may differ from, and performance may be lower than, investments and performance of other Clients.

In addition, the Registrant may acquire securities or other financial instruments of an issuer for one Client that are senior or junior to securities or financial instruments of the same issuer held by, or acquired for, another Client (e.g., one Client may acquire senior debt while another Client may acquire subordinated debt). The Registrant recognizes that conflicts may arise under such circumstances and will endeavor to treat all Clients fairly and equitably.

**C. Investing in Securities that the Investment Adviser 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, the 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 Clients.

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 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 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 Client trades.

The Registrant may invest on behalf of its Clients in the securities of Man Group plc, the ultimate owner of the Registrant.

#### **D. Conflicts of Interest Created by Contemporaneous Trading**

The Registrant 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 the Registrant 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. 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 Client solely because the Registrant 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.

Allocations of initial public offerings or other limited offerings ("Limited Offering") by the Registrant will be made in a fair and equitable manner among Clients. Allocations will be made among accounts eligible to participate in a Limited Offering taking into account factors such as long term investment horizons, investment objectives and guidelines, different levels of investment for different strategies, the overall portfolio composition for each account, and such other relevant factors. Eligibility to participate in a Limited Offering may include but is not limited to consideration of the following factors: (i) Clients whose investment guidelines explicitly prohibit such investment, (ii) "restricted persons" under the FINRA New Issues Rule 5130, or an executive officer or director of a public company or a covered non-public company, or a person materially supported by such an executive officer or director, as

contemplated under FINRA New Issues Rule 5131, (iii) suitability requirements, (iv) account turnover guidelines, and (v) available investable capital.

## ITEM 12

### BROKERAGE PRACTICES

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

In making its decisions regarding the allocation of brokerage transactions for Clients, the Registrant seeks to obtain the best execution, taking into account: (i) the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any); (ii) the operational efficiency with which transactions are effected (such as prompt and accurate confirmation and delivery), taking into account the size of order and difficulty of execution; (iii) the financial strength, integrity and stability of the broker-dealer; (iv) the quality, comprehensiveness, and frequency of available research services considered to be of value to the Registrant and its Clients; (v) the value of brokerage services over and above trade execution provided to the Registrant and its Clients; and (vi) the competitiveness of commission rates in comparison with other broker-dealers satisfying the Registrant's other selection criteria.

On occasion, the Registrant may place over-the-counter equity transactions on an agency basis. If an over-the-counter equity transaction is effected on an agency basis, the relevant Client(s) are charged commissions in addition to the broker's spread that is included in the offer or bid price of the security. Although the Registrant generally seeks competitive commission rates and commission equivalents, it does not necessarily pay the lowest commission or equivalent. Transactions may involve specialized services on the part of a broker-dealer, which may justify higher commissions and equivalents than would be the case for more routine services.

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

The Registrant and related persons are authorized to use "soft dollars" to pay for the research and brokerage services described below. The term "soft dollars" refers to the receipt by the Registrant, the Sponsor or their affiliates of products and services provided by brokers without any cash payment by the Registrant or its Clients, based on the volume of revenues generated from brokerage commissions for transactions executed for its Clients.

Section 28(e) of the Securities Exchange Act of 1934, as amended, provides a "safe harbor" to investment managers who use soft dollars generated by their advised accounts to obtain investment research and brokerage services that provide lawful and appropriate assistance to the investment manager in the performance of its investment decision-making responsibilities. The Registrant and its related persons may derive substantial direct and indirect benefit from these services and items, particularly to the extent the soft dollars are used to pay expenses which the Registrant or related persons would otherwise be required to pay. Soft dollars may be earned on transactions conducted for one Client while the research or services paid for with the soft dollars pool may benefit all Clients, or one or more Clients that did not generate the soft dollars.

The products and services available from brokers include internally generated items (such as research reports prepared by employees of the broker) as well as items acquired by the broker from third parties (such as outside research providing market data). Research services furnished by the brokers may include written information and analyses concerning specific securities, companies or sectors; market, financial, and economic studies and forecasts; statistics and pricing or appraisal services; discussions with research personnel; and invitations to attend conferences or meetings with the management of companies representing prospective investment targets or industry consultants (but not travel expenses in connection therewith).

Relationships with brokers providing soft dollar services to the Registrant or its related persons may influence its judgment in allocating brokerage business, and may create a conflict of interest in using the services of these brokers to execute a Client's securities transactions. While the Registrant believes these relationships are beneficial to its Clients, selecting brokers on the basis of considerations other than applicable commissions may at times result in higher transaction costs than would otherwise be the case. It should be noted that there is a relatively limited universe of brokers capable of providing the execution services needed by the Registrant to pursue its main strategies, and that the Registrant may therefore have a limited ability to negotiate a reduction of commissions on its Clients' brokerage transactions.

## **B. Order Aggregation**

The Registrant may, but is not required to, aggregate orders for its Clients if, in the Registrant's reasonable judgment, such aggregation is reasonably likely to result in an overall economic benefit to the Client based on an evaluation that they will be benefited by relatively better purchase or sale prices, lower spread or commission expenses, as applicable or beneficial timing of transactions, or a combination of these and other factors. It should be noted that only trades that the trader is aware of at the time such trader is placing an order will be aggregated. In some instances, the purchase or sale of financial instruments for a Client will be effected simultaneously with the purchase or sale of similar financial instruments for other Clients. When an aggregated order is filled through multiple trades at different prices on the same day, each participating Client will typically receive an average price with transaction costs allocated pro-rata based on the size of each Client's participation in the order (or actual allocation such as in the case of a partial fill) as determined by the Registrant. It should be noted that aggregated transactions may be made at slightly different prices, due to the volume of financial instruments purchased or sold. In the event of a partial fill, allocations will generally be made *pro rata* based on the initial order, but may be modified on a basis that the Registrant deems to be appropriate, including for example, in order to avoid odd lots or *de minimis* allocations among other factors. It should be noted that on some occasions, aggregating orders may work to the Client's disadvantage. Allocations are made in the best interests of all Clients to the extent reasonably practicable, recognizing that in certain circumstances a balance of competing interests must be struck, and taking into account all relevant factors, including but not limited to: the size of each Client's allocation (absolutely and relative to its overall assets); targeted or relative exposures to relevant issuers, industries, economic, financial or market cycles, and other risk/reward parameters; Client-specific liquidity needs; Client-specific covenant, exposure, and



collateralization requirements and limitations; prior allocations; preventing odd-lot allocations; and rounding requirements.

**C. Trading Error Policy**

In the event that trading errors should occur, the errors are corrected at no cost to Clients. However, Clients are permitted to retain any gain resulting from a trading error. If, during any calendar quarter, both gains and losses are incurred as a result of trading errors on behalf of any Client, the gains and losses for that quarter are netted against each other with the net result credited to the Client's account (in the case of a gain) or charged to the Registrant (in the case of a loss). The Registrant does not use "soft dollars" to correct trading errors, nor does it use future brokerage to compensate a broker either directly or indirectly for absorbing the cost of correcting an error in an earlier transaction.

## ITEM 13

### REVIEW OF ACCOUNTS

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

Generally, Client accounts are reviewed daily, weekly or monthly as deemed appropriate by their respective portfolio managers, including Benjamin Nickoll, the Chief Investment Officer, and Portfolio Manager Frederick Wahl, together with the Registrant's other portfolio managers and investment professionals. These reviews are designed to monitor and analyze transactions, positions and investment levels. Reviews may be undertaken because of changes in market conditions; change of security positions; changes in investment objectives or policies; capital inflows/outflows; and other reasons. Various matters may be discussed during such reviews, (e.g., performance of accounts in connection with investment objectives, portfolio construction, risk/reward, security positions, and investment opportunities). Particular attention is given to changes in portfolio company fundamentals, industry outlook, market outlook, and price levels.

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

A review of Client accounts may be triggered by changes in market conditions; change of security positions; changes in investment objectives or policies; capital inflows/outflows; and other reasons.

#### C. Content and Frequency of Account Reports to Clients/Investors

Investors in the Fund to which the Registrant provides discretionary investment advice receive: (i) monthly attribution reports and statements of the net asset value of their investments; (ii) in certain cases, quarterly or monthly commentary/performance review letters from the Registrant; and (iii) in the case of the Funds, annual audited financial statements prepared in accordance with generally accepted accounting principles within 120 days of the end of the Fund's fiscal year end. 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. In addition, SMAs may receive further reporting from the Registrant, the custodian(s) of their accounts and/or their own accountants, professionals or investment advisors, including holdings and transactions information which may not be available to investors in the Funds.

## ITEM 14

### CLIENT REFERRALS AND OTHER COMPENSATION

**A. Economic Benefits for Providing Services to Clients**

The 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**

The Registrant may from time to time utilize third-party placement agents that receive compensation, which may be borne either by the Registrant or by the investor or client, for referring the client to the Registrant or investors to the Funds. In addition, from time to time banks or brokers may assist the Registrant or one or more of the Investor-Facing Funds in raising additional monies from investors. 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 the 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 the Registrant, may act as the selling agent and/or investor servicing agent for certain Funds. MII may or may not receive compensation for its services. In addition, MII may enter 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.

## **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 days of the end of its fiscal year. The Registrant does not maintain physical custody of any Client assets. All Client assets are held in custody by unaffiliated broker-dealers or banks.

With respect to the SMAs, the Registrant may be deemed to have custody as a result of its authority to directly debit fees from such Clients' accounts. In order to comply with the Custody Rule, SMAs will receive statements directly from the SMA's qualified custodian(s) (as defined in the Custody Rule) on at least a quarterly basis.

## **ITEM 16**

### **INVESTMENT DISCRETION**

In general, the Registrant provides discretionary advisory and/or management services to its Clients. As such, the Registrant has discretion regarding all decisions and is authorized to determine and direct execution of portfolio transactions within each Client's specified investment objectives, restrictions and policies. However, the Registrant's discretion is subject to certain limitations imposed on the investment manager as described in the applicable PPM in the case of the Funds, as applicable, and investment management agreements or other relevant documents in the case of SMAs advised by the Registrant.

## ITEM 17

### VOTING CLIENT SECURITIES

#### A. Proxy Voting

Among the services that the Registrant provides to its Clients is voting of proxies on their behalf. The Registrant may engage a third party or utilize the services of its affiliate(s) to identify any proxies which the Registrant may vote on Clients' behalf, provide recommendations as to voting of the proxies in the best interest of Clients, and submit proxies promptly and properly. The Registrant has adopted proxy voting policies and procedures, which require votes to be cast in the interest of maximizing investor value. In addition, the Registrant relies on a third party for maintaining all records of proxies voted for Client accounts.

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

The Registrant's complete proxy voting policy and procedures, as well as its complete proxy voting record, are available to Clients and investors upon request. Clients and investors are advised to please contact the Registrant with any questions or to obtain these documents.

#### B. Securities Litigation

The Registrant may from time to time receive notification of and/or determine to engage or participate in litigation regarding investments held in the Registrant's Client accounts. It is the Registrant's policy to review each lawsuit and to participate in those lawsuits where the Registrant has made the determination that the potential benefit to its Client(s) outweighs the costs of participation in the litigation. Any monies recovered as a result of any such litigation will be allocated on a pro rata or other appropriate basis to the Client account(s) which hold/held the investment at issue. The Registrant will not be responsible for reimbursing any Client(s) or investor(s) who may have been invested during the period that is the subject of any litigation but had redeemed or withdrawn such investment prior to such a recovery.

## **ITEM 18**

### **FINANCIAL INFORMATION**

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