

Pharo Management LLC

BROCHURE

1370 Avenue of the Americas

26th Floor

New York, NY 10019

January 31, 2012

Contact Information

Michael Strashinsky

Chief Compliance Officer

212-641-6768

mstrashinsky@pharofund.com

This brochure provides information about the qualifications and business practices of Pharo Management LLC (“Pharo Management”). If you have any questions about the contents of this brochure, please contact us at number or e-mail address above. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

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

Table of Contents

Advisory Business.....	3
Fees and Compensation.....	3
Expenses.....	4
Performance Based Fees	5
Types of Clients.....	5
Methods of Analysis, Investment Strategies and Risk of Loss.....	6
Disciplinary Information.....	19
Other Financial Industry Activities and Affiliations.....	20
Code of Ethics/Participation or Interest in Client Transactions/Personal Trading..	22
Brokerage Practices.....	23
Review of Accounts.....	25
Client Referrals and Other Compensation.....	25
Custody.....	26
Investment Discretion.....	26
Voting Client Securities.....	27
Financial Information.....	27
Other Potential Conflicts of Interest.....	27
Privacy Notice.....	31

Advisory Business

Pharo Management was founded in 2000 in New York by Guillaume Fonkenell. Mr. Fonkenell is the managing member of Pharo Management. Pharo Global Advisors Limited (“PGAL”) of which Mr. Fonkenell is a Director was formed in 2004 and serves as the Investment Manager to the hedge funds advised by Pharo Management. PGAL is registered with the Jersey Financial Services Commission. In 2005, Guillaume moved to London to set up a second investment advisor under the name Pharo Management (UK) LLP where he serves as a Member. Pharo Management (UK) LLP is authorized by the Financial Services Authority. Pharo Management (HK) Limited was formed in 2010 to also serve as an investment advisor and established an office in Hong Kong. Pharo Management (HK) Limited is registered with the Hong Kong Securities and Futures Commission. Pharo Management (UK) LLP and Pharo Management (HK) Limited are herein after referred to as “affiliated Investment Advisors” and together with Pharo Management and PGAL are herein after referred to as the “Pharo Group”

PGAL is the Investment Manager to Pharo Macro Fund, Ltd. (Macro Fund), Pharo Trading Fund, Ltd. (Trading Fund) and Pharo Gaia Fund, Ltd. (Gaia Fund) all of which are Cayman Islands Exempted Companies. The Macro Fund, the Trading Fund and the Gaia Fund are herein after referred to as “Pharo hedge funds”

PGAL has delegated all of its investment management duties to Pharo Management and the affiliated Investment Advisors.

Pharo Management utilizes an emerging market strategy trading primarily in emerging markets across a range of asset classes. Pharo Management is not restricted in its activities and may trade in any market or situation it believes advantageous to the hedge funds including investing in developed markets across the same range of asset classes. Pharo Management may advise one, all or any number of the Pharo hedge funds at any given time pursuant to a sub advisory agreement with PGAL. Pharo Management may in the future advise other Pharo hedge funds managed by PGAL as well as other hedge funds managed by an unaffiliated Investment Manager.

Our affiliated Investment Advisors together advise all the Pharo hedge funds.

Pharo Management provides discretionary advisory services pursuant to the hedge funds’ investment objectives and strategies disclosed in the information memorandums of the respective hedge funds.

We tailor our advice to the investment objectives of the hedge funds we advise.

As of November 30, 2011, Pharo Management advises on a discretionary basis \$1,075,000,000 of client assets. This amount represents the internal capital allocation made to Pharo Management by PGAL of the Pharo hedge funds assets. Pharo Management does not manage client assets on a non-discretionary basis. This amount differs from the assets under management (AUM) disclosed in Item 5.F of Form ADV Part 1A. Item 5.F of Form ADV Part 1A discloses AUM of \$ 3,270,265,419. It represents the aggregate AUM of all the Pharo hedge funds. This AUM figure is higher than the client assets noted above, which represents the allocated capital to Pharo Management LLC. We have disclosed a higher AUM figure in Part 1A because we are under common control and have the same principal ownership.

It is possible that the sum of the capital allocations to the Pharo Management PMs (or together with the capital allocations to the PMs of affiliated Investment Advisors) may be higher or lower than the actual Net Asset Values of the Pharo hedge funds advised.

Fees and Compensation

For sub advisory contracts with PGAL, Pharo Management earns a percentage of the net revenue of PGAL. PGAL generally receives from the hedge funds it manages, a monthly management fee equal to one-twelfth of two percent of the net asset value of the hedge fund (2% per annum) and an annual performance fee equal to 20% of the increase, if any, in the value of each series of the shares of the hedge fund during each calendar year subject to a high water mark.

Pharo Management does not deduct fees from client assets. Pharo Management is paid by PGAL.

The concept of a pre-paid fee or refund thereof is not applicable when advising hedge funds.

Pharo Management does not accept compensation for the sale of securities or other investment products, including asset-based sales charges.

Expenses

The hedge funds we advise generally pay or reimburse PGAL for the hedge funds' expenses, including, but not limited to, interest on borrowings and commitment fees and related expenses payable to lenders, accounting, audit and

legal fees and expenses, insurance premiums, custodial fees, registrar and transfer agency fees and expenses, administration fees and expenses, printing, courier and mailing expenses (including the cost of printing a fund's Information Memorandum, Subscription Documents and sales literature and delivering them to existing and potential shareholders of a hedge fund), other promotional expenses, organizational expenses, the cost of maintaining a hedge fund's corporate existence and registered office, Directors' fees, the cost of attendance by the Directors at meetings of the Board of Directors, brokerage commissions and all other investment expenses of a hedge fund, fees and expenses incurred in connection with investigating potential investments or seeking to maximize returns on existing investments, costs of business travel related to a hedge fund, transfer taxes, fees and expenses for consulting, research and statistical services and all extraordinary or non-recurring expenses, including litigation expenses. See **Brokerage Commissions** for additional information.

Performance Based Fees

See performance based fee descriptions under the heading **Fees and Compensation** above.

Since Pharo Management may earn a performance fee directly and indirectly, it creates an incentive and conflict of interest to take greater risk to increase profits and hence its fees. In addition, since the value assigned to a security held by a hedge fund or client account affects the performance fees received by Pharo Management directly and indirectly, any involvement by PGAL, the affiliated Investment Advisors or Pharo Management in the valuation process creates a potential conflict of interest.

Such conflicts of interest are addressed somewhat by having a hedge fund's performance fee subject to a high water mark, whereby performance fees are not earned unless a hedge fund's net asset value or share class achieves a new high at the end of a performance fee period. Any losses incurred as a result of undue risk taking would have to be recovered before PGAL and hence Pharo Management were entitled to earn additional performance based fees. However, because the Pharo Group has three investment advisors, it is possible for Pharo Management to be down in its investment performance but still indirectly earn a performance fee by virtue of PGAL being net up in investment performance from the investment activity of our affiliated Investment Advisors.

In addition, Pharo Management's risk management process is effected through a complex of risk controls at various levels of the portfolio: positions, PM capital allocation and aggregated portfolio positions. Pharo Management's CFO, and non-trading partner is responsible for monitoring and enforcing position profit

target/stop loss and PM drawdown limits. Guillaume Fonkenell, is responsible for monitoring and enforcing VaR and beta limits.

The Pharo Group has a Risk Committee that generally meets once a month to review portfolio positions based on a range of risk metrics. The Risk Committee is comprised of Guillaume Fonkenell, Jeff Hanlon, CFO and non trading Partner of Pharo Management, Michael Skarbinski, a Partner and Senior PM with Pharo Management, Marcel Castro, a Partner and Senior PM with Pharo Management (UK) LLP and Mark Dow, a Senior PM of Pharo Management. Committee members may also meet informally as required to address periodic issues.

Types of Clients

Pharo Management advises hedge funds pursuant to a sub advisory agreement with PGAL but may in the future advise other funds managed by an unaffiliated Investment Manager.

Methods of Analysis, Investment Strategies and Risk of Loss

Investment Strategies

Pharo Management seeks to generate attractive risk-adjusted returns over a market cycle (typically three to five years) by trading primarily in emerging markets across a range of asset classes, including but not limited to foreign exchange, credit, interest rates, commodities and equities. PMs invest across the emerging market universe (e.g., Latin America, Asia, Central and Eastern Europe, Middle East and Africa) as well as the developed markets (e.g., North America, Japan, Western Europe and Australia).

We rely on our experience in trading emerging markets across the economic cycle and in numerous stressed market environments. Pharo Management considers trading of market risk factors to be an important feature of the risk management process. We seek to anticipate the cash flows required by our hedge funds and closely manage liquidity of the hedge funds' positions to that end.

Instruments

Investments may be made in currencies, bonds, equities, futures, credit (primarily sovereign, but also, quasi-sovereign and corporate), rates, volatility and other derivative instruments on a global basis.

There are no restrictions on the types of trading activities Pharo Management is permitted to undertake. We may invest in any situation if we believe the profit opportunity is commensurate with the apparent risk presented by the investment. We may make any type of investments including selling currencies and securities short, buying and selling call and put options, and other types of investments presenting in our view favorable risk/reward characteristics. We may utilize margin debt and other sources of leverage to make certain investments, including short sales. In addition, options trading may include options that are not traded on a securities exchange and options that are listed on registered options exchanges in the United States and elsewhere. One of the purposes of this type of trading activity is to attempt to reduce portfolio exposure to risks arising from price fluctuations in short and long positions. We may also engage in options transactions in order to capture the potential for gain in the underlying currencies and securities.

Methods of Analysis

The investment process relies on rigorous analysis of the macroeconomic drivers of the various asset classes that we trade: FX, credit, rates, equity and volatility. This fundamental analysis is combined with an equally rigorous focus on market technicals, e.g., market positioning, flows, momentum, correlation, volatility, and acute attention to liquidity at the trade and position level.

Capital is allocated to PMs who have deep experience trading emerging markets. The capital allocation varies by PM, but no PM dominates the capital of a hedge fund. Pharo Management PMs operate in an open environment with PMs of our affiliated Investment Advisors which facilitates a continuous exchange of economic views, investment ideas and trades. Our objective of this investment model is to create a team approach to generating ideas and trades, with all the attendant benefits of a multiplicity of views, yet retaining the dynamics and accountability of a single decision maker. PMs are generalists in terms of markets and asset classes and can thus trade where they see opportunities as opposed to a more specialist model where a PM may feel compelled to keep capital employed in a market or asset class even though prospective return and/or risk may not be attractive.

Some PMs spend a significant amount of time on fundamental valuation based on macro drivers (e.g., growth, inflation, fiscal dynamics, balance of payments, domestic politics, etc.) and idiosyncratic factors at the security or instrument level (e.g., issuer cash flow dynamics, real effective exchange rate estimates, inter- and intra-market yield curve analysis, volatility skew and term structure, etc.). Others tend to focus more on market technicals, such as positioning by other market participants, asset class and market specific flows, time series analysis, etc. Holding periods for these PMs tend to be significantly

shorter than the more fundamentally oriented PMs. All PMs pay attention to both fundamental and technical factors.

Investment research is the responsibility of the PMs. They are supported by in-house research analysts in credit, macroeconomics and risk. The analysts do not have specific research agendas, but will focus on subjects based on specific market opportunities.

Pharo Management receives a large supply of research from external sources including a wide variety of trading counterparties.

PMs typically rely on their own primary research and internal discussions for underlying investment decisions, but will often look for external sources to corroborate or make them question internal assumptions, analyses and conclusions. Technical surveys are also monitored to inform the PMs of market positioning.

Risk of Loss

Investing in the instruments described above involves risk and the possibility for the loss of principal. There can be no assurance that Pharo Management's investment strategy will be successful or that the hedge funds we advise will not suffer losses. An investment in the hedge funds we advise should not be made by any person who cannot afford a total loss of their principal. Emerging markets are subject to a wide array of domestic as well as global risk factors.

Transactions in Currencies, Securities and Commodity Interests.

There is no assurance that Pharo Management will correctly evaluate the nature and magnitude of the various factors that could affect the prospects of the currencies, securities and commodity interests purchased or sold short. The hedge funds we advise may lose their entire investment or may be required to accept cash or other consideration with a value less than their original investment. Under such circumstances, the returns generated from our investments may not compensate the shareholders in the hedge funds we advise adequately for the risks assumed.

Highly Volatile Markets. The movement of currencies and the prices of financial instruments in which Pharo Management invests can be highly volatile and may be influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. The effect of such factors on exchange rates, interest rates, the prices of securities and commodity interests in general, or a particular security or commodity interest, is difficult to predict. In addition, there

is unpredictability as to change in general economic conditions, which may affect the profitability of the investment strategy.

Currency and Exchange Rate Risks. Our principal strategy involves investing in and selling short currencies of emerging market countries. Accordingly, a substantial portion of the income received from our investments will be denominated in currencies other than the U.S. dollar, Euro, Swiss Franc or British pound sterling. The hedge funds we advise nevertheless will compute and distribute its income in the currency in which hedge fund Shares are denominated. Since we will invest in securities denominated or quoted in currencies other than the U.S. dollar, Euros, Swiss Franc or British pound sterling, changes in currency exchange rates will affect the value of our portfolio and the unrealized appreciation or depreciation of investments. Further, the hedge funds we advise may incur costs in connection with conversions between various currencies. Shareholders in hedge funds we advise will remain subject to substantial exchange-rate risk and to the extent that such risk is hedged will be subject to material hedging costs.

Our exposure to direct and indirect investments in currencies other than the U.S. dollar, Euro, Swiss Franc or British pound sterling may be affected favorably or unfavorably by exchange control regulations or changes in the exchange rate among such currencies. Changes in currency exchange rates influences values within our portfolios. Changes in currency exchange rates may also affect the value of interest earned, gains and losses realized and net investment income and gains, if any. The rate of exchange between any two currencies is determined by the forces of supply and demand in the foreign exchange markets. These forces are affected by international balance of payments and other economic and financial conditions, government intervention and other political and diplomatic conditions, speculation and other factors.

Pharo Management will enter into forward contracts on currencies, and may enter into futures and options contracts on currencies in U.S. and non U.S. markets for both investment and hedging purposes. With regard to the latter, there is no certainty that instruments suitable for hedging currency shifts will be available at the time Pharo Management wishes to use them.

Fixed Income Securities. Pharo Management may take long and short positions in bonds or other fixed income securities of U.S. and non-U.S. issuers, including, without limitation, bonds, notes and debentures issued by corporations; debt securities issued or guaranteed by a sovereign government or one of its agencies or instrumentalities; and commercial paper. Such securities and instruments may have speculative characteristics. Fixed income securities pay fixed, variable or floating rates of interest. The value of fixed income securities in which the hedge funds invest will change in response to fluctuations in interest rates. Generally, when interest rates decline, the value of a long fixed income position can be expected to rise while that of a short fixed income position can be expected to decline. Conversely, when interest rates rise, the value of a long

fixed income position can be expected to decline while that of a short fixed income position can be expected to rise. In addition, the value of certain fixed income securities can fluctuate in response to perceptions of creditworthiness, political stability or soundness of economic policies. Fixed income securities are subject to the risk of the issuer's inability to meet principal and interest payments on its obligations (i.e., credit risk) and are subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity (i.e., market risk).

Liquidity of Markets and Investments. The markets in which we transact have in the past experienced illiquidity and thus are subject to such risk in the future. During periods of market illiquidity, we may not be able to sell assets in the portfolio or may only be able to do so at unfavorable prices. In addition, daily limits on price fluctuations and speculative position limits on exchanges on which we may transact in certain derivative instruments could prevent prompt liquidation of positions, thereby increasing the potential for greater loss.

Forward Trading. We invest in forward contracts and options thereon. Such contracts and options, unlike futures contracts, are not traded on exchanges and are not standardized; rather banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and "cash" trading is substantially unregulated; there is no limitation on daily price movements and speculative position limits are not applicable. The principals who deal in the forward markets are not required to continue to make markets in the currencies or commodities they trade and these markets can experience periods of illiquidity, sometimes of significant duration. There have been periods during which certain participants in these markets have refused to quote prices for certain currencies or commodities or have quoted prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell. Disruptions can occur in any market due to unusually high trading volume, political intervention or other factors. The imposition of controls by governmental authorities might also limit such forward (and futures) trading. Market illiquidity or disruption could result in significant losses.

Derivative Transactions Generally. Pharo Management intends to engage in other derivative transactions such as swaps, collars, caps, floors, both for hedging purposes and as an alternative to direct investments in the underlying currencies or securities. The risks associated with derivative transactions are potentially greater than those associated with the direct purchase or sale of the underlying currencies or securities because of the additional complexity and potential for leverage. In addition, derivatives may create credit risk (the risk that a counterparty on a derivative transaction will not fulfill its contractual obligations), as well as legal, operations, reputational and other risks beyond those associated with the direct purchase or sale of the underlying currencies or securities to which their values are related.

Swaps. The use of swaps is a highly specialized activity which involves investment techniques and risks different from those associated with ordinary securities transactions. Whether our investments in swap agreements will be successful will depend on our ability to properly value and trade swaps in light of interest rates and other applicable factors. Even if we are correct, there is the risk that a swap position may correlate imperfectly with the price of the asset or liability being hedged. Moreover, the hedge funds we advise bear the risk of loss of the amount expected to be received under a swap agreement in the event of the default or bankruptcy of swap agreement counterparty. Accordingly, we enter transactions only with counterparties deemed creditworthy.

Default and Counterparty Risk. We will invest a portion of the assets we manage in the debt securities of private and governmental issuers, thus exposing such assets to the credit and political risk of the issuer. Adverse changes in financial, economic and political conditions could cause an issuer to default on its obligations.

In addition, many of the markets in which we effect transactions are “over-the-counter” or “interdealer” markets. The participants in such markets are typically not subject to credit evaluation and regulatory oversight as are members of “exchange based” markets. This exposes the hedge funds we advise to the risk that counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing the assets we advise to suffer a loss. In addition, in the case of a default, the hedge funds we advise could become subject to adverse market movements while replacement transactions are executed. Such “counterparty risk” is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where we have concentrated transactions with a single or small group of counterparties. We are not restricted from dealing with any particular counterparty or from concentrating any or all of our transactions with one counterparty. Moreover, neither we nor the hedge funds we advise have an internal credit function which evaluates the creditworthiness of its counterparties. Our ability to transact business with any one or number of counterparties, the lack of any meaningful and independent evaluation of such counterparties’ financial capabilities and the absence of a regulated market to facilitate settlement may increase the potential for losses.

Equity Securities. Our investment portfolios may include positions in equity and equity-related securities. Equity securities fluctuate in value in response to many factors, including the activities and financial condition of the issuer, the market in which the issue competes, and industry market conditions and the general economic environment.

Special Risks of Non-U.S. Investments. Political, legal, tax or economic developments in non-U.S. markets in which we invest could adversely affect non-U.S. investments we make. In addition, non-U.S. investments will be subject to

the risks of adverse market conditions due to changes in national or local economic conditions, changes in interest rates and changing governmental rules and policies.

Trading on Emerging Market Exchanges. Pharo Management will trade on exchanges where the protections provided by U.S. regulations do not apply. Some non-U.S. exchanges, for example, in contrast to U.S. exchanges, are “principals’ markets” in which performance with respect to a contract is the responsibility only of the individual member with whom the trader has entered into the contract and not of the exchange or its clearinghouse, if any. Due to the absence of a clearing house system on certain foreign markets, such markets are significantly more susceptible to disruptions than are U.S. exchanges and, therefore, trading thereon potentially is subject to greater risks than trading in the United States. In the case of trading on emerging market exchanges, the hedge funds we advise may be subject to the risk of the inability of or refusal by its counterparties to perform with respect to its contracts with our clients. We also may not have the same access to certain trades as do various other participants in these markets.

Emerging Market Currencies and Securities. We will invest in foreign currencies and foreign currency-related products of emerging market countries and may invest a portion of assets in securities of issuers located within such countries and in other financial instruments denominated in various currencies. These types of investments entail risks in addition to those involved in investments in securities of issuers from developed countries due to exchange rate fluctuations, possible exchange controls, less publicly-available information, different accounting and auditing standards, more volatile markets, less securities regulation, less favorable tax provisions (including possible withholding taxes), political and social upheaval, war or expropriation. Securities of emerging market issuers also may be less liquid and more volatile than U.S. securities and may involve higher transaction and custodial costs. In addition, hedging foreign currency exchange rate risk entails additional risk since there may be an imperfect correlation between the portfolio holdings of securities denominated in a particular currency and the portfolio holdings of currencies and foreign currency related products purchased to hedge any exchange rate risk. Such imperfect correlation may prevent us from achieving the intended hedge or expose our clients to additional risk of foreign exchange rate loss.

Trading in Options. We may purchase and (“write”) options on securities, currencies and commodities on national and international exchanges and over-the-counter markets. The seller (“writer”) of a put option which is covered (e.g., the writer has a short position in the underlying instrument) assumes the risk of an increase in the market price of the underlying instrument above the sales price (in establishing the short position) of the underlying instrument, plus the premium received, and gives up the opportunity for gain on the underlying instrument below the exercise price of the option. The seller of an uncovered put option assumes the risk of a decline in the market price of the

underlying instrument below the exercise price of the option. The buyer of a put option assumes the risk of losing its entire investment in the put option. If the buyer of the put holds the underlying instrument, the loss on the put will be offset in whole or in part by any gain on the underlying instrument.

The writer of a call option which is covered (e.g., the writer has a long position in the underlying instrument) assumes the risk of a decline in the market price of the underlying instrument below the value of the underlying instrument less the premium received, and gives up the opportunity for gain on the underlying instrument above the exercise price of the option. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying instrument above the exercise price of the option. The buyer of a call option assumes the risk of losing its entire investment in the call option. If the buyer of the call sells short the underlying instrument, the loss on the call will be offset, in whole or in part, by any gain on the short sale of the underlying instrument.

Options may be cash settled, settled by physical delivery or by entering into a closing transaction. In entering into a closing purchase transaction, the hedge funds may be subject to the risk of loss to the extent that the premium paid for entering into such closing purchase transaction exceeds the premium received when the option was written. In addition, the correlation between option prices and the prices of underlying securities may be imperfect and the market for any particular option may be illiquid at a particular time.

Futures. Pharo Management may engage in transactions in commodity futures contracts, options on futures contracts and in other products which may be traded on commodities exchanges regulated by the CFTC or international exchanges. Substantially all trading in commodities and futures has as its basis a contract to purchase or sell a specified quantity of a particular asset for delivery at a specified time, although certain financial instruments, such as market index futures contracts, may be settled only in cash based on the value of the underlying composite index. Futures trading involves trading in contracts for future delivery of standardized, rather than specific, lots of particular assets.

Private Placements and Unregistered Securities. We may purchase equity, convertible securities, and fixed income obligations the disposition of which may be restricted under the 1933 Act and other applicable law. Whether or not so restricted, the market to resell such securities may be illiquid. Therefore, such investments may be required to be held for a lengthy period of time or, if we were forced to liquidate positions in such securities, such liquidation may be taken at a substantial discount to the underlying value or result in the entire loss of the value of such investment.

Short Sales. Pharo Management will effect short sales of currencies and securities in those instances when we believe that a given currency or security is over-valued or over-priced, or as part of a hedging strategy. Short sales are

transactions in which we sell a currency or security that a hedge fund does not own (if a security, by borrowing such security) in anticipation of a decline in the market value of the currency or security. Although the gain is limited by the price at which it sold the currency or security short, losses from short sales may be unlimited if the currency or security sold short continues to appreciate. Additionally, even though a hedge fund secures a “good borrow” of a security sold short at the time of execution, the lending institution may recall the lent security at any time, thereby forcing the hedge fund to purchase the security at the then prevailing market price which may be higher than the price at which such security was originally sold short.

Recent market turmoil, combined with the perception that short selling is one of the potential causes of market fragility, has led to regulations restricting the use of short sales. The U.S. and certain other jurisdictions recently have promulgated such regulations. As a result, we may be prohibited from using short sales to hedge certain positions. In addition, these regulations may lead to crowded shorts and increased borrowing costs. The specific regulations in effect at any given time vary with regulators’ perceptions of market risk and it is not possible to gauge what, if any, regulations will be in effect in the future.

Concentration of Investments. Pharo Management may at certain times assume concentrated investment positions (relative to capital) in currencies or securities, with the result that a loss in any such position could have a material adverse impact on a hedge fund’s capital.

Leverage. When deemed appropriate and subject to applicable regulations, Pharo Management will use leverage in its investment program. We may obtain leverage in any manner deemed appropriate, including by borrowing to buy currencies and securities or by entering into reverse repurchase agreements and derivative transactions that have the effect of leveraging investments. The amount of leverage varies and may at times be substantial. To the extent we purchase currencies and securities with borrowed funds, the net asset values of the hedge funds we advise will tend to increase or decrease at a greater rate than if borrowed funds are not used. If the interest expense on borrowings were to exceed the net return on the assets purchased with borrowed funds, our use of leverage would result in a lower rate of return than if we did not use leveraged.

Margin and Repurchase Agreements. We may borrow to buy currencies, securities and commodity interests on margin or to make other investments. We may also leverage assets by entering into reverse repurchase agreements whereby we effectively borrow funds on a secured basis by “selling” interests in investments to a financial institution for cash and agreeing to “repurchase” such investment at a specified future date for the sales price paid plus interest at a negotiated rate. In the event of a sudden, precipitous drop in value of any such assets occasioned by a sudden market decline, we might not be able to liquidate

assets quickly enough to meet margin or borrowing obligations. Also, because acquiring and maintaining positions on margin allows us to control positions worth significantly more than the investment in those positions, the amount that the hedge funds we advise stand to lose in the event of adverse price movements is high in relation to the amount of the investment. In addition, since margin interest will be an expense of the hedge funds, the hedge funds are at risk that interest rates will increase, thereby increasing its expenses.

Derivative Transactions. We may also obtain leverage through over-the-counter derivative transactions with various financial institutions. These derivative transactions expose the hedge funds to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing the hedge funds to suffer a loss. In addition, in the case of a default, the hedge funds could become subject to adverse market movements while replacement transactions are executed. Such “counterparty risk” is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where we concentrated transactions with a single or small group of counterparties. The hedge funds are not restricted from dealing with any particular counterparty or from concentrating any or all transactions with one counterparty.

There is a risk that the hedge funds could lose the entire premium paid to a counterparty under an option, total return swap or other derivative transaction.

To the extent we obtain leverage through derivative transactions, the hedge funds may not legally or beneficially own the securities upon which the return derived under the derivative is based. Uncertainties as to the valuation of those securities could also have an impact on the derivative transactions entered into and the determination of the net asset value of the Shares of the hedge funds we advise. The counterparties or their affiliates will typically assign valuations to the securities underlying a derivative transaction, but such valuations could prove to be incorrect.

Continued Availability of Financing. There can be no assurance that we will be able to maintain a source of financing. The hedge funds’ counterparties may terminate these transactions under certain circumstances and the counterparties are under no obligation to execute new or additional credit or derivative transactions with us on behalf of the hedge funds. In the event that a counterparty is unable or unwilling to provide such financing going forward, our investments may be adversely affected.

Loans of Portfolio Securities. The hedge funds may from time to time lend securities from their portfolios to brokers, dealers and financial institutions and receive collateral in the form of cash or securities in an amount equal to at least 100% of the current market value of the loaned securities, including any accrued interest or dividend receivable. The hedge funds will retain all rights of

beneficial ownership as to the loaned portfolio securities, including voting rights and rights to interest or other distributions, and will have the right to regain record ownership of loaned securities to exercise such beneficial rights. Such loans can be terminable at any time. The hedge funds may pay finders', administrative and custodial fees to persons unaffiliated with the hedge funds in connection with the arranging of such loans.

Repurchase Agreements and Reverse Repurchase Agreements. The hedge funds may enter into repurchase and reverse repurchase agreements. Repurchase agreements entail the purchase of a security from a bank or broker-dealer that agrees to repurchase the security at the hedge funds' cost plus interest within a specified time. If the party agreeing to repurchase should default, as a result of bankruptcy or otherwise, the hedge funds may seek to sell the securities which it holds, which action could involve costs or delays in addition to a loss on the securities if their value should fall below their repurchase price. If the seller becomes insolvent and subject to liquidation or reorganization under applicable bankruptcy or other laws, our ability to dispose of the underlying securities may be restricted. Similarly, the entering into of reverse repurchase agreements involves certain risks. A reverse repurchase agreement involves the sale of a security by the hedge funds and their agreement to repurchase the security at a specified time and price. Under a reverse repurchase agreement, the hedge funds continue to receive any principal and interest payments on the underlying security during the term of the agreement.

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

Single-Stock Futures. Trading futures on individual stocks and narrow-based security indexes involves contracts (collectively, "Securities Futures") that are priced, valued and margined much like a stock index futures contract. However, the market for Securities Futures is relatively new and not available in all countries. In the U.S., trading in Securities Futures for institutional investors on a principal-to-principal basis was permitted only beginning in August, 2001. The limited market for Securities Futures may affect the liquidity of such instruments. In addition, other potential issues, including certain regulations, related to the trading and sale of Securities Futures, are not fully resolved and may affect both the liquidity and the risk of these instruments. Furthermore,

trading in Securities Futures typically involves a high degree of leverage that carries inherent risks.

Exchange Traded Funds (ETFs). Exchange traded funds (ETFs) represent shares of ownership in either funds or unit investment trusts that hold portfolios of common stocks or bonds, which are designed to generally correspond to the price and yield performance of their underlying indexes, either broad stock market, stock industry sector, international stock, or U.S. bond. 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 or bond prices may decline, thus affecting the value of an equity or fixed income exchange traded fund, respectively. This is because an equity (or bond) ETF represents an interest in a portfolio of stocks (or bonds). 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 indexes, ETFs may not be able to exactly replicate the performance of the indexes because of their expenses and other factors.

Overall Investment Risk. All investments in currencies, securities and commodity interests risk the loss of capital. The nature of the currencies, securities and commodity interests to be purchased and traded by the hedge funds and the investment techniques and strategies to be employed by Pharo Management may increase this risk. While we will use our best efforts in the management of the hedge fund portfolios, there can be no assurance that the hedge funds will not incur losses. Many unforeseeable events, including actions by various government agencies, and domestic and international economic and political developments, may cause sharp market fluctuations which could adversely affect the hedge funds' portfolio and performance.

Effectiveness of Risk Reduction Techniques. We may employ various risk reduction strategies designed to reduce the risk on investments. A substantial risk remains, nonetheless, that such strategies will not always be possible to implement and when possible will not always be effective in limiting losses. If we analyzes market conditions incorrectly, or employ a risk reduction strategy that does not correlate well with the investments, such risk reduction techniques could result in a loss, regardless of whether the intent was to reduce risk rather than to increase return. These risk reduction techniques may also increase the volatility and/or result in a loss if the counterparty to the transaction does not perform as promised.

Future Regulatory Developments. Several events in the past several years, such as the start of subprime mortgage crisis in 2007, which precipitated our latest financial crisis that ensued, the mutual fund market timing investigations in 2003, the collapse of Enron in January 2002 and terrorist attacks on New York and Washington in September 2001 have caused lawmakers and regulators to promulgate laws and issue regulations and to consider additional oversight of financial markets, including regulation of private investment funds and their managers. Any such future regulations could have a material adverse impact on the hedge funds we advise and Pharo Management to conduct its business or even to continue doing business at all.

Portfolio Turnover. Pharo Management has not placed any limits on the rate of portfolio turnover and portfolio securities may be sold without regard to the time they have been held when, in our opinion, investment considerations warrant such action. A high rate of portfolio turnover involves correspondingly greater expenses than a lower rate.

Trading in Indices and Financial Instruments. Pharo Management may trade indices and financial instruments. The effect of governmental intervention may be particularly significant at certain times in indices and financial instruments futures and options markets and such intervention (as well as other factors) may cause all these markets to move rapidly in the same direction because of, among other things, interest-rate fluctuations.

Hedging Transactions. We may utilize a variety of financial instruments, such as derivatives including options and forward contracts, both for investment purposes and for risk management purposes. However, we are not obligated to, and may elect not to, hedge against risks. While we may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for the hedge funds than if they had not engaged in any such hedging transactions. Moreover, it should be noted that the portfolio will always be exposed to certain risks that cannot be hedged, such as credit risk of certain issuers (relating both to particular securities and counterparties), as well as risks to which we choose to expose the hedge funds as part of their investment strategies.

Limited Liquidity of Some Investments. Some of the securities in which we invest may be or become relatively illiquid, because they are thinly traded, they are subject to transfer restrictions, or the circumstances of the hedge funds' ownership of them (e.g., the hedge funds and other accounts we manage hold a large block) give rise to practical or regulatory limits on the hedge funds' ability to liquidate quickly. Pharo Management may not be able to promptly liquidate those investments if the need should arise, and a hedge fund's ability to realize gains, or to avoid losses in periods of rapid market movements, may therefore be affected. In addition, the value assigned to such securities for purposes of determining net profits and net losses may differ from the value the hedge funds' are ultimately able to realize.

Insolvency of Brokers and Others. The hedge funds will be subject to the risk of failure of the brokerage firms that execute their trades, the clearing firms that such brokers use, or the clearing houses of which such clearing firms are members. In relation to the hedge funds' right to the return of assets equivalent to the hedge funds' investments to which legal and beneficial title has been transferred to a prime broker, the hedge funds' will rank as one of such prime broker's unsecured creditors and, in the event of the insolvency of the prime broker, the hedge funds may not be able to recover such equivalent assets in full. In addition, the hedge funds' cash held with the prime broker will not be segregated from the prime broker's own cash and will be used by the prime broker in the course of its business and the hedge funds will, therefore, rank as an unsecured creditor in relation thereto.

THE FOREGOING LISTS OF RISK FACTORS DO NOT PURPORT TO BE A COMPLETE EXPLANATION OF THE RISKS INVOLVED IN PHARO MANGEMENT'S INVESTMENT STRATEGY. POTENTIAL INVESTORS IN THE HEDGE FUNDS WE ADVISE MUST READ THE ENTIRE MEMORANDUM AND ALL RELATED OFFERING DOCUMENTS OF THE APPLICABLE HEDGE FUND BEFORE DETERMINING WHETHER TO INVEST IN THAT FUND. POTENTIAL FUND INVESTORS AND CLIENTS WHO SEEK TO HAVE THEIR ASSETS MANAGED PURSUANT TO PHARO MAMANGEMENT'S INVESTMENT STRATEGY SHOULD OBTAIN PROFESSIONAL GUIDANCE FROM THEIR TAX AND LEGAL ADVISERS IN EVALUATING ALL OF THE TAX IMPLICATIONS AND RISKS INVOLVED IN INVESTING IN THE APPLICABLE FUND OR ENTERING INTO AN INVESTMENT ADVISORY AGREEMENT WITH PHARO MANGEMENT. CLIENTS SEEKING AN INVESTMENT ADVISORY AGREEMENT SHOULD REFER TO YOUR PROPOSED INVESTMENT ADVISORY CONTRACT FOR ADDITIONAL RISK FACTORS THAT MAY APPLY TO YOUR ACCOUNT.

Disciplinary Information

The action below is not required to be disclosed. Pharo Management wishes to voluntarily disclose this ruling as clients and investors in the hedge funds we advise may deem it important information. In addition, the final decision is beyond the ten year period to disclose such information.

In the wake of the sharp rise in interest rates in 1994 and Bankers Trust's well publicized disputes with Procter & Gamble and Gibson Greetings, the derivatives business at Bankers Trust was subjected to intense regulatory scrutiny. Along with several other executives at Bankers Trust responsible for the firm's derivatives and options activities, Mr. Fonkenell was named as a respondent in an action brought by the Board of Governors of the Federal Reserve System. Unlike the other former Bankers Trust employees, Mr. Fonkenell rejected the Board's settlement offers and chose to contest the charges in an administrative proceeding which took place in July, 1999 before

Administrative Law Judge Walter J. Alprin. On June 7, 2000, Judge Alprin concluded that Mr. Fonkenell had not been proven to have violated any law, rule or regulation, or to have engaged in any unsafe or unsound banking practice, and issued a ruling recommending that all charges against Mr. Fonkenell be dismissed with prejudice. On March 14, 2001, the Board issued a Final Decision and Order dismissing the enforcement action brought against Mr. Fonkenell.

Other Financial Industry Activities and Affiliations

See also **Advisory Business** above.

Pharo Management is part of the Pharo Group which includes PGAL, the Investment Manager to certain hedge funds advised by Pharo Management and our affiliated Investment Advisors.

The PMs of Pharo Management operate in an open environment with the PMs of our affiliated Investment Advisors which facilitates a continuous exchange of economic views, investment ideas and trades.

Guillaume Fonkenell is Member of Pharo Management (UK) LLP our London based FSA authorized investment advisor and is registered in three controlled functions (CF 3- CEO, 4- Partner & 30- Customer Function) with the FSA. Guillaume serves as Chief Investment Officer for the Pharo Group and is directly or indirectly the beneficial owner of all entities within the Pharo Group.

Mr. Fonkenell has and may continue to have capital allocations from our affiliated Investment Advisors across some or all of the hedge funds managed by PGAL. Mr. Fonkenell has personal investments of various sizes in the hedge funds managed by PGAL. In addition, other employees may also have deferred compensation balances invested in the hedge funds including those over which they have investment discretion.

As a result of the above, Mr. Fonkenell's time is split among the Pharo Group and may create a conflict by disproportionately dedicating his resources among the different companies within the Pharo Group. In addition, Mr. Fonkenell's investment advice is spread across multiple hedge funds in which he has personal investments of various sizes. These circumstances create a conflict of interest in dedicating his resources with regard to his investment analysis which may vary by hedge fund depending on the hedge funds' investment strategy. Mr. Fonkenell's personal investments as well as other PMs deferred compensation balances (which may be invested in the hedge fund they advise) also create a conflict of interest as they stand to gain personally by the performance of the various hedge funds over which they have discretionary authority.

Because of Mr. Fonkenell's ownership of Pharo Management as well as his ownership of other companies within the Pharo Group and his managerial and portfolio management roles with the various legal entities within the Pharo Group, Mr. Fonkenell is deemed a key man risk.

Jeff Hanlon, Pharo Management's CFO is also a director of Pharo Management (HK) Limited. Mr. Hanlon's time is therefore split among both entities which may create a conflict of interest by disproportionately allocating his time to the different companies.

Pharo Management employs certain personnel as traders to execute orders in the market. Our affiliated Investment Advisors also employ traders in London and Hong Kong. Having execution traders in the US, Europe and Asia allows Pharo Management and our affiliated Investment Advisors to have access to execution facilities with local market expertise, access to local brokers and or dealers and 24 hour access to execute orders. Pharo Management traders are not solely dedicated to order execution for Pharo Management PMs. Likewise, the traders for our affiliated Investment Advisors are not solely dedicated to executing orders for the PMs of such affiliates. There may be times when Pharo Management traders are working orders for different hedge funds some of which Pharo Management may not serve as investment advisor. Executions for Pharo Management by Pharo Management traders are not given priority over orders for our affiliated Investment Advisors, which may cause delays in the execution of orders for Pharo Management.

These inter-company affiliations and the conflicts of interest they create are mitigated by the following:

Each of the investment advisors within the Pharo Group have personnel with significant managerial and portfolio management experience. This allows our hedge fund portfolios to be managed and supported by a team without dependence on any one person.

In addition, each of the investment advisors within the Pharo Group have investment allocation policies that require fair and equitable allocations over time to the hedge funds and other clients they advise. Investment opportunities that are allocated to more than one hedge fund or client account, may not necessarily be done on a *pro rata* basis.

These procedures are monitored by the CCO to detect any favoritism of any hedge fund over another.

In addition, there are overlaps during the trading day where more than one trading desk of the Pharo Group are operating. This provides additional execution trader resources to the extent Pharo Management traders are executing orders for our affiliated Investment Advisors or for hedge funds not advised by Pharo Management.

THE FOREGOING LISTS OF CONFLICTS DO NOT PURPORT TO BE A COMPLETE EXPLANATION OF THE CONFLICTS OF INTEREST INVOLVED IN PHARO MANAGEMENT'S INVESTMENT STRATEGY. POTENTIAL INVESTORS IN THE HEDGE FUNDS WE ADVISE SHOULD REFER TO THE CONFLICTS OF INTEREST AND POTENTIAL CONFLICTS OF INTEREST DISCLOSED IN THE MEMORANDUM OF THE APPLICABLE HEDGE FUND BEFORE DETERMINING WHETHER TO INVEST. CLIENTS SEEKING AN INVESTMENT ADVISORY AGREEMENT SHOULD REFER TO YOUR PROPOSED INVESTMENT ADVISORY CONTRACT FOR ADDITIONAL CONFLICTS OF INTEREST THAT MAY APPLY TO YOUR ACCOUNT. ALSO SEE BELOW "OTHER POTENTIAL CONFLICTS OF INTEREST".

Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Pharo Management has adopted a Code of Ethics (the "Code"), which is available to clients upon request. The Code incorporates the following principles among others that all employees are expected to uphold; (a) employees must treat clients in a fair and equitable manner; (b) investment decisions must be made in accordance with Pharo Management's fiduciary duties; (c) all personal securities transactions by Pharo Management employees must be conducted in a manner consistent with the Code which includes restrictions and requirements that they disclose their personal securities transactions at least quarterly and holdings annually; and (d) information concerning the identity of securities, the financial circumstances of our clients and personal non public information regarding individual investors or clients must be kept confidential. Pharo Management stresses the importance of confidentiality in our Code and identifies the scope of confidential information. In addition, the Code outlines procedures to protect against the receipt of inside information, the procedures to follow in the event an employee receives inside information intentionally or unintentionally and our means of surveillance to detect the receipt of inside information. Our Code also includes our policy and procedures with regard to market rumors. The Code seeks to gather information from employees to identify conflicts of interest in various areas of our business in order to develop controls around such conflicts. In addition, pre-clearance of all political contributions is required by our Code.

Pharo Management and its related persons limits the types of securities that may be invested in by Pharo Management employees and related persons. In addition, we generally do not permit personal investing in the same securities that we hold on behalf of our clients. We permit employees and individual related persons to invest in a limited number of securities to mitigate the conflicts that may arise by allowing personal trading. We allow trading in Mutual Funds, Open Ended ETFs, Government securities (as defined in our Code of Ethics), municipal securities, closed end funds that invest in municipal securities ("closed end funds") and private placement partnerships or similarly structured commingled investment vehicles including hedge funds. In addition, index based closed end ETFs with net assets or a market cap equal to or greater than \$3

billion are also permitted. Only municipal securities, closed end funds, private placement partnerships or similarly structured commingled investment vehicles and hedge funds will require pre-clearance. These instruments may be permitted on the basis that our investment strategy for clients is unlikely to invest in these securities. Should we invest in such securities for our clients post an employee's personal investment (which was approved on the basis that the security was not held for clients at the time of an employee's or individual related person's personal investment), 3 days will have to elapse from the date of the last trade in the issuer in any client account before an employee or individual related person will be granted permission to liquidate such security.

The CCO in his sole discretion may grant a waiver to these procedures if he deems warranted and no client is disadvantaged.

Neither Pharo Management nor its employees plan on engaging in principal transactions with its clients. Should we decide to do so, we would seek client consent before entering into such transactions.

Neither Pharo Management nor a related person acts as general partner or similar capacity to a partnership or other legal structure in which we solicit clients to invest nor do we act as an investment advisor to an investment company that Pharo Management recommends to clients.

Brokerage Practices

Pharo Management has been in business for over ten years and its PMs and traders as well as the PMs and traders of our affiliated Investment Advisors have substantial experience in the financial services industry. Pharo Management relies on this experience and knowledge to identify what markets, instruments and services in which different brokers excel. Pharo Management is responsible for the selection of brokers and dealers to effect transactions, and the negotiation of brokerage commissions. Our prime brokers provide us with securities lending, financing, and capital introduction services. Brokers and prime brokers may be selected based on credit ratings, products offered, commissions, collateral requirements, reputation and operations. When executing a transaction, our traders may take into account the circumstances associated with the execution of particular types of financial instruments.

There is no obligation to solicit competitive bids or seek the lowest available commissions or other transaction costs. Accordingly, the commission rates (or dealer markups and markdowns arising in connection with riskless principal transactions) charged by brokers to Pharo Management clients may be higher than those charged by other brokers.

Subject to the considerations described above, the selection of a broker (including a prime broker) to execute transactions, provide financing and

securities on loan, hold cash and short balances and provide other services may be influenced by, among other things, the provision by the broker of the following: consulting with respect to technology, operations, commitment of capital, and access to company management. Pharo Management will not separately compensate any broker for any of these other services.

Pharo Management's securities transactions will generate brokerage commissions and other compensation, all of which the client, not Pharo Management, will be obligated to pay. Pharo Management will have complete discretion deciding what brokers and dealers its clients will use and negotiating the rates of compensation they will pay. In addition to using brokers as "agents" and paying commissions, we will buy or sell securities directly from or to dealers acting as principals at prices that include markups or markdowns.

Pharo Management is provided opportunities to participate in capital introduction events sponsored by prime brokers where hedge funds and or clients maintain accounts. Prospective investors are introduced to Pharo Management at such events. Capital introduction services are provided incidental to the other prime brokerage/brokering services provided to Pharo Management in connection with the overall prime brokerage relationship. Pharo Management may execute brokerage transactions through the sponsors of these events. None of the hedge funds or Pharo Management compensates brokers for organizing such events or for any investments ultimately made by prospective investors attending such events (although Pharo Management may do so in the future). However, such events and other services provided by a broker may influence Pharo Management in deciding whether to use the broker in connection with brokerage, financing and other activities for the hedge funds or clients we advise.

Some of these arrangements can create a conflict of interest whereby Pharo Management may have an incentive to use a particular broker or prime broker based upon its interest, rather than the interest of our clients. For example, Pharo Management may have an incentive to use a broker based upon capital introduction groups rather than receiving the lowest commission cost or best execution price for its clients. Neither Pharo Management nor its related person directs client transactions to a particular broker-dealer in return for client or investor referrals.

Pharo Management will conduct periodic best execution meetings whereby brokers will be assessed based upon what Pharo Management deems critical criteria to its investment strategy. Part of the analysis will be to evaluate why certain brokers earn their share of our overall commissions and what execution services they excel in. In addition, the basis for adding or dropping a broker will be discussed at such meetings. Our goal is to identify conflicts and direct transactions which are suited to a particular broker's execution expertise to satisfy the interest of our clients as opposed to the interest of Pharo Management.

Pharo Management and its affiliated Investment Advisors anticipate that the counterparties with which the hedge funds will enter into repurchase agreements and derivative transactions will be financial institutions having a global presence that are rated at least single A by Standard & Poor's. However, we have the discretion to cause the hedge funds to enter into transactions with counterparties that do not satisfy the foregoing criteria if we determine that such arrangements are beneficial to the hedge funds.

Neither Pharo Management nor its related persons use soft dollars.

Pharo Management serves as investment advisor to hedge funds and has discretionary authority to select the brokers with whom it will execute securities transactions. As a result we do not have any directed brokerage arrangements.

Orders may be aggregated (including with orders of affiliated Investment Advisors) for the hedge funds we advise, and if filled at different prices, may be allocated using an average price. For average price allocations, purchase or sale orders placed during a trading day on behalf of the hedge funds are combined and executed orders are allocated among the participating hedge funds on an average price basis. Such aggregation of orders may not always be to the benefit of the hedge funds with regard to the price or quantity executed. Pharo Management is not obligated to aggregate orders and has complete discretion to aggregate or enter separate orders depending on its assessment of the best means to execute a particular order. If orders are separated, the hedge funds may be filled at different prices and may incur different execution cost.

Review of Accounts

Pharo Management conducts various periodic reviews of our hedge funds' accounts. Jeff Hanlon, a non-trading Partner with Pharo Management reviews on an ongoing basis certain position profit target/stop loss limits. If such limits are triggered it prompts an additional review to determine if the position remains on, is unwound, or the limits are modified. Guillaume Fonkenell, a principal of Pharo Management also reviews the position profit target/stop loss limits to ensure they are consistent with the underlying instrument volatility and within the context of the market environment. Mr. Fonkenell also conducts ongoing reviews for VaR and beta limits. On a monthly basis, Guillaume Fonkenell, Jeff Hanlon, Michael Skarbinski, Marcel Castro, and Mark Dow review portfolio positions based on a range of risk metrics. This group or members thereof will meet informally as required to address periodic issues e.g., concentration, counterparty or the profit target/loss limits discussed above.

Given the nature of our structure, hence, acting as a sub advisor to hedge funds managed by PGAL, we generally do not provide regular written reports to PGAL as Investment Manager or the directors of the hedge funds. However, we are in frequent contact with PGAL and the directors of the hedge funds we advise.

Client Referrals and Other Compensation

Not applicable. See also Fees and Compensation above.

Pharo Management may in the future retain placement agents in connection with the offering of hedge funds shares and may compensate such agents for their private placement services. Such compensation may be one-time or ongoing, and may be based on the subscription amount, management or performance fees or aggregate dollar amount invested in the Pharo hedge funds by an investor. Pharo Management will act in accord to Rule 206(4)-3 under the Investment Advisers Act of 1940 to the extent applicable

Custody

Pharo Management is deemed to have custody of client assets by virtue of PGAL serving as Investment Manager to the Pharo hedge funds we advise. Neither Pharo Management, PGAL or any other company within the Pharo Group actually has physical possession of client cash and securities although we may be deemed to have control over such assets by virtue of PGAL's status as Investment Manager to our hedge fund clients and the sub delegated authority assigned to us by the Pharo hedge funds' board of directors. PGAL maintains Pharo hedge funds' cash and securities with qualified custodians and intends to satisfy the custody rule requirements by having the pooled investment vehicles (hedge funds) we advise subject to an annual audit conducted by an independent public accountant registered with and subject to inspection by, The Public Company Accounting Oversight Board (PCAOB).

The Pharo hedge funds (excluding managed accounts if any) have retained PricewaterhouseCoopers (Cayman Islands) as independent auditors. Generally within 120 days after each fiscal year end, or as soon as reasonably practicable thereafter, the audited financial statements of the hedge funds are delivered to each investor. PGAL and the administrator to the hedge funds also provide periodic unaudited information, not less frequently than monthly, to investors. A newly formed hedge fund managed by the Pharo Group may capitalize and amortize certain of their organizational expenses departing from GAAP, which may result in a qualified opinion rendered on the hedge fund's financial statements.

Qualified custodians generally send account statements to the administrator, Citco Fund Services (Curacao) N.V.

Investment Discretion

See “**Advisory Business**” above. We generally advise a portion of the assets of the Pharo hedge funds pursuant to a sub advisory agreement with PGAL whereby we are appointed as the Investment Manager’s limited attorney in fact to invest and reinvest on a discretionary basis a portion of the assets of the Pharo hedge funds managed by PGAL.

Voting Client Securities

Pharo Management will generally vote proxies for the Pharo hedge funds it advises and other advisory clients through the electronic voting platforms offered by the Prime Brokers who carry accounts on behalf of such hedge funds and clients. Such platforms generally provide proxy information through an automated electronic interface based on positions held by the Prime Brokers. Pharo Management retains ultimate discretion on how to vote proxies. In certain circumstances, Pharo Management may disagree with management’s recommendation and may vote contrary to such recommendation. Pharo Management will document its rationale for making such vote in such circumstances. The general policy is to vote proxy proposals, amendments, consents or resolutions relating to client securities, including securities held in the Pharo hedge funds we advise, in a manner that serves the best interests of the hedge funds’ or client’s accounts. Clients may request a copy of our proxy policies and procedures and the proxy voting record relating to how we voted specific proxies for their securities by contacting Pharo Management at the address or telephone number on the cover page.

Financial information

Balance Sheet Not Applicable

If Pharo Management and its affiliated Investment Advisors sustained prolonged periods of significant market losses for their advisory clients, which resulted in material redemptions, fee revenues of PGAL and hence Pharo Management, would be significantly impacted. If such periods of significant market losses occurred over a period of years or if such market losses were material and extraordinary in any one year, Pharo Management’s financial condition may impair our ability to meet contractual commitments to our clients.

Other Potential Conflicts of Interest

Pharo Management will use its best efforts in connection with the objectives of the Pharo hedge funds we advise and will devote as much of our time and effort to the affairs of the Pharo hedge funds as may, in our judgment, be necessary to accomplish the objectives of the Pharo hedge funds we advise. Pharo Management may conduct any other business, including any business within the securities industry, whether or not such business is in competition with the Pharo hedge funds we advise. Without limiting the generality of the

foregoing, Pharo Management, its members, officers, directors and principals may act as investment advisor or investment manager for others, may manage multiple hedge funds or capital for others, may make and hold investments in their own name or through other entities, and may serve as a manager, consultant, partner or stockholder of one or more hedge funds, partnerships, securities firms or advisory firms.

Investment and Trading Opportunities

Pharo Management may give advice and recommend securities be bought and sold for multiple hedge funds. Our advice or the securities we recommend to buy or sell may differ between the Pharo hedge funds even though their investment programs, objectives and strategies may be similar. Accordingly, the Pharo hedge funds with similar strategies may not hold the same securities or instruments or achieve the same performance. We may also advise hedge funds with conflicting investment programs, objectives and strategies and transactions could conflict between the hedge funds affecting prices and the availability of securities and instruments in which the hedge funds invest.

We anticipate that due to the different strategies and risk characteristics of the Pharo hedge funds we advise, securities may be purchased or sold by one hedge fund and not another or *vice versa*. We also anticipate that securities may be purchased by one hedge fund and sold by another or *vice versa*. Pharo Management may cross such transactions between the Pharo hedge funds. Any such transactions will be conducted at prevailing market prices. See “**Cross Trades**” below.

Valuations

The net asset values of the Pharo hedge funds advised by Pharo Management are determined by the Administrators of such hedge funds. Since the value assigned to portfolio securities affects the performance fee paid by our clients to PGAL, a portion of which is indirectly paid to Pharo Management by PGAL, involvement by Pharo Management, PGAL or our affiliated Investment Advisors in the valuation process may create a potential conflict of interest. If and to the extent that PGAL, Pharo Management or our affiliated Investment Advisors are responsible for or otherwise involved in the pricing of any of the hedge funds portfolio securities or other assets, the Administrators may accept, use and rely on such prices in determining the net asset values of the Pharo hedge funds.

PGAL on the advice of Pharo Management and our affiliated Investment Advisors may in its sole discretion take the following actions with regard to valuations: for any security which is listed or quoted on any securities exchange, adjust the mean based upon bid/asked prices on which a valuation is based taking into account size of holdings; where prices for a security are available on more than one exchange or system, determine the exchange or system that

provides the fairest criteria to value such security; for investments other than securities that can be dealt in or traded on more than one market, determine the market that shall prevail; for any security which is not listed or quoted on any securities exchange or similar electronic system or if so listed or quoted is not regularly traded thereon or no prices are available, determine the securities probable realization value in good faith on factors deemed relevant; for investments or cash valued in a currency other than US dollars, determine the rate deemed applicable at the close of business on the relevant valuation date taking into account any premium or discount deemed relevant to costs of exchange.

The directors of the hedge funds are ultimately responsible for the valuation policies and procedures adopted by the hedge funds advised by Pharo Management. The directors may, at their discretion, permit any other method of valuation to be used if they consider that such method of valuation better reflects fair value and is in accordance with sound accounting practices.

All values assigned to securities held by the Pharo hedge funds shall be final, binding and conclusive on all of the Pharo hedge funds' shareholders.

Counsel

Katten Muchin Rosenman LLP ("Katten") is U.S. securities, commodities and tax counsel to the hedge funds and also is U.S. counsel to the Pharo Group. Because Katten acts as counsel to the hedge funds advised by Pharo Management and the Pharo Group, certain conflicts of interest exist and may arise. To the extent that an irreconcilable conflict develops between the Pharo hedge funds and any of the companies of the Pharo Group, Katten may represent the Pharo Group and not the Pharo hedge funds. Katten may in the future render services to the Pharo hedge funds and the Pharo Group with respect to activities relating to the Pharo hedge funds as well as other unrelated activities.

The law firm, Nelson and Company ("Nelson") acts as legal counsel to the Pharo hedge funds with regard to Cayman Islands law only. Nelson may serve as Cayman Islands counsel to other investment companies administered by the Administrator or managed by PGAL or serviced by persons connected to PGAL.

Nelson and Company and Katten Muchin Rosenman LLP do not represent and disclaim any fiduciary or attorney-client relationship with the shareholders or prospective investors in any of the hedge funds. Neither potential investors in the hedge funds as a group nor the shareholders in the hedge funds as a group have been represented by separate counsel. Prospective investors, clients and hedge fund clients should obtain the advice of their own counsel regarding legal matters.

Trade Errors

Trade errors can result in losses but may also result in gains. Pharo Management will endeavor to detect trade errors prior to settlement and correct and/or mitigate them in an expeditious manner. To the extent an error is caused by a third party, such as a broker, Pharo Management will strive to recover any losses associated with such error from such third party. Unless a trade error is determined to be by acts or omissions to have been the result of Pharo Management's willful misfeasance, bad faith, gross negligence or reckless disregard of its obligations pursuant to its sub- advisory agreement with PGAL, losses will be borne by (and any gains will benefit) the Pharo hedge funds to the extent permitted by applicable law.

Cross Trades

Pharo Management may cause certain of its clients including the Pharo hedge fund clients to engage in cross-transactions with one another typically for purposes of rebalancing the portfolios of its clients to the extent consistent with the investment and operating guidelines of the participating clients. A cross-transaction may be effected if Pharo Management determines the transaction is in the interests (and consistent with the investment program, risk management, fiduciary obligations and other relevant considerations) of all participating clients. Generally, an asset will be transferred at a price within the current market price range of the asset on the transfer date, as determined in good faith by Pharo Management. Pharo Management will not charge any fees to effect a cross-transaction. Any expenses incurred in a cross-transaction will be allocated equitably between the transferee and the transferor. If a transaction is cancelled for any reason, any costs incurred will be allocated equitably between the transferee and the transferor.

Gifts & Entertainment

Pharo Management's Code requires approval of all gifts giving by employees. In addition, employees must report the direct or indirect offering or acceptance of gifts or other consideration in merchandise or services (other than perishable items of nominal value) from or to any person, firm, corporation, or other entity in the course of their employment or relating to their employment with Pharo Management.

PRIVACY NOTICE

Pharo as defined below is committed to protecting your privacy and maintaining the confidentiality and security of your personal information. This Privacy Policy explains the manner in which Pharo collects, utilizes and maintains nonpublic personal information about its investors (“**Investors**”), as required under Federal Law. “Pharo” collectively refers to Pharo Global Advisors Limited, Pharo Management UK LLP, Pharo Management LLC, Pharo Management (HK) Limited and each investment account, partnership, limited liability company or fund (individually a “**Fund**,” and collectively, the “**Funds**”) for which they serve as investment manager, investment advisor, general partner, managing member and/or director. As noted above, this Privacy Policy only applies to products and services provided by Pharo to individuals (including regarding investments in the Funds) and which are used for personal, family, or household purposes (not business purposes).

Collection of Investor Information

Pharo collects personal information about its Investors from the following sources:

1. Subscription forms, investor questionnaires, account forms, and other information provided by the Investor in writing, in person, by telephone, electronically or by any other means. This information includes name, address, employment information, and financial and investment qualifications;
2. Transactions within the Fund, including account balances, investments, withdrawals/ redemptions and fees;
3. Other interactions with Pharo (for example, discussions with our staff); and
4. Verification services and consumer reporting agencies, including an Investor’s creditworthiness or credit history. (Pharo generally does not use these services.)

Disclosure of Nonpublic Personal Information

Pharo may share nonpublic personal information about its Investors or potential Investors with affiliates, as permitted by law. Pharo does not disclose nonpublic personal information about its Investors or potential Investors to nonaffiliated third parties, except as permitted by law (for example, to service providers who provide services to the Investor or the Investor’s account).

Pharo may share nonpublic personal information, without an Investor’s consent, with affiliated and nonaffiliated parties in the following situations, among others:

1. To respond to a subpoena or court order, judicial process or regulatory inquiry;
2. In connection with a proposed or actual sale, merger, or transfer of all or a portion of its business;
3. To protect or defend against fraud, unauthorized transactions (such as money laundering), law suits, claims or other liabilities;
4. To service providers of Pharo in connection with the administration and operations of Pharo, the Fund and other Pharo products and services, which may include brokers, attorneys, accountants, auditors, administrators or other professionals;
5. To assist Pharo in offering Pharo-affiliated products and services to its Investors; and
6. To process or complete transactions requested by an Investor.

Former Customers and Investors

The same Privacy Policy applies to former Investors.

Protection of Investor Information

Pharo maintains physical, electronic and procedural safeguards that comply with federal standards to protect customer information. Pharo restricts access to the personal and account information of Investors to those employees who need to know that information in the course of their job responsibilities.

Further Information

Pharo reserves the right to change this Privacy Policy at any time. The examples contained within this Policy are illustrations and are not intended to be exclusive. This Policy complies with Federal Law regarding privacy. You may have additional rights under other foreign or domestic laws that may apply to you. If you have any questions about this Privacy Policy, please call us at 212-641-6768.